

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-**

**DATE:** February 27, 2014

**TO:** Office of Commission Clerk (Stauffer)

**FROM:** Division of Economics (Roberts) *HR*  
Office of the General Counsel (Brownless) *SH P.D. J.W.D. JSC ABN*

**RE:** Docket No. 130276-SU – Application for approval of new class of service for reuse water service in Lee County, by Forest Utilities, Inc.

**AGENDA:** 03/13/14 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

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## Case Background

Forest Utilities, Inc. (Forest or Utility) is a Class B wastewater utility serving approximately 2,478 customers in Lee County. Forest's 2012 annual report shows annual operating revenue of \$859,351 and a net operating loss of \$65,924. The Utility's service area lies in the South Florida Water Management District and it is located in a designated water resource caution area of the district.

On November 20, 2013, Forest filed an application for approval of a new class of service for reuse water service along with a proposed tariff sheet for its reuse rate. The Commission suspended the tariff filing pending further investigation.<sup>1</sup> By letter dated December 20, 2013, staff requested additional information from the Utility and the Utility's response was received on

<sup>1</sup> See Order No. PSC-14-0040-PCO-SU, issued January 15, 2014, in Docket No. 130276-SU, In re: Application for approval of a new class of service for reuse water service in Lee County by Forest Utilities, Inc.

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January 3, 2014. This recommendation addresses the Utility's application for a new class of service for reuse. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes (F.S.).

### **Discussion of Issues**

**Issue 1:** Should the proposed tariff to establish a reuse water rate for Forest be approved as filed?

**Recommendation:** Yes. The proposed tariff to establish a reuse water rate for Forest should be approved as filed. The Utility should file a proposed customer notice to reflect the Commission-approved rate. The approved rate should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rate should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customer. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Roberts)

**Staff Analysis:** The Utility requested a new class of service for reuse water service for private golf course irrigation at Forest Country Club (Country Club). According to Forest, the Utility has been providing reuse water at no charge to the Country Club since 1989. In the past, the Country Club and Forest were related parties. Currently, there is no affiliation between the Country Club and Forest. The Utility is only permitted by the Florida Department of Environmental Protection (DEP) to provide reuse water to the Country Club. The Utility requested \$0.15 per 1,000 gallons for reuse water to offset the cost associated with providing reuse. Forest has chosen Lee County Utilities, Inc., which currently provides reuse water service at \$0.45 per 1,000 gallons, as a reasonable benchmark for creating its initial rate for reuse water service.

Generally, reuse water rates cannot be determined in the same fashion as other water and wastewater rates set by the Commission. If reuse water rates were based on a utility's investment in rate base, the resulting rates would be too high to garner interest from potential customers. When staff analyzes reuse water rates, it must consider the type of customers being served and balance the disposal needs of the Utility with the consumption needs of the customers. In addition to reuse, the Country Club has its own well to supplement its irrigation needs. The reuse water provides the Country Club with less costly means for irrigation than does its own well source. Therefore, a reuse water rate should incentivize the Country Club to continue taking the reuse water from the Utility. Both Forest and the Country Club are benefiting from this arrangement. Forest has a means for effluent disposal and the Country Club has a less costly alternative for irrigation.

There are currently eight wastewater systems under Commission jurisdiction with approved reuse water rates ranging from \$0 to a base facility charge of \$7.37 and a gallonage charge of \$1.10 per 1,000 gallons. According to the DEP's 2012 Reuse Inventory Report of all utilities providing reuse water in Florida, the average rate for reuse water in Lee County (for these systems that charge for reuse water) was \$0.35 per 1,000 gallons. Thus, the Utility's proposed reuse water rate of \$0.15 per 1,000 gallons is reasonable and consistent with past Commission decisions.<sup>2</sup> According to Forest's 2012 Annual Report, the Country Club was

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<sup>2</sup> See Order Nos. PSC-09-0393-TRF-SU, issued June 2, 2009, in Docket No. 080712-SU, In re: Application for approval of a new class of service for reuse water service in Martin County by Indiantown Company, Inc. and PSC-



provided 78,840,000 gallons of reuse water, which results in expected additional revenues of \$11,825 ( $78,840,000/1,000 \times \$0.15$ ) from the sale of reuse water. Staff recommends the proposed tariff sheet to establish a reuse water rate for Forest should be approved as filed. The Utility should file a proposed customer notice to reflect the Commission-approved rate. The approved rate should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rate should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customer. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

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**Issue 2:** Should this docket be closed?

**Recommendation:** If no protest is filed by a person whose interests are substantially affected within 21 days of the issuance of the Order, the Tariff Order will become final upon the issuance of a Consummating Order and the docket should be closed. If a protest is filed within 21 days of the issuance of the Order, the tariff should remain in effect pending the resolution of the protest, and the docket should remain open. (Brownless)

**Staff Analysis:** If no protest is filed by a person whose interests are substantially affected within 21 days of the issuance of the Order, the Tariff Order will become final upon the issuance of a Consummating Order and the docket should be closed. If a protest is filed within 21 days of the issuance of the Order, the tariff should remain in effect pending the resolution of the protest, and the docket should remain open.