

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-**

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**DATE:** June 10, 2016

**TO:** Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

**FROM:** *Adam R. Hill*  
Adam R. Hill, Engineering Specialist II, Division of Engineering

**RE:** Docket No. 150149-WS - Application for staff-assisted rate case in Glades and Highlands Counties by Silver Lake Utilities, Inc.

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Please place the attached PDF sent from Chris Shoemaker to Adam Hill, providing responses to staff's May 5<sup>th</sup> letter requesting additional information, in the docket file.



## Silver Lake Utilities

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May 27, 2016

Mr. Adam Hill  
Division of Engineering  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

RE: Docket No. 150149-WS  
Staff Assisted Rate Case by Silver Lake Utilities, Inc.

Dear Mr. Hill:

Silver Lake Utilities is providing the responses below to your letter of May 5, requesting additional information based on a letter from the Office of Public Council.

1. System Design: The Utility operates 26 water systems for 66 customers. Please provide an explanation why the Utility is not pursuing the interconnection of the water systems in order to take advantage of economies of scale.

Order No. PSC-07-0717-FOF-WS issued September 7, 2007, Granting Final Order for Water and Wastewater Certificates was for a service territory of approximately 350,000 acres. Order No. PSC-08-0520-FOF-WU issued August 12, 2008, amended Certificate No. 636-W to include an additional 2,072 acres. Interconnection of any of the existing systems is not cost effective due to the distribution of the systems over such a large geographic area.

The only potential interconnect that might be cost effective would be the Buckhorn Housing WTP and Buckhorn Office WTP. The Housing system serves 18 single family homes and is an FDEP Community System PWD ID No. 5284101. The Office WTP is a Department of Health registered system

ID No. 22-57-00221 and serves the Grove Office and Shop. These systems are approximately ¼ mile from the nearest point of connection. The closest point of connection of one system near the Buckhorn WTP is a minimum of one mile. In all other systems the distances range from 15 to 60 miles. The geographic distribution of the systems is illustrated by Figure 1-3: SLU Water Service Territory Map and Figure 3-1: Initial Potable Water Wells.

2. Refer to the 2009 purchase of five treatment plants:

- a. Please provide an explanation of why these were not included in the original 2007 purchase.

At the time of the 2007 purchase, two systems, the Brighton Ranch and the Brighton Grove, were served by a bulk connection from the Seminole Tribe of Florida (STOF). This water supply was provided by lease between the STOF and Lykes Bros., Inc. (LBI) dated April 4, 1972. This lease provided land for a treatment plant and two wells for a period of 99 years. The water supply was piped to the Seminole Reservation approximately 14 south of the Brighton Ranch Office.

In October of 1996, the STOF informed LBI that it would be constructing a new public water supply on the Reservation at a projected cost of \$31,189,000. The STOF would draft an agreement with an up-front capacity reserve charge of \$1,000,000 and service charge of \$3.89 per thousand gallons.

The capacity charge, gallonage charge and projected cost of flushing a 14 mile pipeline from the reservation, and the establishment of SLU was the impetus to construct the facilities to serve the Brighton Grove and Brighton Ranch.

The Lake Placid WTP and Dinner Lake WTP were purchased respective of Order No. PSC-08-0520-FOF-WU issued August 12, 2008, to include additional service territory in Highlands County.

The Mulch Plant WTP was constructed to service a new commercial/industrial facility in Palmdale. The system supplied potable water and process water for the facility, including a 1,500 gallon ground storage tank, two 5 HP high service pumps, chlorine injection and control panel.

- b. Please describe how many customers these news plants served at the time of purchase.

Brighton Ranch: Metered connections include six general service accounts: office (3), shop (1), cafeteria (1), church (1); and three residential accounts - single family homes (3).

The Lake Placid WTP is a master metered connection serving two offices, a shop, barn and five single family homes. The Dinner Lake WTP is master metered and serves three single family homes.

The Mulch Plant is a master metered connection that serves the office, shop, warehouse and industrial processing machinery.

- c. Please explain whether any of the 2009 systems added were purchased to serve the proposed Muse development.

No, the systems purchased were not connected to the Muse project.

- d. What were the in-service dates for the Brighton Ranch and Brighton Grove plants?

The Request for Full Clearance for the Brighton Ranch Office, FDEP Permit No. 284457-001-WC, was submitted on November 25, 2008. The facilities were approved for service by the FDEP in a letter dated January 21, 2009. The Brighton Grove WTP was placed in service in December of 2008.

- e. Were the recorded costs of the plants the original cost or the purchase price?

The original cost was the purchase price. The design, permitting and construction costs were paid by LBI, and then purchased by SLU at the original cost.

- f. Please provide the asset costs for the Brighton Ranch and Brighton Grove treatment plants.

Brighton Ranch WTP	\$	349,621.82
Brighton Grove WTP	\$	153,239.28

3. General System Information: Please describe what major changes have occurred in the Utility's operations and customer base from 2007 to present.

September 2007

Granting of Water and Wastewater Certificates

December 2007 Purchase of existing utility assets from the Ranch and Citrus Divisions of Lykes Bros., Inc.

August 2008

Service area amended to add the 2,072 acres in Lake Placid, including acquisition of the Lake Placid and Dinner Lake Water Plants. The Lake Placid WTP is a master metered connection serving two offices, a shop, barn and five single family homes.

January 2009

Brighton Ranch and Grove Water Plants in Service. Brighton Ranch: Metered connections include six general service accounts: office (3), shop (1), cafeteria (1), church (1); and three residential accounts - single family homes (3). Brighton Grove master metered for office, two shops, barn and two single family homes.

September 2011

Environmental Resource Permit No. 22-00478-P issued by the South Florida Water Management District for Muse Village

October 2011

Water Use Permit No. 22-00498-W issued by the South Florida Water Management District for Muse Village

4. Original Costs: Please refer to Audit Finding 1 (Utility Plant in Service). Please provide original cost amounts for Brighton Ranch, Brighton Grove, lake Placid, Dinner Lake water treatment plants, along with their age and accumulated depreciation at time of acquisition.

Brighton Water Plant	\$	349,621.82	New Construction
Brighton Grove Plant	\$	153,239.28	New Construction
Lake Placid Water Plant	\$	45,115.36	1992 - \$ 25,901.67
Dinner Lake Water Plant	\$	2,885.00	1992 - \$ 1,358.08

5. December 3, 2007, lease agreement:
  - a. Please explain why a royalty per thousand gallons pumped is reasonable, and how the royalty figure was determined.
  - b. Please provide details on the cost of the lease payments for each well site. Is the lease payment derived from the land price of each well? If so, please provide supporting documentation. If not, please explain how the lease payments are determined and why they are reasonable.
6. Account 301 (Organization): Please explain why organization costs included for wastewater, bulk water and bulk treated water should be allowed when these plants were never developed. Please provide documentation determining the amount of organization costs that were allocated to these plants. Under Review
7. Contractual Services – Management and Contractual Services – Other: this category currently accounts for \$79,354, or 50.4 percent of operation and maintenance expense. Please explain why Contractual Services – Management and Contractual Services – Other expenses are warranted for a Utility currently serving under 100 customers. Why should these amounts be approved for such a small customer base? Under Review.

SLU is currently researching the data presented in the original certificate application dated October 24, 2006 and the revised application files dated June 15, 2007 to document responses to questions 5, 6 and 7. The responses to these questions will be filed by June 10, 2016.



Chris Shoemaker, Utility Manager  
Silver Lake Utilities, Inc.