

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: September 9, 2004

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Hudson)
Office of the General Counsel (Helton)

RE: Docket No. 021067-WS – Application for staff-assisted rate case in Polk County by River Ranch Water Management, L.L.C.

AGENDA: 09/21/04 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\021067.RCM.DOC

Case Background

River Ranch Water Management, L.L.C. (River Ranch or utility), is a Class C water and wastewater utility located in Polk County, for which the Commission increased rates by Order No. PSC-03-0740-PAA-WS, issued June 23, 2003, in the instant docket, River Ranch was ordered to install approximately 9,500 linear feet of cured-in-place lining throughout the wastewater system within 180 days of the order becoming final.

This recommendation addresses whether the utility should be relieved from the 180 day completion schedule established in the rate case order.

The Commission has jurisdiction pursuant to Section 367.081, Florida Statutes.

Discussion of Issues

Issue 1: Should the utility be relieved from the requirement established by Order No. PSC-03-0740-PAA-WS to install the pro forma addition related to the rehabilitation of the wastewater system within 180 days from the issuance of the Consummating Order?

Recommendation: Yes. The utility should be relieved from the requirement established by Order No. PSC-03-03740-PAA-WS to install the pro forma addition related to rehabilitation of the wastewater system. (Hudson)

Staff Analysis: By Order No. PSC-03-0740-PAA-WS, issued June 23, 2003, the Commission required River Ranch to install cured-in-place lining throughout its wastewater system within 180 days of the Consummating Order to eliminate black water infiltration and the need to chemically treat the problem. In the utility's rate base established in the aforementioned order, the utility was allowed \$294,240 for the rehabilitation project. The revenue requirement associated with the pro forma addition is \$35,607 as illustrated below:

**Revenue Requirement for Pro Forma Plant
Addition**

| | |
|---------------------------|------------------|
| Line Lining | \$294,240 |
| Accumulated Depreciation | <u>\$3,678</u> |
| Net Plant | <u>\$290,762</u> |
| Approved Rate of Return | .1043 |
| Allowed Return | <u>\$30,326</u> |
| Depreciation Expense | \$3,678 |
| Net Revenue Requirement | <u>\$34,004</u> |
| RAF | .955 |
| Total Revenue Requirement | <u>\$35,607</u> |

For expenses, an adjustment was made to remove chemical expenses of \$41,000 from the revenue requirement because of the rehabilitation project. According to its 2003 annual report, the utility paid chemical expenses of \$41,232 relating to the treating of the black water since the project has not been completed. A revenue requirement for the chemical expense would be \$43,174 as illustrated below:

Revenue Requirement for Expense

| | |
|---------------------------|-----------------|
| Chemical Expense | \$41,132 |
| RAF | <u>.955</u> |
| Total Revenue Requirement | <u>\$43,174</u> |

The utility states that the customers of the utility are not being harmed as a result of the project not being complete because the rates are based on the revenue requirement for the pro forma addition (\$35,607) and not a revenue requirement based on the chemical expense (\$43,174).

The utility is currently reviewing its financing options for the project. Staff believes that the utility is actively working to get the project underway and that completion of the rehabilitation project would be in the best interest of the utility. Therefore, it should be relieved of a date certain for the completion. Based on the above, staff is recommending that the utility be relieved of the requirement to install the pro forma addition related to the rehabilitation of the wastewater system within 180 days from the issuance of the Consummating Order and encouraged to continue working progressively to get the project completed.

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Issue 2: Should the 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, this docket should be closed upon the issuance of a Consummating Order. (Helton)

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, this docket should be closed upon the issuance of a Consummating Order.