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MEMORANDUM

December 13, 2002

TO : OFFICE OF THE GENERAL COUNSEL (CROSBY)
DIVISION OF COMMISSION CLERK & ADMINISTRATIVE SERVICES

FROM: DIVISION OF ECONOMIC REGULATION (REDEMANN) ^{RRR} *RD*

RE : DOCKET NO. 020990-WS - APPLICATION FOR AMENDMENT OF
CERTIFICATES NOS. 544-W AND 474-S TO EXTEND WATER AND
WASTEWATER SERVICE AREA IN HIGHLANDS COUNTY BY HIGHLANDS
RIDGE UTILITIES, LLC.

Highlands Ridge Utilities, LLC (Highlands Ridge, or utility) is a Class C water and wastewater utility located in Avon Park in Highlands County. The utility serves approximately 420 water and 400 wastewater customers. According to the utility's 2001 Annual Report, the revenues were \$121,448 for the water system and \$113,555 for the wastewater system. The corresponding net operating income was \$14,965 for the water system and \$15,263 for the wastewater system. The utility is located in both the Highlands Ridge Water Use Caution Area and the Southern Water Use Caution Area of the Southwest Florida Water Management District (SWFWMD). The SWFWMD recently issued a new Consumptive Use Permit, and is working with the utility on a pilot project to retrofit the irrigation systems with soil moisture sensing equipment to conserve water.

On September 9, 1982, the Board of County Commissioners of Highlands County adopted a resolution which gave jurisdiction over privately owned water and/or wastewater utilities in the County to the Florida Public Service Commission. By Order No. PSC-92-0954-FOF-WS, issued September 9, 1992, in Docket No. 920306-WS the utility was granted Certificates Nos. 544-W and 474-S and initial rates and charges were established.

The application for amendment to these certificates is in compliance with the governing statute, Section 367.045, Florida Statutes, and other pertinent statutes and administrative rules. The application contains a check in the amount of \$1,000, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The utility has provided a copy of a special warranty deed which provides for the continued use of the land 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 is appended to this recommendation as Attachment A. The utility has submitted an affidavit consistent with Section 367.045(2)(d), Florida Statutes, that it has tariffs and annual reports on file with the Commission.

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In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. No objections were filed and the time for filing such has expired. The local planning agency was provided notice of the application and did not file a protest to the amendment. The Department of Community Affairs has identified no growth management concerns with the proposed expansion of the utility. The utility states that the provision of service will be consistent with the utility section of the local comprehensive plan. The utility plans to serve an additional 210 single-family homes and a 5,000 square foot clubhouse. The clubhouse has already been constructed and service will be provided to it without charge until approval by the Commission of the certificate amendment.

The Highlands Ridge water system has a design capacity of 138,000 gallon per day (gpd). There are two wells that are capable of pumping over 1500 gallon per minute (gpm) each. At build-out the utility expects the water treatment system to pump on average 80,000 gpd, which equates to 55 gpm. Highlands Ridge believes that the peak demand will be four times the average. When residential fire flow is included at 500 gpm the total demand is less than 750 gpm. The two wells can easily meet this demand. The utility appears to have ample water capacity to serve the anticipated future growth.

The Highlands Ridge wastewater system has a design capacity of 95,000 gpd. Highlands Ridge has submitted a permit application to the Florida Department of Environmental Protection (DEP) to expand the wastewater plant to 200,000 gpd and is in receipt of a "Draft" permit. This plan includes public access for spray irrigation of the development's golf course. However, the utility believes it will be many years before the flows are sufficient to allow for public access spray irrigation. According to the utility, the wastewater plant is treating about 40,000 gpd with 400 current customers. The total average wastewater flow from the original units in the development and the proposed units can be expected to be about 80,000 gpd at build out. The utility appears to have ample wastewater capacity to serve the anticipated future growth. The utility utilizes Class C licensed water and wastewater operators to operate the systems. Staff has contacted the DEP and learned that there are no outstanding notices of violation issued for the water and wastewater system. Therefore, staff believes the utility has demonstrated the technical ability to provide quality service to these customers.

With respect to financial ability, as of July 31, 2002, the utility had total assets of \$621,106 with total liabilities of \$609,561 and total capital of \$11,545.15. For the seven months ending July 31, 2002, Highlands Ridge had operating revenues of \$154,447 and net income was \$8,656. The construction of the water distribution and wastewater collection system will be financed through the existing loan arrangements with First Union Bank. No material impact on the utility's capital structure is expected. Consequently, staff believes the utility has demonstrated the financial ability to provide quality service to these customers.

Staff recommends the rates and charges currently approved by the Commission be applied to customers in the new service territory. The utility has filed revised tariff sheets incorporating the

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additional territory into its tariff and returned its certificate for entry reflecting the additional territory.

Based on the above information, staff believes it is in the public interest to grant the application of Highlands Ridge Utilities, LLC for amendment of Water Certificate No. 544-W and Wastewater Certificate No. 474-S for the territory described in Attachment A. An administrative order should be issued granting the application within 30 days.

If you have any questions, please contact me immediately.

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HIGHLANDS RIDGE UTILITIES, LLC

Highlands County

Water and Wastewater Service Area

THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4; AND THE EAST 1/2 OF THE SOUTHWEST 1/4 OF THE SOUTHEAST 1/4; AND THE EAST 1/2 OF THE SOUTHEAST 1/4, SECTION 32, TOWNSHIP 33 SOUTH, RANGE 29 EAST, LESS THE FOLLOWING DESCRIBED PARCEL:

A PORTION OF THE SE 1/4 OF SECTION 32, TOWNSHIP 33 SOUTH, RANGE 29 EAST, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCE AT THE SW CORNER OF THE EAST 3/4 OF THE SE 1/4 OF SAID SECTION 32 FOR A POINT OF BEGINNING (P.O.B.#1); THENCE N00°22'17"E, ALONG THE WEST LINE OF SAID EAST 3/4 OF THE SE 1/4, FOR 1366.98 FEET; THENCE S89°18'17"E FOR 1078.09 FEET; THENCE S00°47'35"E FOR 50.47 FEET; THENCE S41°38'05"W FOR 60.50 FEET; THENCE S01°07'04"W FOR 1233.54 FEET TO THE SOUTH LINE OF SAID SE 1/4; THENCE N89°59'37"W, ALONG THE SOUTH LINE OF SAID SE 1/4 FOR 1022.81 FEET TO THE POINT OF BEGINNING. SUBJECT TO THE SOUTH 25 FEET FOR MAINTAINED RIGHT OF WAY. ALL BEING AND LYING IN HIGHLANDS COUNTY, FLORIDA.

TOGETHER WITH:

THE SW 1/4 OF SECTION 33, TOWNSHIP 33 SOUTH, RANGE 29 EAST, HIGHLANDS COUNTY, FLORIDA.

TOGETHER WITH:

THE NW 1/4 OF SECTION 4, TOWNSHIP 34 SOUTH, RANGE 29 EAST, LESS THE WEST 1/2 OF THE WEST 1/2 OF THE NW 1/4 AND LESS A PORTION OF THE EAST 3/4 OF THE NW 1/4 OF SAID SECTION 4 MORE PARTICULARLY DESCRIBED AS: BEGIN (P.O.B.#2) AT THE SE CORNER OF THE NW 1/4 OF SAID SECTION 4; THENCE RUN N88°01'27"W ALONG THE SOUTH LINE OF SAID NW 1/4 FOR 2,007.82 FEET TO A POINT ON THE WEST LINE OF SAID E 3/4, THENCE N00°22'33"E ALONG SAID WEST LINE, FOR 422.94 FEET; THENCE S88°33'41"E, FOR 102.64 FEET; THENCE S88°59'26"E, FOR 192.38 FEET; THENCE N57°33'40"E, FOR 227.22 FEET; THENCE N88°56'14"E, FOR 260.66 FEET; THENCE S84°29'29"E, FOR 218.15 FEET; THENCE S75°48'08"E, FOR 171.23 FEET; THENCE S75°24'51"E, FOR 202.17 FEET; THENCE S48°06'49"E, FOR 185.31 FEET; THENCE

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S46°05'33"E, FOR 171.77 FEET; THENCE S57°32'57"E, FOR 131.52 FEET; THENCE S43°01'02"E, FOR 202.84 FEET; THENCE S89°29'00"E, FOR 166.61 FEET TO THE EASTLINE OF SAID NW 1/4 THENCE S00°03'16"E ALONG SAID EAST LINE, 35.83 FEET TO THE POINT OF BEGINNING.