

State of Florida



Public Service Commission

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COMMISSION CLERK

DATE: April 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Bruce, Hudson)
Division of Engineering (Lee) *POE*
Office of the General Counsel (Tan) *TN*

RE: Docket No. 130178-SU – Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

AGENDA: 05/05/16 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Patronis

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Crooked Lake Park Sewerage Company (Crooked Lake or utility) is a Class C wastewater utility serving approximately 324 customers in Polk County. Water service is provided by Park Water Company, Inc. The utility's service area is comprised of two mobile home parks.

The utility filed its application for a staff-assisted rate case on June 27, 2013. By Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, the Commission approved Phase I and Phase II revenue requirements and rates. The Phase II rates were to be implemented upon the utility's completion of Phase II pro forma plant items and staff's verification of completion. The utility was given 12 months from the effective date of the consummating order to complete the Phase II pro forma plant items. Consummating Order No. PSC-15-0154-CO-SU was issued on April 20, 2015. Therefore, the pro forma plant items were to be completed before April 20, 2016. Order No. PSC-15-0142-PAA-SU provided that if the utility encountered any unforeseen events that

would impede the completion of the Phase II pro forma plant items, the utility was to immediately notify the Commission in writing.

In addition, the utility was required to purchase commercial general liability insurance (insurance) and provide proof within 90 days of the effective date of the final order. The utility was required to provide proof of continued payment of the insurance premiums prior to the implementation of the Phase II rate increase. The utility provided proof in the specified time frame that it purchased the insurance in its entirety. As a condition of the implementation of Phase II rates, the utility is required to maintain the general liability insurance. The coverage period for the insurance is May 12, 2015 to May 12, 2016, and is due to expire prior to the completion of construction of the pro forma plant items.

On March 31, 2016, the utility requested that it be granted an extension of approximately three months to complete the Phase II pro forma plant items. This recommendation addresses the utility's request for an extension and the renewal of its insurance. The Commission has jurisdiction pursuant to Section 367.121, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve Crooked Lake's request for extension of time to complete the Phase II pro forma plant items?

Recommendation: Yes. The Commission should approve Crooked Lake's request for an extension of time to complete the Phase II pro forma items. The pro forma plant items should be completed by July 31, 2016. In the event the utility does not meet its July 31, 2016 deadline and requests additional time, staff should be given administrative authority to grant the utility an additional six months to complete the pro forma plant items. Upon completion of the pro forma plant items, the utility should submit a copy of the final invoices and cancelled checks for the Phase II pro forma plant and documentation that the general liability insurance was renewed. (Bruce, Lee, Tan)

Staff Analysis: As discussed in the case background, pursuant to Order No. PSC-15-0142-PAA-SU, Crooked Lake was required to purchase and provide proof of general liability insurance and was given until April 20, 2016, to complete construction of the Phase II pro forma plant items listed below.

Pro Forma Plant Items

Project	Description
Wastewater Treatment Plant Modification	Construct surge tank, digester tank, and sludge bed
Collection System Mapping and Cleaning	Map current pipe locations and thoroughly clean
Replacement of Electrical Control Panel	Install NEMA 4X duplex control panel
Replacement of 4" Force Main	Replace up to 2,100 feet of 4" pipes

Source: Commission Order No. PSC-15-0142-PAA-SU

To comply with the conditions of the Department of Environmental Protection permit, the utility is required to construct a digester tank, surge tank, and sludge bed, which the utility estimates will cost \$359,612. In addition, the utility proposed the remaining pro forma items, which the utility estimates will cost \$117,672. Therefore, the total estimation for pro forma is \$477,284. The utility is currently working on completing its pro forma items. However, the utility requested an extension due to scheduling delays from subcontractors and recent emergency repair work to lines and manholes. The utility indicated that it had to re-direct its crews and revise schedules to fix various lines and emergency work in the service area. Staff believes the request for an extension of time to complete the construction is reasonable. The utility should submit a copy of the final invoices and cancelled checks for the Phase II pro forma plant items upon completion. In addition, the utility should provide proof that the general liability insurance was renewed.

Based on the foregoing, staff recommends that the Commission should approve Crooked Lakes' request for an extension of time to complete pro forma plant items set forth above. The pro forma plant items should be completed by July 31, 2016. In the event the utility does not meet its July

31, 2016 deadline and requests additional time, staff should be given administrative authority to grant the utility an additional six months to complete the pro forma plant items.¹ Upon completion of the pro forma plant items, the utility should submit a copy of the final invoices and cancelled checks for the Phase II pro forma plant and documentation that the general liability insurance was renewed.

¹ The permit issued by the Department of Environmental Protection for modifications to the wastewater treatment plant does not expire until July 30, 2018.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open to allow staff time to verify that the Phase II pro forma plant items have been completed and the Phase II rates are properly implemented. Once these actions are complete and verified by staff this docket should be closed administratively. (Tan)

Staff Analysis: No. The docket should remain open to allow staff time to verify that the Phase II pro forma plant items have been completed and the Phase II rates are properly implemented. Once these actions are complete and verified by staff this docket should be closed administratively.