

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: October 26, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Bruce, Hudson) *SH* *BS*
Office of the General Counsel (DuVal) *PA*
MD *TUT*

RE: Docket No. 20130178-SU – Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

AGENDA: 11/07/17 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

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Case Background

Crooked Lake Park Sewerage Company (Crooked Lake or utility) is a Class C wastewater utility serving approximately 416 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.

By Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, the Commission approved Phase I and Phase II rates for Crooked Lake. The Phase II rates were to be implemented upon the utility's completion of four pro forma projects, one of which was a condition of the utility's Department of Environmental Protection (DEP) wastewater treatment plant (WWTP) operating permit, and staff's verification of completion. The utility was given 12 months from the effective date of the consummating order to complete the projects. The consummating order was issued on

April 20, 2015¹; therefore, the pro forma projects were to be completed by April 20, 2016. In addition, the utility was required to purchase commercial general liability insurance and provide proof of purchase and continued payment of the insurance premiums prior to the implementation of the Phase II rate increase.

On March 31, 2016, the utility requested an extension of approximately three months to complete the projects due to scheduling delays from subcontractors and emergency repair work in the service area. By Order No. PSC-16-0204-FOF-SU, issued May 19, 2016, in this docket, the utility was given until July 31, 2016, to complete the Phase II pro forma projects. In the event the utility did not meet its July 31, 2016 deadline, staff was given administrative authority to grant the utility an additional six months to complete the Phase II pro forma projects. Pursuant to that order, the utility has requested and been granted additional extensions through January 31, 2017, to complete the pro forma projects. The utility has provided documentation in support of two of the four pro forma projects. On August 30, 2017, the utility requested an extension until December 31, 2017, to complete the remaining Phase II pro forma projects and subsequently, on October 25, 2017, the utility requested an additional extension until March 31, 2018 to complete the projects.

This recommendation addresses the utility's request for an extension through March 31, 2018, to complete the remaining pro forma projects. The Commission has jurisdiction pursuant to Section 367.121, F.S.

¹ Order No. PSC-15-0154-CO-SU, issued April 20, 2015, in Docket No. 2013178-SU, *In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.*

Discussion of Issues

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

Recommendation: Yes. The Commission should approve Crooked Lake's request for an extension of time to complete the remaining Phase II pro forma projects by March 31, 2018. Upon completion of the pro forma plant items, the utility should submit a copy of the final invoices and cancelled checks for the remaining Phase II pro forma projects and documentation that the general liability insurance is being maintained by April 30, 2018. (Bruce)

Staff Analysis: As discussed in the case background, pursuant to Order No. PSC-16-0204-FOF-SU, Crooked Lake was given an extension to complete the four pro forma projects by July 31, 2016, and provide documentation that the general liability insurance was renewed. In the event the utility did not complete the pro forma projects by the July 31, 2016 deadline, staff was given administrative authority to grant additional time.

On June 16, 2016, the utility requested a three-month extension to complete the projects; on June 30, 2016, staff granted the utility's request for an extension, which extended the completion deadline to October 31, 2016. On October 24, 2016, the utility requested another extension of time until January 31, 2017, to complete the pro forma projects. By letter dated November 7, 2016, staff granted the three-month extension and indicated that the pro forma projects should be completed by January 31, 2017.

The utility failed to provide the required documentation by the January 31, 2017 deadline and, on March 3, 2017, staff sent the utility a Notice of Noncompliance for failing to submit documentation to show the completion of the Phase II pro forma projects as required by Order No. PSC-16-0204-FOF-SU. The Notice of Noncompliance described the potential consequences of noncompliance pursuant to Section 367.161, F.S. On March 20, 2017, the utility responded to staff's Notice of Noncompliance indicating that one of the four projects, the project that was the subject of the DEP WWTP permit, had been completed. Following several attempts by staff to contact the utility, on June 19, 2017, staff sent a letter requesting that the utility provide documentation of the remaining three projects by June 30, 2017. The letter further indicated that, if the documentation was not received, staff would prepare a recommendation to have the Phase II rates adjusted to reflect only the pro forma costs that had been verified. On August 30, 2017, the utility provided documentation to confirm that a second project, the electrical control panel replacement, was completed in 2014 and requested that it be granted an extension through December 31, 2017, to complete the remaining Phase II pro forma projects. Subsequently, on October 25, 2017, the utility requested an additional extension through March 31, 2018.

Staff has reviewed the documentation related to the construction of the surge tank, digester tank, and sludge bed, which was a condition of the utility's DEP WWTP operating permit, as well as the replacement of the electrical control panel and believes the projects are completed. According to the utility, it is currently working on completing the remaining projects, mapping and cleaning the collection system and replacement of approximately 2,100 feet of 4" force main, and is very close to being completed. However, the utility requested an extension to allow for scheduling delays resulting from subcontractor labor shortage, weather delays, and

emergency work to lines and manholes as well the impact that Hurricane Irma has had in the area. The utility further 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.

Based on the foregoing, staff recommends that the Commission should approve Crooked Lake's request for an extension of time to complete the remaining Phase II pro forma projects by March 31, 2018. Upon completion of the pro forma plant items, the utility should submit a copy of the final invoices and cancelled checks for the remaining Phase II pro forma projects and documentation that the general liability insurance is being maintained by April 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 projects have been completed, that the supporting documentation related to the pro forma projects and insurance have been provided, and the Phase II rates have been properly implemented. Once these actions are complete and verified by staff this docket should be closed administratively. (DuVal)

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