



Public Service Commission

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DATE: June 10, 1996
TO: Raj Agarwal, Division of Legal Services
 Division of Records and Reporting
FROM: Patricia Brady, Division of Water and Wastewater *pb BMDW*
RE: Docket No. 960097-WS, Application for amendment of Certificates 146-W and 103-S to include additional territory in Osceola County by Poinciana Utilities, Inc.

Poinciana Utilities, Inc. (Poinciana or utility) is a Class A utility providing water and wastewater services to 4,244 and 4,612 active customers, respectively, in Osceola and Polk Counties. The utility has operated under Certificates Nos. 146-W and 103-S since June of 1973. According to the 1995 Annual Report on file with the Commission, Poinciana had combined annual operating revenues of \$3,071,000 and combined net operating income of \$515,000. Poinciana's parent company, Avatar Utilities, Inc., also owns Florida Cities Water Company which has systems in Brevard, Lee and Collier Counties.

On January 26, 1996, an application for a territory amendment was filed on behalf of Poinciana pursuant to Section 367.045, Florida Statutes. The application was filed in accordance with Rule 35-30.036(3), Florida Administrative Code, for territory extensions intended to serve greater than 25 equivalent residential connections at buildout. Poinciana believes there are no other utilities willing and capable of providing reasonably adequate service to the proposed extension. The application states that the closest water service provider is Southern States Utilities' Alamo Estates operations and the closest wastewater service provider is the City of Kissimmee operations. These operations are four and seven miles north, respectively, of the territory extension.

Pursuant to the requirements of Rule 25-30.036(3), Florida Administrative Code, the application contained the following requirements, statements and evidence:

- ACK 1. A check in the amount of \$200.00 (\$100.00 for water and \$100.00 for wastewater) which is the correct filing fee pursuant to Rule 25-30.020(2)(b), Florida Administrative Code, for an extension with the proposed capacity to serve up to 100 ERCs. According to the application, the proposed territory consists of twenty-five (25) undeveloped acres upon which up to seventy-five (75) single family homes can be constructed under a Suburban Land use zoning classification.
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- ENG 2. A statement that Poinciana has the financial and technical ability to provide water and wastewater service to the proposed extension. Staff would note that Poinciana's 1995 Regulatory Assessment fees have been appropriately paid and the utility has no outstanding fees, fines, penalties or customer complaints with the Commission. A check of the Department of Environmental Protection's (DEP's) database also reveals no outstanding compliance actions against Poinciana.
- LEG _____
- LIN _____
- CPD _____
- RCH _____
- SEC 1 _____
- WAS _____
- OTH _____

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3. A letter dated July 10, 1995, from Mr. Robert J. Lee requesting that the properties managed by Mr. Lee as Trustee of the Robert J. Lee Revocable Trust (Trust) be placed within Poinciana's franchise area for water and wastewater service was provided as evidence of the need.
4. A statement that, to the best of the utility's knowledge, the provision of water and wastewater service is consistent with the potable water and sanitary sewer sub-elements of the Osceola County Comprehensive Plan as approved by the Department of Community Affairs at the time of the application.
5. The utility proposes to serve the territory extension from existing facilities. As evidence that the utility owns the land upon which the utility treatment facilities are located, the application included a warranty deed for the water plant and a quit-claim deed for the wastewater plant. At staff's request, an attorney's opinion of title was provided for the quit-claim deed.
6. Pursuant to Rule 25-30.030, Florida Administrative Code, at the time of filing a notice of the application was provided to all utilities and government agencies in the area of the proposed extension on January 26, 1996, and in a newspaper of general circulation on February 1, 1996. Customer notification was also provided to the only customer in the service area, Mr. Robert J. Lee, who was the individual requesting the territory extension.

After the initial review by staff, the proposed territory description was modified on March 21, 1996, and renoticed to all utilities and government agencies in the area on April 1, 1996, Mr. Robert J. Lee on April 2, 1996, and in a newspaper of general circulation on April 4, 1996. No protest to any of the above notices have been received by the Commission and the time for filing such protest has expired. The modified territory description is appended to this recommendation as Attachment A.

7. The application included a system map of sufficient detail and a territory map of appropriate scale.
8. The application states that no permits have been issued for new facilities to serve the proposed extension. Instead, the permits will be applied for, as needed, following Commission approval of the territory extension. The proposed territory extension is not in a designated water caution area.

Water Plant and Distribution System

Poinciana intends to serve the new territory from water Plant No. 4. Currently Plant No. 4 is permitted at 90,000 gallons per day (GPD) with peak daily flows of 85,000 GPD and average daily flows of 60,000 GPD. Since the proposed extension is expected to require up to 30,000 GPD at buildout, Poinciana intends to apply for a permit with the Florida

Department of Environmental Protection (DEP) to increase treatment capacity from 90,000 to 120,000 GPD. The increased capacity will be accomplished by installation of a high service pump. The pump is intended to increase the flow from 70 GPM (gallons per minute) to 100 GPM. The application states that the well is capable of producing 1,000 GPM, so it can easily accommodate the increased flow. DEP approval is expected within 60 to 90 days of application. Water distribution is proposed by means of an 600 foot extension to an existing 10" main currently serving the Wilderness development by jack and bore under Pleasant Hill Road.

Wastewater Plant and Collection System

Poinciana does not intend to build a new wastewater treatment plant or upgrade an existing wastewater treatment plant to serve the new territory. Instead, the utility intends to serve the new territory from wastewater Plant No. 2. Effluent disposal will be by existing spray irrigation system. Plant No. 2 is permitted at 500,000 GPD with peak daily flow of 575,000 GPD and average daily flows of 308,000 GPD. Since added flows from the proposed territory is expected to only be 15,000 GPD at buildout, the flows can be accommodated with existing plant. However, collection of wastewater from the new territory will require the installation of a new pump station adjacent to the extension with approximately two (2) miles or 10,000 feet of force main installed down Pleasant Hill Road to connect to the existing force main.

Capital Costs

As a condition precedent to the provision of service availability to the proposed extension, Poinciana will require the service applicant's contribution or advance for the facilities necessary to serve the extension. Based on the description of additional facilities which will be required, above, the application estimates the following costs for capital improvements to serve the territory. These estimates do not include applicable gross-up for federal income tax purposes.

High service water pump	\$10,000
Jack and bore water main extension	30,000
Lift station	60,000
Force main extension	<u>200,000</u>
Total estimated capital improvements	<u>300,000</u>

The application states that Poinciana has discussed with the service applicant the relatively high cost for having central wastewater collection and treatment service over septic service. (The estimated per unit costs for central wastewater collection exclusive of gross-up and capacity charges is \$3,500. The estimated per unit costs for septic service is \$2,500 to \$3,000.) However, the landowner believes that the availability of central water and

wastewater service enhances the marketability of the land to a developer and has, nonetheless, requested the service from Poinciana. Given that Poinciana is requiring that the facilities necessary for provision of service be contributed or advanced, the proposed extension will have no significant impact on the utility's capital structure. Therefore, the proposed extension is expected to have no impact on Poinciana's monthly rates and service availability charges.

The type of customers anticipated to be served by the extension are single family residences. Poinciana proposes to assess the existing water and wastewater treatment plant capacity charges and meter installation charges at the time the land within the proposed territory extension is developed. The most recent order establishing the utility's rates is Order No. PSC-94-1168-FOF-WS. Subsequent to that order, Poinciana had a 1995 Price Index. The most recent order establishing service availability charges is Order No. 24370. Subsequent to that order Poinciana had a 1994 CIAC Gross-Up and a 1995 Price Index. The application included sample tariff sheets reflecting the additional service area, as amended, and the utility's original water and wastewater certificates. Finally, the application included an affidavit from the utility that it has tariffs and annual reports on file with the Commission.

Based on the above information, staff believes it is in the public interest to grant the application of Poinciana Utilities, Inc. for amendment of water Certificate No. 146-W and Wastewater Certificate No. 103-S for the territory described in Attachment A. The order should require that the applicant apply its existing tariff rates and charges at the time service becomes available to customers within the territory extension until authorized to change by this Commission in subsequent proceedings. Upon issuance of the order, the docket should be closed.

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POINCIANA UTILITIES, INC.
TERRITORY DESCRIPTION - OSCEOLA COUNTY
WATER AND WASTEWATER SERVICE AREA

Robert J. Lee Revocable Trust

Township 27 South, Range 29 East

Section 6

- 1) The S 1/2 of the NW 1/4 of the NE 1/4 of the NE 1/4
and
- 2) The SW 1/4 of the NE 1/4 of the NE 1/4
and
- 3) The SE 1/4 of the NE 1/4 of the NE 1/4.