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DATE: JANUARY 23, 2003

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

FROM: DIVISION OF ECONOMIC REGULATION (FITCH, DAVIS) *RF RJD 1/23*
OFFICE OF THE GENERAL COUNSEL (JAEGER) *JAEGER*

RE: DOCKET NO. 010869-WS - APPLICATION FOR STAFF-ASSISTED RATE
CASE IN MARION COUNTY BY EAST MARION SANITARY SYSTEMS,
INC.

AGENDA: 02/04/03 - REGULAR AGENDA - INTERESTED PERSONS MAY
PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\010869.RCM

CASE BACKGROUND

East Marion Sanitary Systems, Inc. (East Marion or utility) is an existing Class "C" utility which provided water and wastewater service to approximately 41 residential customers during the test year ending December 31, 2000. On June 19, 2001, East Marion filed an application for a staff assisted rate case (SARC) and paid the appropriate filing fee on August 21, 2001. By Order No. PSC-02-1168-PAA-WS, issued August 26, 2002, the Commission approved the utility's current rates, charges, and rate base. A portion of the rate base approved included a pro forma fence replacement.

In the above-referenced order, the utility was ordered to complete the pro forma fence replacement within 90 days of the effective date of the order. This 90-day period ended December 18, 2002. The utility has provided staff with proof of insurance and posted contact numbers as required by the above referenced order. As of the date of this recommendation, the

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utility has not provided staff with a copy a warranty deed or a long-term lease for the land on which its facilities are located. However, the deadline for the warranty deed or long-term lease to be submitted to the Commission is February 6, 2003. By letter received January 3, 2003, the utility has now requested an extension of time to complete the fence replacement which is the final item of pro forma plant required. The Commission has jurisdiction pursuant to Section 367.0814, Florida Statutes. .

ISSUE 1: Should the utility's request for an extension to complete the required pro forma fence replacement be approved?

RECOMMENDATION: Yes. The utility's request for an extension to complete the required pro forma fence replacement should be approved. The utility has requested an additional 120 days (April 15, 2003) to complete the fence replacement. If the utility does not complete the pro forma fence replacement by April 15, 2003, staff will bring a recommendation before the Commission to reduce rates associated with the pro forma addition. (FITCH, T. DAVIS)

STAFF ANALYSIS: As discussed in the case background, the utility was required to complete the pro forma fence replacement by Order No. PSC-02-1168-PAA-WS, issued August 26, 2002, within 90 days of the effective date of the order. This 90-day period ended December 18, 2002. This order also specified that this docket remain open pending staff's verification that the utility has completed the pro forma required.

Staff received a letter from the utility on January 3, 2003, requesting an extension of time to complete the pro forma fence replacements. Staff planned an inspection to verify the fence replacement in mid January. Since the 90-day period expired, customers of the utility have informed staff that the fences have not been replaced.

In its request, the utility cited the following reasons for not completing the fence replacement by the 90-day-due date: (1) Problems with the fencing company stemming from another fencing project unrelated to the utility which involves the utility owner Mr. Hein, (2) Time spent meeting other requirements of the above referenced order, and (3) Mr. Hein, having to travel back and forth to Michigan in order to take care of medical issues involving a family member. In its request the utility anticipates completing the fencing at the water plant by the end of January 2003, and the wastewater plant by mid March 2003.

The utility has completed the other requirements of the order with the exception of the land issue requirements which were discussed in the case background. However, the warranty deed or long-term lease is not required to be submitted to the Commission until February 6, 2003. It should also be noted that staff recommended and the Commission approved the fence replacement in the above referenced order as the least cost alternative to repairs

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that were being made on a periodic basis. Staff does not believe that the customers will be harmed by this extension of time since the utility will be incurring periodic repair expenses in excess of the revenue requirement associated with the fence replacement until the fence has been replaced.

Based on the above, staff believes that the utility's request for additional time to complete the pro forma improvement should be approved. If the utility does not complete the pro forma fence replacement by April 15, 2003, staff will bring a recommendation before the Commission to reduce rates associated with the pro forma addition.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. This docket should not be closed. It should remain open pursuant to Order No. PSC-02-1168-PAA-WS, issued August 26, 2002, in Docket No. 010869-WS. If the utility completes the fence replacement by April 15, 2003, and meets the land requirements pursuant to the above referenced order, the docket should be closed administratively upon staff's verification that the replacement has been completed and the Land requirements have been met. (FITCH, JAEGER)

STAFF ANALYSIS: This docket should remain open pursuant to Order No. PSC-02-1168-PAA-WS, issued August 26, 2002, in Docket No. 010869-WS. If the utility completes the fence replacement by April 15, 2003, and meets the land requirements pursuant to the above referenced order, the docket should be closed administratively upon staff's verification that the replacement has been completed and the Land requirements have been met.