



Public Service Commission
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COMMISSION CLERK

DATE: JUNE 27, 2002

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

FROM: DIVISION OF ECONOMIC REGULATION (MASSOUDI, RENDELL)
OFFICE OF GENERAL COUNSEL (BRUBAKER) *mm* *KB* *ndt* *W* *1/20*

RE: DOCKET NO. 000090-SU - APPLICATION FOR LIMITED PROCEEDING RATE INCREASE IN LEE COUNTY BY USEPPA ISLAND UTILITY, INC.

AGENDA: 07/09/02 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\000090A.RCM.

CASE BACKGROUND

Useppa Island Utility, Inc. (Useppa or utility) is a Class C water and wastewater utility located in Lee County, off the coast of North Fort Myers. The island covers approximately 100 acres which offers over two miles of waterfront. The utility serves a membership of clients known as the Useppa Island Club. Members of the Useppa Island Club create a seasonal customer base that visits the island for holidays and special events. Only a limited number of the utility's customers are year-round residents. The utility is a 100% owned subsidiary of the Useppa Inn and Dock Company. The utility's 2001 annual report provides that the water system consists of 152 customers, generating operating revenues of \$161,983, and operating expenses of \$111,800, for a net operating income of \$50,183. The wastewater system consists of 150 customers, generating operating revenues of \$84,043, and operating expenses of \$93,244, for a net operating income of \$9,201.

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Lee County became jurisdictional in February 1970. The utility was organized in 1981 and the Commission granted it Certificates Nos. 354-W and 310-S by Order No. 10900, issued June 16, 1982, in Docket No. 810268-WS.

By Order No. PSC-00-2117-PAA-SU, issued November 7, 2000, the Commission approved Useppa's application for a limited proceeding for its wastewater system and deferred overearnings for its water system. Pursuant to this Order, Useppa's water system had excess earnings of \$20,462 and its wastewater system had \$10,213 in under earnings for the test year ended December 31, 1999. Overall, the utility overearned by \$10,249 in 1999. Useppa stated that they were in the process of making improvements to its water system totaling \$182,618. For this purpose, the utility provided contracts showing costs for the following three water projects which the utility needs to complete:

1. A water tank expansion of \$124,690;
2. Installation of an emergency generator for \$13,308; and
3. Installation of a back-up well for \$44,620.

The utility stated that the above improvements would be completed in 2001.

The Commission found that these projects were necessary and that the costs were reasonable and prudent, and ordered that this docket remain open for an additional 18 months from the effective date of the Order (November 7, 2000) to allow sufficient time to complete the above mentioned improvements. All pro forma water plant projects were to be completed by May 7, 2002, and subject to Commission staff's verification.

In compliance with Order No. PSC-00-2117-PAA-SU, the staff engineer visited Useppa on May, 8, 2002 to verify that all pro forma water plant projects were completed by the eighteen-month deadline. It was observed that the utility has not completed the projects as scheduled and is still in the process of making the pro forma improvements to its water system. The following is a summary of the observations:

1. The storage tank was delivered and assembled at the utility's

site but plumbing and high service pump installations were not completed.

2. High service pumps for the storage tank were on site, but were still in the shipping crates.
3. The new hydro-pneumatic tank was delivered and on-site, but plumbing and installation has not been performed.
4. The emergency generator was installed and was functional with an automatic switch-over control panel.
5. The utility has signed a contract for installation of a new well. The utility has provided proof that it paid 50% of the total cost as a deposit to the well driller, and the drill site has been selected.

The utility is requesting an extension of the eighteen-month deadline to complete improvements to its water treatment system. The Commission has jurisdiction to consider this matter pursuant to Section 367.0822, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the utility's request for an extension to complete the required proforma plant improvements be approved?

RECOMMENDATION: Yes. The utility's request for an extension to complete the required pro forma plant improvements should be approved. The utility expects complete all plant improvements by July 1, 2002. (MASSOUDI, BRUBAKER)

STAFF ANALYSIS: The reason for the utility's inability to complete the project within the originally specified time period relates directly to the amount of time involved to obtain the necessary permit to construct from the state and local regulatory agencies.

Useppa is currently under contract to begin drilling the back-up water well very soon, and is currently attempting to make arrangements to have the drilling rig barged to the Island. The utility believes that all improvement projects will be completed no later than July 1, 2002.

In light of these circumstances, staff recommends that the utility's request for an extension to complete the required pro forma plant improvements be approved.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. This docket should not be closed. It should remain open to allow the utility additional time to complete pro forma plant improvements to the water treatment system. If the utility completes all plant improvements on time, the docket should be closed administratively.

(MASSOUDI, BRUBAKER)

STAFF ANALYSIS: This docket should remain open to allow the utility additional time to complete pro forma plant improvements to the water treatment system. If the utility completes pro forma plant improvements, the docket should be closed administratively upon staff's verification that the improvements have been made.