

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: January 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Sibley, Hudson) *MS SH PD JSH JS*
Division of Engineering (Lewis) *MEKL H*
Office of the General Counsel (DuVal) *MS TJ*

RE: Docket No. 20170147-WS – Application for staff-assisted rate case in Levy County by FIMC Hideaway, Inc.

AGENDA: 02/05/19 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

FIMC Hideaway, Inc. (FIMC or Utility) is a Class C utility which was granted water and wastewater certificates in 1984 to serve the Hideaway development when Levy County turned jurisdiction over to the Florida Public Service Commission (Commission) in 1983.¹ The Hideaway systems were transferred to Florida Investors Mortgage Corporation (FIMC) Hideaway, Inc. in 1992 following its foreclosure on the Utility.² Subsequently, a transfer of majority organizational control was approved in 2005 when the Utility stock was acquired by the

¹Order No. 13497, issued July 10, 1984, in Docket No. 19830552-WS, *In re: Application of Hideaway Service, Inc. for a certificate to operate a water and sewer utility in Levy County.*

²Order No. 25584, issued January 8, 1992, in Docket No. 19910672-WS, *In re: Application for transfer of Certificates Nos. 426-W and 362-S from Hideaway Service, Inc. to FIMC Hideaway, Inc. in Levy County.*

current owners.³ In 2009, the Commission approved the transfer of the Springside water and wastewater systems from Par Utilities, Inc. to FIMC Hideaway, Inc.⁴ The Hideaway and Springside water and wastewater systems were interconnected in April 2013.

On June 22, 2017, FIMC filed an application for a staff-assisted rate case (SARC). Pursuant to Order No. PSC-2018-0389-PAA-WS, the Commission approved rates and charges for FIMC. Order No. PSC-2018-0389-PAA-WS, additionally ordered:

[T]he overall quality of service provided by FIMC Hideaway, Inc. shall be considered marginal until the utility can sufficiently demonstrate that it meets the Department of Environmental Protection's [DEP] secondary water standards. The [U]tility shall file the results of its next primary and secondary water standards tests with this Commission in this docket by November 1, 2018. If the results are unfavorable, our staff will bring this item to this Commission by March 1, 2019, for further action.

By email, on October 8, 2018, FIMC provided to staff the results of its most recent DEP primary and secondary water tests. By letter dated November 6, 2018, Commission staff notified the Utility that this item would be brought to the Commission for consideration at the February 5, 2019 Commission Conference.⁵ This recommendation addresses the test results provided by FIMC and staff's recommendation as to further action. The Commission has jurisdiction pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, and 367.091, Florida Statutes (F.S.).

³Order No. PSC-05-0298-PAA-WS, issued March 18, 2005, in Docket No. 20040152-WS, *In re: Application for transfer of majority organizational control of FIMC Hideaway, Inc. in Levy County from Florida Investors Mortgage Corporation, a Florida corporation, to Robert and Janet McBride.*

⁴Order No. PSC-09-0279-PAA-WS, issued April 29, 2009, in Docket No. 20080268-WS, *In re: Joint Application for transfer of the Springside water and wastewater systems from Par Utilities, Inc. in Levy County to FIMC Hideaway, Inc.; amendment of Certificates 426-W and 362-S held by FIMC Hideaway, Inc.; and amendment of Certificate 428-W and cancellation of Certificate 366-S held by Par Utilities, Inc.*

⁵ Document No. 07000-2018.

Discussion of Issues

Issue 1: What further action should be taken considering FIMC's failure to meet DEP secondary water quality standards?

Recommendation: Staff recommends that the Commission direct FIMC to create an estimate of costs and benefits of a plausible solution to reduce sulfates and total dissolved solids to a level that is within acceptable DEP standards. Staff additionally recommends that the Commission direct FIMC to meet with its customers to discuss the estimated costs and benefits of and the time necessary for implementing a plausible solution to reduce sulfates and total dissolved solids to a level that is within acceptable DEP standards. The Utility should report the results of such meeting(s) to the Commission by August 6, 2019. After analyzing FIMC's report, staff will bring this item before the Commission for further action, if needed. (Lewis)

Staff Analysis: Pursuant to Section 367.081(2)(a)1., F.S., in water and wastewater rate cases, the Commission shall consider the quality of service provided by a utility. Additionally, Section 367.0812(2), F.S., states:

(2)(a) In determining the quality of water service, the commission shall consider a finding by the Department of Environmental Protection as to whether the utility has failed to provide water service that meets the secondary water quality standards of the department.

(b) The utility shall create an estimate of the costs and benefits of a plausible solution to each issue identified by the commission.

(c) The utility shall meet with its customers within a time prescribed by the commission to discuss the estimated costs and benefits of and time necessary for implementing a plausible solution for each quality of water service issue identified, and the utility shall report the results of such meetings to the commission.

(d) The utility shall inform the commission, if:

1. The customers and the utility agree on a solution for each quality of water service issue identified, of each agreed-on solution and the cost of each solution;
or

2. The customers and the utility prefer a different solution to at least one of the quality of water service issues identified, of the preferred solutions by each and the cost of each solution.

By Order No. PSC-2018-0389-PAA-WS, the Commission determined the Utility's quality of service to be marginal based in part on the Utility not meeting DEP secondary standards for sulfates and total dissolved solids. The Commission additionally ordered the Utility to file updated test results by November 1, 2018. On October 8, 2018, FIMC timely provided its test results to Commission staff. The test results indicated the water service provided by the Utility continues to exceed DEP standards for sulfates and total dissolved solids. The reading for sulfates was 426 mg/L (milligrams per Liter) which exceeds the 250 mg/L maximum

containment level (MCL) 250 mg/L. The reading for total dissolved solids was 992 mg/L which exceeds the 500 mg/L MCL standard.⁶

Given the unfavorable test results and the requirements of Section 367.0812(2), F.S., staff recommends that the Commission direct FIMC to create an estimate of costs and benefits of a plausible solution to reduce sulfates and total dissolved solids to a level that is within acceptable DEP standards. Staff notes that in 1992, the Commission found the following:

According to DER [predecessor of the Department of Environmental Protection], the utility has three options available to it which may secure compliance with the requirements. It may pursue the use of another water source, either an existing surface or ground water supply, or it may install additional means of treating the water. However, the only recommended treatment for sulfate is reverse osmosis, and, in this instance, reverse osmosis will be cost prohibitive for this utility. In addition, because of the plant's location, it is questionable that the utility could meet the industrial waste standards required for the backwash discharge. Lastly, the utility can procure land and permits to construct a well field outside the area where the gypsum deposits are located. The DER engineer suggests that the utility determine the cost of drilling a new well field outside of the subdivision. The DER engineer also suggested that Hideaway work with the Springside at Manatee, Ltd., and Fowlers Bluff utilities to locate a better source of water since all three are experiencing the same types of problems in the same general location.⁷

Staff recommends that the Commission direct FIMC to meet with its customers after an estimate of costs and benefits to reduce sulfates and total dissolved solids is created. In its meeting(s) with customers, the Utility should discuss the estimated costs and benefits of and time necessary for implementing a plausible solution to reduce sulfates and total dissolved solids to a level that is within acceptable DEP standards. The Utility should report the results of such customer meeting(s) to the Commission by August 6, 2019. After analyzing FIMC's report, staff will bring this item before the Commission for further action, if needed. If the Utility encounters any unforeseen events that will impede its ability to timely meet the recommended schedule, the Utility should immediately notify this Commission in writing.

⁶ Document No. 00244-2019, filed January 16, 2019, p. 8.

⁷ Order No. PSC-92-0479-FOF-WS, issued June 9, 1992, in Docket No. 19911091-WS, *In re: Application for a staff-assisted rate case in Levy County by FIMC Hideaway, Inc.*, p. 5.

Issue 2: Should this docket be closed?

Recommendation: No. 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 to allow the Utility to provide the appropriate reporting information and the allow staff to bring this item back to the Commission for further action, if needed. (Duval)

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 to allow the Utility to provide the appropriate reporting information and the allow staff to bring this item back to the Commission for further action, if needed.