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# Public Service Commission

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COMMISSION  
CLERK

## -M-E-M-O-R-A-N-D-U-M-

**DATE:** October 6, 2005

**TO:** Director, Division of the Commission Clerk & Administrative Services (Bayó)

**FROM:** Division of Economic Regulation (Brady, Rieger, Romig)  
Office of the General Counsel (Rodan)

*Handwritten initials and signatures:* BR, PDR, DR, JS, [Signature], [Signature]

**RE:** Docket No. 050061-WS – Application for grandfather certificates to operate water and wastewater facility in Okeechobee County by Pine Ridge Management Corporation.  
County: Okeechobee

**AGENDA:** 10/18/05 – Regular Agenda – Proposed Agency Action for Issues 2 and 3 -- Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Edgar

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\050061.RCM.DOC

### Case Background

On May 13, 2004, the Okeechobee County Board of County Commissioners (County Commission) adopted Resolution No. 2004-16 declaring the water and wastewater utilities in that County subject to the provisions of Chapter 367, Florida Statutes. The Commission acknowledged the resolution on June 15, 2004.<sup>1</sup> Pursuant to Section 367.171(2)(b), Florida

<sup>1</sup> Order No. PSC-04-0593-FOF-WS, in Docket No. 040469-WS, In Re: Resolution of the Board of County Commissioners of Okeechobee County declaring Okeechobee County subject to the provision of Chapter 367, F.S.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

Docket No. 050061-WS

Date: October 6, 2005

Statutes, each utility engaged in the operation or construction of a system is entitled to receive a certificate for the area served on the day the Chapter becomes applicable to it.

On January 26, 2005, Pine Ridge Management Corporation (Pine Ridge or utility) filed an application for certificates under grandfather rights to provide water and wastewater service in Okeechobee County. According to the application, the utility facilities were in existence and operating when purchased by Pine Ridge on January 16, 1990. Service is provided to approximately 135 mobile home lots and 5 general service customers. The utility is located in a portion of the South Florida Water Management District (SFWMD) which is considered a critical water supply problem area.

This recommendation addresses the application for grandfather water and wastewater certificates and rates and charges. The Commission has jurisdiction pursuant to Section 367.171, Florida Statutes.

### Discussion of Issues

**Issue 1:** Should Pine Ridge Management Corporation's application for grandfather certificates be approved?

**Recommendation:** Yes. Pine Ridge's application should be approved and the utility should be issued Certificate Nos. 630-W and 539-S, effective May 13, 2004, to serve the territory described in Attachment A. (Brady, Rieger, Romig, Rodan)

**Staff Analysis:** On January 26, 2005, an application was filed on behalf of the utility for certificates to provide water and wastewater service under the grandfather rights of Section 367.171(2)(b), Florida Statutes. The application, as completed on September 1, 2005, is in compliance with the governing statute and other pertinent statutes and administrative rules concerning an application for grandfather certificates. Pursuant to Rule 25-30.030(9), Florida Administrative Code, noticing does not apply to grandfather applications.

According to the application, the utility was in existence when purchased by Pine Ridge on January 16, 1990. The water facilities consist of four wells, each rated at 50 gallons per minute, aeration and chlorination treatment facilities, and storage capacity of 5,000 gallons. The wastewater facilities consist of a 20,000 gallon per day treatment facility with effluent disposal by percolation pond. According to the Florida Department of Environmental Protection (DEP), there are no outstanding enforcement actions or corrective orders issued against the utility's water and wastewater systems. The utility is currently in the process of renewing its wastewater operating permit with the DEP.

The application contained a legal description of the territory the utility was serving at the time of jurisdiction as well as system and territory maps. A description of the territory is appended to this memorandum as Attachment A. The application also contained a recorded deed in the name of the Virginia L. Gadsden Family Limited Partnership (Family Trust) as proof of ownership of the land upon which the treatment facilities are located. Pine Ridge is the General Partner of the Family Trust.

The utility has submitted a 2004 annual report and has remitted 2004 RAFs for the period May 13, 2004, through December 31, 2004. Pine Ridge has also provided a statement that the books and records of the utility are essentially in compliance with National Association of Regulatory Utility Commissioners' Uniform System of Accounts.

Based upon the above, staff recommends that Pine Ridge Management Corporation's application should be approved and the utility should be issued Certificate Nos. 630-W and 539-S, effective May 13, 2004, to serve the territory described in Attachment A.

**Issue 2:** What rates and charges should be approved for this utility?

**Recommendation:** The utility’s existing rates and charges, based on the allocation set forth in staff’s analysis, should be approved until authorized to change by the Commission in a subsequent proceeding. The tariff should become effective on or after the stamped approval date, pursuant to Rule 25-30.475, Florida Administrative Code. The utility should also be required to provide customers with a semi-annual bill affirming the charges for water and wastewater service and when payment is due. In addition, the utility should file a proposed customer notice reflecting all Commission-approved rates and charges. Once approved by staff, the utility should provide the notice to all customers within 10 days of the date the order is finalized. Within 10 days after the notice is given, the utility should file a statement confirming that the notice has been given. (Brady, Rieger)

**Staff Analysis:** The utility provides service to 135 water and 136 wastewater mobile home lots and both services to 5 general service customers. The utility’s existing rate structure for the mobile home lots consists of a gallonage charge of \$2.50 per thousand gallons for water service and a monthly \$45.00 flat rate for wastewater service. The general service customers are not metered. Instead, they pay a monthly flat rate ranging from \$20 to \$60 for water and wastewater service combined. According to the application, the current rates went into effect January 1, 2004, per written notice from Pine Ridge to all its customers on October 1, 2003.

Staff recommends that the general service flat rates be allocated 25% to water and 75% to wastewater based on the utility’s water and wastewater operating expenses as reported in its 2004 annual report. In addition, staff recommends that a portion of the utility’s residential flat rate for wastewater be allocated to water so that the average bills for water service (using approximately 3,000 gallons per month) and wastewater service will generate revenues of approximately 25% and 75%, respectively. Except for one mobile home lot which has its own well, staff’s proposed changes do not affect customer bills, only the allocation of revenues collected by the utility. The wastewater only customer will pay less under staff’s proposal. A comparison of the utility’s current and staff’s proposed rates are shown below.

**Residential Service**

|                          | Utility’s Current |                   | Staff’s Proposed |                   |
|--------------------------|-------------------|-------------------|------------------|-------------------|
|                          | <u>Water</u>      | <u>Wastewater</u> | <u>Water</u>     | <u>Wastewater</u> |
| Flat Rate                |                   | \$45.00           |                  |                   |
| Charge per 1,000 gallons | \$2.50            |                   |                  |                   |
| Base Charge              |                   |                   | \$ 5.00          | \$40.00           |
| Charge per 1,000 gallons |                   |                   | \$ 2.50          |                   |

**General Service**

|                           | <u>Utility's Current<br/>Water and Wastewater</u> | <u>Staff's Proposed</u> |                   |
|---------------------------|---|-------------------------|-------------------|
|                           |   | <u>Water</u>            | <u>Wastewater</u> |
| Flat Rate                 |   |                         |                   |
| Thrift Store              | \$20.00   | \$ 5.00                 | \$15.00           |
| Church, TV Repair, Tattoo | \$30.00   | \$ 7.50                 | \$22.50           |
| Mini-Mart                 | \$60.00   | \$15.00                 | \$45.00           |

Rule 25.30.335(1), Florida Administrative Code, requires that utilities render bills to customers at regular intervals. The utility bills its mobile home customers semi-annually for usage. However, the wastewater flat rates for mobile home customers and water and wastewater flat rates for general service customers are due monthly without a bill. The utility proposes to provide a semi-annual bill to all customers affirming the Commission-approved fixed charges and gallonage charge (as applicable) for water and wastewater service and when payment is due.

Finally, since the utility is currently at build-out, there is no service availability policy or charges. The utility's proposed violation reconnection charge and late payment charge will be addressed in Issue 3.

Since staff is recommending that customer rates be restructured in this issue and the utility is requesting a change in its late payment charge in Issue 3, staff recommends that the utility file a proposed customer notice reflecting all Commission-approved rates and charges. Once approved by staff, the utility should provide the notice to all customers within 10 days of the date the order is finalized. Within 10 days after the notice is given, the utility should file a statement confirming that the notice has been given.

Staff recommends that the above rates and charges be approved until authorized to change by the Commission in a subsequent proceeding. The tariff should become effective on or after the stamped approval date, pursuant to Rule 25-30.475, Florida Administrative Code. The utility should also be required to provide all customers with a semi-annual bill affirming the charges for water and wastewater service and when payment is due. In addition, the utility should file a proposed customer notice reflecting all Commission-approved rates and charges. Once approved by staff, the utility should provide the notice to all customers within 10 days of the date the order is finalized. Within 10 days after the notice is given, the utility should file a statement confirming that the notice has been given.

**Issue 3:** Should the utility's proposed violation reconnection charge and late payment charge be approved?

**Recommendation:** Yes. The charges are reasonable and should be approved. These charges should be included in the notice, and implemented with the tariff, described in Issue 2. (Brady, Rieger)

**Staff Analysis:** The utility has requested that the Commission approve its existing \$75.00 violation reconnection charge. Pursuant to Rule 25-30.320(2), Florida Statutes, this charge may be levied prior to the reconnection of service for cause, including delinquent payment. Pine Ridge's meters do not have a disconnection valve. Instead, the meter has to be physically removed and the line capped. The \$75.00 violation reconnection charge is designed to recover the cost of removing the meter, capping the line, and reinstalling the meter when service is reconnected. Staff has reviewed the utility's cost justification and believes it is reasonable. Therefore, staff recommends that the utility's existing \$75.00 violation reconnection charge be approved.

The utility is also requesting a late payment charge. However, instead of its existing 10% charge, the utility is requesting a \$5.00 charge. The purpose of the late payment charge is to ensure that the cost to bill for delinquent service is borne by the cost-causer and not the general body of rate payers. As cost justification, the utility estimates the cost to be approximately \$3.25 for 15 minutes of labor, \$.37 for postage, and \$1.38 for stationary. Staff believes the cost justification is reasonable and the resulting charge is consistent with current Commission-approved late payment charges. Therefore, staff recommends that a \$5.00 late payment charge be approved.

Based on the above, staff recommends that the utility's existing \$75.00 violation reconnection charge and a \$5.00 late payment charge be approved. These charges should be included in the notice, and implemented with the tariff, described in Issue 2.

**Issue 4:** Should this docket be closed?

**Recommendation:** No. If no timely protest is received to the proposed agency action issues 2 and 3, the Order will become final upon the issuance of a Consummating Order. However, the docket should remain open to verify that notice has been given to customers, and a revised tariff has been filed which reflects the Commission approved rates and charges. Once staff has verified these matters, the docket should be administratively closed. (Rodan)

**Staff Analysis:** If no timely protest is received to the proposed agency action issues 2 and 3, the Order will become final upon the issuance of a Consummating Order. However, the docket should remain open to verify that notice has been given to customers, and a revised tariff has been filed, which reflect the Commission approved rates and charges. Once staff has verified these matters, the docket should be administratively closed.

**Pine Ridge Management Corporation**

Okeechobee County

Water and Wastewater Service Area

**Township 37 South, Range 35 East  
Section 14**

A parcel of land located in the East 1/2 of Section 14, Township 37 South, Range 35 East, and bounded by the following description:

Commence at the Northeast corner of Section 14, Township 37 South, Range 35 East, thence South  $00^{\circ}12'05''$  East along the East boundary of said Section 14 for a distance of 2,648 feet to the point of beginning; thence North  $90^{\circ}$  West for a distance of 880 feet; thence North  $0^{\circ}$  East for a distance of 1,099 feet; thence North  $90^{\circ}$  West for a distance of 422 feet; thence South  $0^{\circ}$  East for a distance of 2,287.99 feet; thence North  $63^{\circ} 02' 04''$  East for a distance of 1,459.18 feet; thence North  $0^{\circ}$  East for a distance of 525 feet to the point of Beginning.