

State of Florida



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Public Service Commission

COMMISSION CLERK
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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: May 7, 2009

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Mouring, Bulecza-Banks, Fletcher) *MB*
Office of the General Counsel (Williams) *AW* *JRB* *BB* *TR*

RE: Docket No. 080712-SU – Application for approval of new class of service for reuse water service in Martin County by Indiantown Company, Inc.

AGENDA: 05/19/09 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 8/17/09 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\080712.RCM.DOC

Case Background

Indiantown Company, Inc. (Indiantown or Utility), is a Class A utility which provides service for approximately 1,876 water customers and 1,776 wastewater customers in Martin County. Indiantown's 2007 annual report shows operating revenue of \$1,817,765 and a net operating loss of \$30,491. The Utility's service area lies in the South Florida Water Management District and is in a critical water supply problem area.

On December 17, 2008, Indiantown filed an application for approval of a new class of service for reuse water service. By Order No. PSC-09-0118-PCO-SU, issued March 2, 2009, the Commission suspended the tariff filing pending further investigation. This recommendation addresses the Utility's application for a new class of service. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes (F.S.).

DOCUMENT NUMBER-DATE

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Discussion of Issues

Issue 1: Should Indiantown's proposed tariff sheets to establish a reuse water rate be approved as filed?

Recommendation: Yes. Indiantown's proposed tariff sheets to establish a reuse water rate should be approved as filed. (Mouring)

Staff Analysis: The Utility states in its filing that Indiantown is currently in the final stages of completing the construction of changes to its wastewater treatment plant to allow for the production and distribution of public access reuse water. Indiantown states that it is not yet clear what the daily operations costs will be or how those costs will be allocated between the wastewater treatment and reuse. It is also not yet known how much of the capital costs will be incurred by the Utility and how much will be incurred by developers and customers. Indiantown has also stated that it does not know who will be its initial reuse customers. Staff agrees with the Utility's assertion that for the aforementioned reasons, an estimation of any gross increase or decrease in annual revenue is not ascertainable at this time. Indiantown has chosen Martin County, which currently provides reuse water service, as a reasonable benchmark for creating the initial rates for reuse water service. Martin County currently charges \$0.40 per thousand gallons of reuse water.

Generally, reuse rates cannot be determined in the same fashion as other water and wastewater rates set by the Commission. If reuse rates were based on a utility's investment in rate base, the resulting rates would be too high to garner interest from potential customers. When staff analyzes reuse rates, it must consider the type of customers being served and balance the disposal needs of the utility with the consumption needs of the customers.

Indiantown has entered into an agreement with Indiantown CoGeneration, LP (CoGen) to provide CoGen with any unused reuse effluent to meet its disposal needs at a gallonage rate of \$0.00. Under the agreement, Indiantown is not obligated to provide any reuse. Reuse will be provided to CoGen when available. Both Indiantown and CoGen will benefit from the arrangement; Indiantown will no longer have the need to create wet weather storage and back up disposal, and CoGen will receive a free supplement to its cooling water needs.

In determining the appropriate reuse rates, staff considered the average reuse charge of utilities in Martin County. According to the Department of Environmental Protection's 2007 Reuse Inventory Report, the average rates were \$0.40 per thousand gallons and a \$0.00 base facility charge. As such, staff believes that the proposed rates are reasonable. Thus, staff recommends that Indiantown's proposed tariff sheets to establish a reuse water rate should be approved as filed.

Issue 2: Should this docket be closed?

Recommendation: If no protest is filed by a person whose interests are substantially affected within 21 days of the issuance of the Order, the Tariff Order will become final upon the issuance of a Consummating Order and the docket should be closed. If a protest is filed within 21 days of the issuance of the Order, the tariff should remain in effect pending the resolution of the protest, and the docket should remain open. (Mouring)

Staff Analysis: If no protest is filed by a person whose interests are substantially affected within 21 days of the issuance of the Order, the Tariff Order will become final upon the issuance of a Consummating Order and the docket should be closed. If a protest is filed within 21 days of the issuance of the Order, the tariff should remain in effect pending the resolution of the protest, and the docket should remain open.