

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: June 23, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Bruce, Hudson) *BSH PQ GS*
Office of the General Counsel (Murphy) *cm*

RE: Docket No. 130265-WU – Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc.

AGENDA: 07/07/16 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

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Case Background

Little Gasparilla Water Utility, Inc., (Little Gasparilla or utility) is a Class B water utility serving approximately 371 customers on Little Gasparilla Island in Charlotte County. The utility's service area is on a private island, which consists primarily of vacation homes. Little Gasparilla's service territory is located in the Southern Water Use Caution Area (SWUCA) within the Southwest Florida Water Management District (SWFWMD).

By Order No. PSC-14-0626-PAA-WU, issued October 29, 2014, in this docket, the utility was given until December 3, 2015, to complete the Phase II pro forma construction of a new building and meter replacements. However, the utility encountered financing issues and requested an extension of time to complete the Phase II pro forma. By Order No. PSC-16-0023-FOF-WU, issued January 12, 2016, the Commission approved the utility's request for an extension of time to complete the required Phase II pro forma by June 3, 2016.

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On May 19, 2016, the utility notified staff that it would not be able to meet the June 3, 2016 deadline for completing the Phase II pro forma plant items. Little Gasparilla requested that it be granted a second extension of approximately six months to complete the Phase II pro forma plant items. This recommendation addresses the utility's request for a second extension to complete its Phase II pro forma plant items. The Commission has jurisdiction pursuant to Section 367.121, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve Little Gasparilla's second request for extension of time to complete its Phase II pro forma plant items consisting of the construction of a new building and meter replacements?

Recommendation: Yes. The Commission should approve Little Gasparilla's second request for an extension of time to complete its Phase II pro forma construction of a new building and meter replacements. The pro forma plant items should be completed before December 15, 2016. The utility is required to submit a copy of the final invoices and cancelled checks for the Phase II pro forma plant items. The utility should provide proof that a simplified employee pension plan has been established and that contributions to the fund have begun prior to Commission approval of Phase II rates. (Bruce)

Staff Analysis: As mentioned in the case background, pursuant to Order No. PSC-16-0023-FOF-WU, the utility was granted an extension until June 3, 2016, to complete Phase II pro forma construction of a new building and meter replacements. The utility indicated that the reason for the delay in completing the Phase II pro forma plant items was Charlotte County's potential action to repeal its mandatory water connection ordinance and the effect that it would have on the utility's ability to borrow funds to finance the pro forma plant items.

The Charlotte County ordinance required connections to a centralized water system within one year of availability. Charlotte County did not repeal the mandatory water connection ordinance, but added a five-year grace period for residents who applied for the exception to the mandatory connection. The exception to the mandatory connection requirement expires on January 1, 2021. According to the Charlotte County ordinance, the existing residents who did not apply or were not approved for the exception to the mandatory connection requirement are expected to connect to the utility. The additional connections would pay Little Gasparilla's approved service availability charges, which would potentially increase the financial ability of the utility to pay its existing and any additional loans. However, due to the length of time it took Charlotte County to make its decision, the utility was required to revise projections that had been previously submitted, as loans are approved based on projections and Small Business Administration's (SBA) guaranty. The utility has submitted all of its required updated information.

On May 26, 2016, the utility indicated Stonegate Bank had approved the loan. However, the approval and guaranty from the SBA is still pending. Since the utility is still awaiting financing to get the construction underway, staff recommends that the Commission should approve Little Gasparilla's second request for an extension of time to complete its pro forma construction of a new building and meter replacements. The pro forma plant items should be completed by December 15, 2016. The utility is required to submit a copy of the final invoices and cancelled checks for the Phase II pro forma plant items. Furthermore, in this docket, the utility is required to provide proof that a simplified employee pension plan has been established and that contributions to the fund have begun prior to Commission approval of Phase II rates.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open for a final decision by the Commission on the appropriate Phase II revenue requirement and rates. (Murphy)

Staff Analysis: The docket should remain open for a final decision by the Commission on the appropriate Phase II revenue requirement and rates.