



Public Service Commission

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DATE: FEBRUARY 4, 1999

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER AND WASTEWATER (VON FOSSEN)
DIVISION OF LEGAL SERVICES (JAEGER)

RE: DOCKET NO. 970229-SU - APPLICATION FOR LIMITED PROCEEDING INCREASE IN REUSE WATER RATES IN MONROE COUNTY BY K W RESORT UTILITIES CORPORATION.

AGENDA: 02/16/99 - REGULAR AGENDA - DECISION ON STIPULATION PRIOR TO HEARING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\WAW\WP\970229.RCM

CASE BACKGROUND

K W Resort Utilities Corp. (K W Resort or utility) is a Class B wastewater utility providing service to approximately 817 residential connections, 3 general service connections, 9 private lift station operators and 1 reuse customer on Stock Island in Monroe County. Water service is provided by the Florida Keys Aqueduct Authority.

On February 21, 1997, K W Resort filed, pursuant to Section 367.0822, Florida Statutes, its Application for Limited Proceeding Increase in Reuse Water Rates (Application). In its application, the utility requested an increase in its rate for reclaimed water from \$.25 to \$1.25 per thousand gallons.

In response to the Application, Key West Country Club (Golf Club) filed, on March 17, 1997, its Protest and Motion to Dismiss the Application for Limited Proceeding or in the Alternative Protest and Request for Formal Hearing (Protest). Also, on April

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29, 1997, the Golf Club (the only reuse customer) filed its Notice of Limited Appearance and Petition to Intervene for the Limited Purpose of Raising the Issues Set Forth in its Protest (Petition for Limited Intervention).

On July 15, 1997, the Commission issued Order No. PSC-97-0850-FOF-SU denying the petition for limited intervention, granting intervention pursuant to rule, denying the motion to dismiss, and denying the request for formal hearing. Additionally, based upon the magnitude of the requested rate increase and the fact that only the golf course would be affected, the Commission encouraged the utility and golf course to meet to reach a mutually acceptable resolution. The utility was ordered to submit within 60 days of the date of the order a report on the status of any such negotiations. On September 9, 1997, the utility submitted a letter to staff requesting a delay in processing this docket based upon a pending purchase of the utility by the Golf Club.

On March 5, 1998, K W Resort filed its application for Transfer of Majority Organization Control to WS Utility, Inc., with no change in name on the certificate. This transfer was approved by Order No. PSC-98-1053-FOF-SU, issued on August 6, 1998. The entities which control the utility also control the Golf Club.

On December 30, 1998, we received a stipulation between K W Resort and the Golf Club agreeing to raise the reclaimed water rate. This recommendation concerns that stipulation.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve the proposed stipulation between K W Resort Utilities Corp. and the Key West Golf Club.

RECOMMENDATION: Yes, the Commission should approve the proposed stipulation resulting in an increase in the rate for reclaimed water for the Key West Golf Club from \$.25 to \$.40 per 1,000 gallons. The utility should file a revised tariff sheet reflecting this change and the rate should become effective for service rendered on or after the stamped approval date of the revised tariff sheet. (VON FOSSEN)

STAFF ANALYSIS: On February 21, 1997, K W Resort filed, pursuant to Section 367.0822, Florida Statutes, its Application for Limited Proceeding Increase in Reuse Water Rates. In its application, the utility requested an increase in its rate for reclaimed water from \$.25 to \$1.25 per thousand gallons.

On March 17, 1997, the Golf Club filed its protest of the proposed increase based upon the level of the increase and it would be the only customer impacted with the application styled as a limited proceeding. Subsequently, the parties entered into discussions to resolve this dispute which ended with the purchase of the utility by entities which also controlled the Golf Club.

On December 30, 1998, we received a stipulation between K W Resort and the Golf Club agreeing to raise the reuse water rate to \$.40 per 1000 gallons. (Attachment A) The parties request that the stipulation be approved, a final order be entered approving the stipulated reuse rate and this docket be closed.

In its application, the utility requested that the \$.25 reuse rate, initially established in 1994, be increased to \$1.25. In support of its request, the utility filed a cost study showing the cost of providing reuse to be approximately \$1.60 per 1,000 gallons. While staff had many questions concerning the study, clearly the cost would be in excess of \$.40 per 1,000 gallons. Additionally, the golf course's alternate irrigation source would be potable water from the Keys Aqueduct authority at \$5.68 per 1000 gallons. Staff believes that \$.40 per 1,000 gallons represents a reasonable rate for reclaimed water in this docket since the rate would apply only to the golf course and impact no other customer. The level of this rate would again be considered in subsequent rate

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proceedings. The increased rate would provide the utility with approximately \$5,900 of additional revenues, which based upon an annual report review would not result in overearnings. Staff recommends that the stipulated rate be approved. The utility should file a revised tariff sheet reflecting this change and the rate should become effective for service rendered on or after the stamped approval date of the revised tariff sheet.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, if the Commission approves staff's recommendation in Issue 1, no further issues remain for the Commission to address. Therefore, this docket should be closed.
(JAEGER)

STAFF ANALYSIS: If the Commission approves staff's recommendation in Issue 1, no further issues remain for the Commission to address. Therefore, this docket should be closed.