

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 2, 2009

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Hudson, Bulecza-Banks, Fletcher)
Office of the General Counsel (Jaeger)

RE: Docket No. 050449-WU – Application for staff-assisted rate case in Pasco County by Dixie Groves Utility Company.

AGENDA: 09/15/09 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Carter

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\050449.RCM.DOC

Case Background

Dixie Groves Utility Company, Inc. (Dixie Groves or Utility) is a Class C water utility located in Pasco County serving approximately 341 water customers. In 1973, the Utility was issued Water Certificate No. 139-W.¹ Dixie Groves is located in the Southwest Florida Water Management District (SWFWMD or District). This particular area of the SWFWMD is in the Tampa Bay Water Use Caution Area. Wastewater service is provided by Pasco County Utilities. The Utility's 2008 annual report reflects operating revenues of \$82,806 and an operating income of 4,859.

¹ See Order No. 5740, issued May 7, 1973, in Docket No. C-73191-W, In Re: Application of Dixie Groves Estates, Inc. for Certificate to Operate an Existing Water System In Pasco County.

Docket No. 050449-WU

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In 2004, the Commission approved the transfer of the facilities of Dixie Groves Estates, Inc. to Dixie Groves Utility Company a Division of Community Utilities of Florida, Inc. The Utility is managed by U.S. Water Services Corporation.²

By Order No. PSC-06-0378-PAA-WU, issued May 8, 2006, the Commission approved a Phase I rate increase in the instant docket. Further, it was ordered that the docket remain open to allow staff to address the issue of Phase II rates. This recommendation addresses Phase II rates.

The Commission has jurisdiction to consider this rate case pursuant to Section 367.0814, Florida Statutes.

² See Order No. PSC-04-0338-PAA-WU, issued March 31, 2004, in Docket No. 030656-WU, In Re: Application for transfer of facilities and Certificate No. 139-W in Pasco County from Dixie Groves Estates, Inc. to Dixie Groves Utility Company a Division of Community Utilities of Florida Inc.

Discussion of Issues

Issue 1: Should Dixie Grove's request to close the docket be approved?

Recommendation: Yes. This docket should be closed because no further action is required. (Hudson, Jaeger)

Staff Analysis: In the instant docket, the Utility provided a Capital Improvement Plan outlining pro forma plant additions that it intended to complete. By recommendation dated March 23, 2006, staff recommended that Dixie Groves be granted Phase II rates once the pro forma plant additions were completed. At the April 6, 2006 Agenda Conference, the Commission did not make a decision on the Phase II rates. Instead, the Utility and the Office of Public Counsel (OPC) agreed to negotiate an agreement in regard to Phase II rates. By letter dated, May 5, 2009, staff asked Dixie Groves to provide an update with regard to the negotiations with OPC.

By letter dated June 3, 2009, the Utility responded and requested that the docket be closed. The Utility indicated that, as agreed, OPC and Dixie Groves had discussed the capital improvements, but had not been able to reach an agreeable reduced cost solution that would be acceptable to the local Fire Marshall and also provide less rate impact to the ratepayers. Further, the Utility revealed that it had been in negotiations with the Florida Governmental Utility Authority (FGUA) and Pasco County for possible purchase of Dixie Groves, and that a sale appeared to be imminent. Dixie Groves asserts that the purchase of the Utility by FGUA would gain access to Pasco County's water supply at a reduced rate not previously available to Dixie Groves as an independent system. In its letter the Utility states that OPC agrees that the need to make the capital improvements, at this time, would not be a prudent cost to the Utility or the ratepayers due to possible sale of the system. As a result, the Utility indicates that it is not proceeding with the pro forma plant additions, and requests the docket be closed because Phase II rates are no longer to be considered.

Because the Utility has indicated it is not moving forward with the pro forma plant additions, Phase II rates are no longer applicable, and there are no further actions required. Therefore, the docket should be closed.