

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by Terra Mar
Village Utilities, Inc. for
limited proceeding in Volusia
County.

DOCKET NO. 980035-WS
ORDER NO. PSC-98-1207-FOF-WS
ISSUED: September 9, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION
ORDER DENYING APPLICATION FOR LIMITED PROCEEDING TO RESTRUCTURE
WASTEWATER RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Terra Mar Village Utilities, Inc. (Terra Mar or utility) is a Class C water and wastewater utility located in Volusia county. The utility provides service to approximately 250 water customers and to approximately 253 wastewater customers.

On January 6, 1998, the utility filed a request for a limited proceeding to restructure its wastewater rates. The utility's request did not include either proposed rates or proposed tariffs. The utility's customer base includes 210 customers that are metered for water and wastewater, 40 customers that use water from their private well in addition to metered water from the utility, and three customers that receive water from their private well and are

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wastewater only customers. In its application, the utility indicated that those customers using private wells along with metered utility water and those that are using private wells only are not paying their share for wastewater treated, because total gallons of water used cannot be measured accurately.

We approved an historical test year ended December 31, 1997, for this docket. Our staff engineer conducted an investigation to review flow data for the water and wastewater treatment plants. In addition, a separate infiltration audit was also done.

During the investigation, it was discovered that none of the customers using private well water mixed with the utility's potable water had back-flow prevention devices. The utility has submitted a cross-connection control program to the Volusia County Public Health Unit (VCPHU), but has not implemented a program within the system. The VCPHU is currently working with the utility to establish a back-flow protection program whereby those customers having non-potable water use will also be protected from any potential health hazard.

Water sold to all 250 metered customers totaled 4,899,609 gallons during the calendar year 1997. This represents a potable water usage of 13,424 gallons per day (gpd). However, flows at the wastewater treatment plant were recorded by a flow meter at a total of 8,897,000, or 24,375 gpd, for the same calendar year period.

The excess flows into the wastewater treatment plant appear out of character for normal, anticipated flows for modular home customers. Terra Mar's position is that those customers with private wells are over using their well-water, creating excess expenses through wastewater treatment. Terra Mar believes that these additional expenses are not considered in the current rates and charges.

During the infiltration audit, our staff engineer contacted the Florida Rural Water Association to assist in determining the cause of the discrepancy in the excessive number of gallons of water sold and the number of gallons of wastewater treated for 1997. The first theory to be ruled out was the possibility of an inaccurate flow meter at the wastewater plant. Mr. Jack Hodges of the Florida Rural Water Association calibrated the meter at the wastewater treatment plant in April, 1996 and again in November, 1997. Between the two calibrations, the pumps in the master lift station were calibrated to assure an accurate cross-reference

between the collection system flows and wastewater plant flows. In addition, the utility performed a "smoke test" to locate deficiencies where infiltration might occur within the system. This test revealed some deficiencies which resulted in the utility installing rainfall seals under the manhole covers. Wastewater flows continued to be high, and for the 1997 calendar year, was nearly twice that of metered water sold to customers.

The static water table in this area is very near the ground's surface and a closer look was needed to resolve the question of excessive infiltration. The best test is to shut off the water flow to the park and inspect the gravity lines. After a discussion with the VCPHU, it was agreed that without back-flow prevention, shutting the system down for an infiltration audit was too great a risk. The pressure goes to zero during a shutdown and any back-pressure from non-potable water sources, such as wells, would immediately invade the potable system's water mains. The next course of action was to perform the audit during the early morning hours when usage would be near zero. This was done on April 14, 1998 by the staff engineer and a week earlier by the VCPHU. It was determined that there is some infiltration, but the level of infiltration is considered normal.

LIMITED PROCEEDING

The utility's existing wastewater rate structure, approved by Order No. PSC-95-0722-FOF-WS, issued June 19, 1995 in Docket No. 941084-WS, authorized the utility to charge a base facility and gallonage charge to metered wastewater customers. This included those customers that were metered and were also using their own private wells. It also authorized a flat rate for customers that use private wells only.

As discussed earlier, the utility's request did not include any proposed rates or proposed tariffs. However, the utility did propose two, following alternatives:

- 1) Customers using well water would be billed a basic charge and a surcharge each month for wastewater services based on a monthly average of the total water consumption by customers who use only water provided by the utility; or
- 2) The utility would charge all residences for wastewater services based on the total wastewater flow from the main lift station.

By Order No. 11267, issued October 26, 1982, in Docket No. 810394-WS, we granted the utility's water and wastewater operating certificates and set rates. In that Order, we stated that several customers had connected irrigation wells to their plumbing system and that the utility may be treating more water than the amount for which the customers were actually paying. Therefore, the utility was aware of this situation as early as 1982, and the problem has not been corrected.

We have reviewed the number of gallons of water sold and the number of gallons of wastewater treated for the calendar year 1997. In addition, an infiltration audit was also done. The number of gallons of wastewater treated minus infiltration is 6,477,415 gallons annually. The number of gallons of water sold is 4,899,609 gallons annually. Therefore, wastewater treated exceeds water sold by 1,577,806 gallons annually. This indicates that the customers using private wells are not paying for a large amount of water being returned to the wastewater treatment plant.

This situation should be addressed. However, the utility does not have an accurate count of the number of its water customers who also have private wells. This situation will continue until the utility can determine and implement a method for measuring well water usage. Further, as discussed earlier, none of the customers using private well water mixed with the utility's potable water have back-flow prevention devices. Although, the utility has submitted a cross-connection control program to the VCPHU, to date, no further information has been received concerning the implementation of a back-flow prevention program. After such program is implemented, all costs associated with correcting this problem can be addressed in the utility's next full rate case. We find that restructuring the existing wastewater rates at this time is premature and will not allow the utility to recover any costs associated with correcting the problem. Therefore, the utility's request to restructure its wastewater rates is denied at this time. This problem shall be addressed in the utility's next rate case if all related information is available.

Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, this docket shall be closed.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Terra Mar Village Utilities, Inc.'s application for limited proceeding to restructure wastewater rates is hereby denied. It is further

ORDERED that Terra Mar Village Utilities, Inc.'s request to restructure wastewater rates shall be addressed in the utility's next rate case, if the utility provides the requisite information, as set forth in the body of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission this 9th day of September, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 30, 1998.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.