

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 24, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Maloy, Ramos) *TB*
Division of Accounting and Finance (Sewards, Thurmond) *ALM*
Division of Economics (Bethea) *JGH*
Office of the General Counsel (Rubottom, Crawford) *JSC*

RE: Docket No. 20220057-SU – Application for original wastewater certificate for existing utility currently charging for service in Franklin County, by SGI Wastewater Services, Inc.

AGENDA: 07/07/22 – Regular Agenda – Proposed Agency Action for Issue 2 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: 7/10/22 (Statutory deadline for original certificate pursuant to Section 367.031, Florida Statutes)

SPECIAL INSTRUCTIONS: None

Case Background

SGI Wastewater Services, Inc. (SGI or Utility) is located in Franklin County, Florida. The Utility, an affiliate of U.S. Water Services Corporation (USWSC), provides wastewater service to 34 residential beach homes and one clubhouse in the Sunset Beach community, as well as one bulk customer consisting of 99 condominiums in the 300 Ocean Mile community. Wastewater services were originally established in 1999 by Sunset Beach/300 Ocean Mile Utility Cooperative (Coop), an exempt non-profit wastewater utility pursuant to Section 367.022(7), Florida Statutes (F.S.). Water service is provided by Water Management Services, Inc.

Docket No. 20220057-SU

Date: June 24, 2022

On February 1, 2021, the Coop contracted with USWSC to provide operations services at its wastewater treatment plant (WWTP) due to the WWTP's out-of-compliance status with the Florida Department of Environmental Protection. Later that same year, members of the Coop and both community homeowners associations mutually agreed that the sale of the WWTP was in the best interest of the customers, which resulted in SGI purchasing the wastewater assets on February 19, 2022, thus requiring certification by the Commission.

On March 11, 2022, SGI filed its application for an original wastewater certificate for an existing utility currently charging for service pursuant to Rule 25-30.034, Florida Administrative Code (F.A.C.). Staff found the application to be deficient and issued a deficiency letter on April 1, 2022. The application was deemed complete on April 11, 2022, which is considered the official filing date.

This recommendation addresses the application for an original wastewater certificate and the appropriate rates and charges for the Utility. The Commission has jurisdiction pursuant to Sections 367.031 and 367.045, F.S.

Discussion of Issues

Issue 1: Should the application for a wastewater certificate by SGI Wastewater Services, Inc. be approved?

Recommendation: Yes. SGI should be granted Certificate No. 580-S to serve the territory described in Attachment A, effective the date of the Commission's vote. The resultant order should serve as SGI's wastewater certificate and it should be retained by the Utility. SGI's existing rates, late payment charge, and initial customer deposits, shown on Schedule No. 1, should remain in effect until a change is authorized by the Commission in a subsequent proceeding. (Maloy, Thurmond, Bethea).

Staff Analysis: On March 11, 2022, SGI filed its application for an original wastewater certificate in Franklin County. Upon review, staff determined the original filing was deficient and issued a deficiency letter on April 1, 2021. The Utility cured the deficiencies on April 11, 2022, which is considered the official filing date for the application. The Utility's application is in compliance with the governing statutes, Sections 367.031 and 367.045, F.S.

Notice

On April 14, 2022,¹ and April 26, 2022,² SGI filed proof of compliance with the noticing provisions set forth in Rule 25-30.030, F.A.C. No entity filed a protest during the protest period and the time for filing objections has expired.

Land Ownership and Service Territory

SGI provided adequate service territory and system maps and a territory description as required by Rule 25-30.034(1)(k), F.A.C. The legal description of the service territory is appended to this recommendation as Attachment A. The application contains warranty deeds for the land where the wastewater treatment facilities are located pursuant to Rule 25-30.034(1)(m), F.A.C.

Financial and Technical Ability

Rule 25-30.034(1)(i), F.A.C., requires a statement showing the financial ability of the applicant to provide service, a detailed financial statement, and a list of all entities upon which the applicant is relying to provide funding along with those entities' financial statements. SGI is relying fully upon shareholders equity through paid in capital via SGI's owner, Gary Deremer. The application contains Mr. Deremer's most recent financial statements. Staff believes that Mr. Deremer's financial statements and extensive business operations in Florida show adequate and stable funding reserves for the Utility. Therefore, staff recommends that SGI has demonstrated that it will have access to adequate financial resources to operate the Utility.

Rule 25-30.034(1)(j), F.A.C., requires the applicant to demonstrate the technical abilities to provide service. The application contains statements describing the technical ability of the Utility to provide service to the proposed service area. The president of the Utility has been in the water and wastewater utility management, operations, and maintenance related industry for over 34

¹Document No. 02413-2022, dated April 14, 2022.

²Document No. 02623-2022, dated April 26, 2022.

Date: June 24, 2022

years. SGI has secured the services of USWSC to provide contract operating services, billing, and collection services. Mr. Deremer's companies have operated more than 850 facilities, providing services to more than 1,000,000 customers daily. Based on the above, SGI has demonstrated the financial and technical ability to provide service to the existing service territory.

Continuance of Existing Rates, Late Payment Charge, and Customer Deposits

SGI provides wastewater service to the Sunset Beach community consisting of 34 beach homes and one clubhouse. The Utility also provides wastewater service through a bulk service agreement to 99 condominiums in the 300 Ocean Mile community. As of January 31, 2022, both associations mutually agreed to establish and make effective the existing rates. SGI has residential and general service initial customer deposits which staff believes are reasonable. In addition, the Utility also has miscellaneous service charges. Staff believes the \$6.50 late payment charge is reasonable. However, the remaining miscellaneous service charges do not conform to Rule 25-30.460, F.A.C., and are discussed in Issue 2. Further, the Utility's service area is built out and there are no service availability charges. Staff recommends that SGI's existing rates, late payment charge, and initial customer deposits shown on Schedule No. 1 should remain in effect until a change is authorized by the Commission in a subsequent proceeding.

Conclusion

Staff recommends that it is in the public interest to grant SGI Certificate No. 580-S to serve the territory described in Attachment A, effective the date of the Commission's vote. The resultant order should serve as SGI's wastewater certificate and it should be retained by the Utility. SGI's existing rates, late payment charge, and initial customer deposits, shown on Schedule No. 1, should remain in effect until a change is authorized by the Commission in a subsequent proceeding.

Issue 2: Should SGI Wastewater Services, Inc.’s miscellaneous service charges be revised to conform to amended Rule 25-30.460, F.A.C.?

Recommendation: Yes. The miscellaneous service charges should be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of initial connection and normal reconnection charges. SGI should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective 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 charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. SGI should be required to charge the approved miscellaneous service charges until authorized to change them by the Commission in a subsequent proceeding. (Bethea)

Staff Analysis: Effective June 24, 2021, Rule 25-30.460, F.A.C., was amended to remove initial connection and normal reconnection charges.³ The definitions for initial connection charges and normal reconnection charges were subsumed in the definition of the premises visit charge. SGI’s miscellaneous service charges consist of initial connection and normal reconnection charges. The normal reconnection charge is more than the premises visit charge. Since the premises visit entails a broader range of tasks, staff believes the premises visit should reflect the amount of the normal reconnection charge of \$57.10. Therefore, staff recommends that the initial connection and normal reconnection charges be removed, the premises visit be revised to \$57.10, and the definition for the premises visit charge be updated to comply with amended Rule 25-30.460, F.A.C. The Utility’s proposed and staff’s recommended miscellaneous service charges are shown below in Tables 2-1 and 2-2.

Table 2-1
Utility Proposed Miscellaneous Service Charges

	<u>Normal Hours</u>
Initial Connection Charge	\$31.10
Normal Reconnection Charge	\$57.10
Violation Reconnection Charge	Actual Cost
Premises Visit Charge (in lieu of disconnection)	\$31.10

³Order No. PSC-2021-0201-FOF-WS, issued June 4, 2020, in Docket No. 20200240-WS, *In re: Proposed amendment of Rule 25-30.460, F.A.C., Application for Miscellaneous Service Charges.*

Table 2-2
Staff Recommended Miscellaneous Service Charges

	<u>Normal Hours</u>
Violation Reconnection Charge	Actual Cost
Premises Visit Charge	\$57.10

Conclusion

Based on the above, staff recommends the miscellaneous service charges be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of initial connection and normal reconnection charges. SGI should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective 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 charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. SGI should be required to charge the approved miscellaneous service charges until authorized to change them by the Commission in a subsequent proceeding.

Issue 3: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively. (Rubottom)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively.

Wastewater Service Territory
Franklin County, Florida

In Township 9 South, Range 6 West, Franklin County, Florida

Section 24

Commence at the Northwest Comer of Section 24, Township 9 South, Range 6 West, franklin County, Florida, thence run South 76° 32' 58.74" East a distance of 2277.686 feet to the Point of Beginning. From said Point of Beginning continue North 68 degrees 01 minutes 05 seconds East along said right-of-way boundary 195.00 feet to a 4 inch by 4 inch concrete monument (marked #1072); thence leaving said right-of-way boundary run South 21 degrees 55 minutes 01 seconds East 421.44 feet to the approximate mean high wastewater line of the Gulf of Mexico; thence run South 54 degrees 56 minutes 26 seconds West along said mean high wastewater line 199.85 feet; thence run South 69 degrees 34 minutes 41.73 seconds West 1466.66 feet; thence run South 68 degrees 00 minutes 59.14 seconds West 841.82 feet; thence leaving said mean high wastewater line run North 21 degrees 58 minutes 47.91 seconds West 424.93 feet; thence run North 67 degrees 53 minutes 30.93 seconds East 829.07 feet; thence run North 68 degrees 01 minutes 05 seconds East 1479.01 feet to the Point of Beginning.

FLORIDA PUBLIC SERVICE COMMISSION
Authorizes
SGI Wastewater Service, Inc.
pursuant to
Certificate Number 580-S

to provide wastewater service in Franklin County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rule, regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
*	*	20220057-SU	Original Certificate

* Order Number and date to be provided at time of issuance.

SGI Wastewater Services Inc.

Monthly Wastewater Rates

Residential Service

Base Facility Charge by Meter Size

All Meter Sizes \$112.53

Charge Per 1,000 gallons \$7.31

General Service

Base Facility Charge by Meter Size

5/8" x 3/4" \$112.53

3/4" \$168.80

1" \$281.33

1-1/2" \$562.65

2" \$900.24

Townhomes of St. George Island (bulk service - 99 ERCs) \$11,140.47

Charge Per 1,000 gallons \$7.31

Initial Customer Deposits

Meter Size

All Meter Sizes

Residential

\$225.00

General Service

2x the average estimated monthly bill

Miscellaneous Service Charges

Late Payment Charge \$6.50