

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: October 21, 2021

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Bruce, Hudson) *JGH*
Office of the General Counsel (DuVal) *TLT*

RE: Docket No. 20170219-WS – Application for staff-assisted rate case in Polk County by River Ranch Water Management, L.L.C.

AGENDA: 11/02/21 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

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 in the South Florida Water Management District (SFWMD). The utility provides water and wastewater service to a luxury glamping resort which includes single family residential homes, recreational vehicle, condominiums, and other commercial resort properties. According to the utility's 2020 Annual Report, total gross revenues were \$400,544 for water and \$228,841 for wastewater, and total operating expenses were \$304,934 for water and \$157,001 for wastewater. Based on staff's review of the annual report, the utility is not in an overearnings posture.

The utility has been providing service since 1973. In 1996, Polk County transferred its jurisdiction over the privately-owned water and wastewater facilities to the Commission. In September 1997, New River Ranch, L.C. d/b/a River Ranch filed an application for grandfather

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certificates. Effective February 1999, the utility was granted Certificate Nos. 603-W and 519-S¹. In 2003, the certificates were transferred to River Ranch.² The utility filed for a staff-assisted rate case (SARC) in the instant docket on October 10, 2017. A test year ended September 30, 2017, was selected.

Pursuant to Order No. PSC-2018-0549-PAA-WS, issued in the instant docket, the Commission approved flat water and wastewater rates because not all meters were installed and properly calibrated. The utility was ordered to meter all water connections and confirm that all meters were installed and properly calibrated by December 31, 2018. The utility was to provide an affidavit within 10 days of completion. River Ranch filed its affidavit of compliance on January 9, 2019. In addition, the utility was also ordered to provide actual monthly usage data by customer class and meter size on a quarterly basis for a 12-month period beginning January 1, 2019. The order also required the utility to provide the monthly meter readings to customers to make sure they are aware of their usage patterns. Further, that order stated that, after the completion of the 12-month reporting period, staff would evaluate the data for purposes of recommending a base facility charge and gallonage charge rate structure at a subsequent Agenda Conference. The utility fulfilled its reporting requirement in January of 2020. Staff evaluated that data upon receipt and discovered that it appeared to indicate that not all connections had been metered and/or that not all meters had been properly calibrated. As a result, staff has continued working with the utility to identify any potential missing or inaccurate information and meters.

This recommendation addresses whether it is appropriate to recommend a base facility charge and gallonage charge rate structure for River Ranch's water and wastewater systems. The Commission has jurisdiction in the case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, and 367.091, Florida Statutes.

¹ Order No. PSC-99-0254-FOF-WS, issued February 9, 1999, in Docket No. 19971185-WS, *In re: Application for original certificates for an existing utility providing water and wastewater service in Polk County by New River Ranch, L.C. d/b/a River Ranch*.

² Order No. PSC-03-0518-FOF-WS, issued April 18, 2003, in Docket No. 20020382-WS, *In re: Application for transfer of facilities and Certificate Nos. 603-W and 519-S in Polk county from New River Ranch L.C. d/b/a River Ranch to River Ranch Water Management, LLC*.

Discussion of Issues

Issue 1: Is it appropriate to recommend a base facility charge and gallonage charge rate structure for River Ranch's water and wastewater systems?

Recommendation: No. Staff does not recommend a base facility charge and gallonage charge rate structure for River Ranch's water and wastewater systems at this time. Staff recommends a continuation of its existing flat rate structure. In addition, the utility should be put on notice that it should address its unaccounted for water issue in anticipation of the implementation of metered rates in its next rate proceeding before the Commission. (Bruce)

Staff Analysis: As mentioned in the case background, pursuant to Order No. PSC-2018-0549-PAA-WS, the Commission approved flat water and wastewater rates because not all properties located in the service area were metered and properly calibrated. The Commission ordered the utility to provide actual monthly usage data by customer class and meter size on a quarterly basis for a 12-month period. The order further required staff to evaluate that data for purposes of recommending a base facility charge and gallonage charge rate structure at a subsequent Agenda Conference.

As ordered by the Commission, the utility began filing the quarterly reports in early January 2019 and fulfilled its requirement of filing the quarterly usage reports in January 2020. The utility also provided an affidavit, which indicated that all connections had been metered and all new meters, main meters, and other water meters had been properly calibrated. Subsequently, pursuant to the Commission's order, staff conducted a review of the utility's filings and discovered that the data appears to indicate that not all connections had been metered and/or that not all meters had been properly calibrated. Since then, staff has continuously worked with the utility to identify any missing or inaccurate information and meters.

Staff's review of the usage reports indicated the utility sold a total of 35,628,627 gallons in 2019, which was significantly lower than the total number of pumped gallons of 57,882,000 reflected in the utility's 2019 annual report. The difference in pumped and sold gallons results in unaccounted for water of approximately 38 percent, which is 28 percent over the Commission's allowable limit for unaccounted for water of 10 percent. Further, according to the 2020 annual report, approximately the same margin of unaccounted for water in 2019 was exhibited in 2020.

The significant unaccounted for water is an impediment to the development of metered rates because it will cause customers to carry the burden of the cost related to unaccounted for water. In addition, if there is still unmetered usage, it will cause metered rates to be higher as well as subsidization among customers.

In February 2020, in an effort to assist River Ranch, staff used the billing reports provided by the utility to generate a list of all the metered properties with meter sizes and sent it to the utility to retrace the information and identify any missing or improperly calibrated meters. Due to COVID-19, the utility's response was delayed because of a shortage in staffing. On June 24, 2020, the utility fulfilled staff's request and provided an updated record that included all customers in each location, the meter size for each customer, and a subtotal count for each class of service. However, this record was significantly different from the list provided in February.

When designing rates for a base facility charge and gallonage charge rate structure, it is essential that the meter sizes are correct and all of the usage is being metered. From July 2020 to December 2020, staff had several exchanges with the utility in an effort to ascertain the correct billing information for purposes of designing metered rates. River Ranch has been forthcoming and responsive to staff's requests for billing information. However, River Ranch has provided inconsistent information in response to staff's requests for clarification of certain billing information. Further, on February 11, 2021, the utility indicated to staff that an unmetered main line was discovered at the back of the RV park.³ But, in order to minimize the impact of the water outage to customers for the meter install, the utility was not able to install the six-inch meter to the RV park until August 2021 when occupancy was down. In order to determine if the unmetered line to the RV park is the source of the unaccounted for water, staff requested the utility provide the meter reading since the install. On October 20, 2021, the utility indicated that it discovered that the meter was installed backwards and has to be reinstalled. Therefore, as of now, staff is unable to determine whether the newly installed meter to the RV park will cure the unaccounted for water issue.

Although it is important to implement metered rates to encourage water conservation, staff believes that restructuring River Ranch's rates at this time may lead to higher rates for customers and subsidization among customers because of the uncertainties related to metering and unaccounted for water. Therefore, staff believes this docket should be closed and the utility should begin proactively evaluating its water sold versus water pumped on a monthly basis in order to employ measures that will ensure reliable billing data for future proceedings. In addition, the utility should continue to provide the monthly meter readings to customers to make sure they are aware of their usage patterns.⁴

Based on the above, staff does not recommend a base facility charge and gallonage charge rate structure for River Ranch's water and wastewater systems at this time. Staff recommends a continuation of its existing flat rate structure. In addition, the utility should be put on notice that it should address its unaccounted for water issue in anticipation of the implementation of metered rates in its next rate proceeding before the Commission.

³ Although the line was unmetered, the RV park was billed a flat rate consistent with the utility's existing tariff.

⁴ Order No. PSC-2018-0549-PAA-WS, issued November 19, 2018, instant docket.

Issue 2: 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 and the docket should be closed. (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 and the docket should be closed.