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**DATE:** JUNE 6, 2002

**TO:** DIRECTOR, DIVISION OF THE COMMISSION  
ADMINISTRATIVE SERVICES (BAYÓ)

**FROM:** DIVISION OF ECONOMIC REGULATION (RENDELL, MERTA)  
OFFICE OF THE GENERAL COUNSEL (HOLLEY)

**RE:** DOCKET NO. 010616-WS - COMPLAINT BY DR. WILLIAM F. WEIR  
AGAINST SUN COMMUNITIES FINANCE, LLC D/B/A WATER OAK  
UTILITY IN LAKE COUNTY REGARDING PRESENT METHOD OF  
CHARGING CUSTOMERS.  
COUNTY: LAKE

**AGENDA:** 06/18/02 - REGULAR AGENDA - PROPOSED AGENCY ACTION -  
INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\010616.RCM

CASE BACKGROUND

Sun Communities Finance, LLC d/b/a Water Oak Utility (Sun Communities or utility) is a Class B water and wastewater utility located in Lake County. The utility provides water and wastewater service to approximately 788 residential customers and 141 general service customers. The utility was granted Water Certificate No. 454-W and Wastewater Certificate No. 388-S, pursuant to Order No. 16150, issued May 23, 1986, in Docket No. 850517-WS. The utility's rate base was last established pursuant to Order No. PSC-97-0034-FOF-WS, issued January 7, 1997, in Docket No. 960040-WS.

Dr. William F. Weir contacted staff subsequent to the utility's last rate proceeding in Docket No. 960040-WS. Dr. Weir is a part-time resident of Sun Communities. Dr. Weir inquired as to the possibility of obtaining a wastewater vacation rate while

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away from the Sun Community subdivision. This rate would be for part-time residents who reside at another residence for several months at a time. The customer's concern was that while not in residence, the water is used for irrigation purposes only and therefore is not returned to the wastewater system. Staff subsequently contacted the utility and discussed this informal complaint with the utility. The utility submitted a letter dated November 28, 2000, to Dr. Weir regarding the availability of irrigation meters for his residence. This solution was rejected by the complainant.

Staff sent a letter to the utility on February 20, 2001, requesting information concerning the potential impact a vacation rate for wastewater service would have on the utility. In a letter dated March 2, 2001, the utility indicated that the utility was exploring the feasibility of vacation rates and would inform the staff as to its decision. In a subsequent telephone conversation, staff was informed that this type of billing arrangement would cause financial difficulty to the utility, but that the utility was willing to install irrigation meters for these customers. The utility further indicated that the additional costs involved with the vacation rate billing and any potential decrease in wastewater revenues had not been budgeted by the utility nor addressed by the Commission in the utility's last rate proceeding, Docket No. 960040-WS.

On April 24, 2001, Dr. Weir filed a formal complaint pursuant to Rule 25-22.032, Florida Administrative Code. In his complaint, the customer indicated that the budget excuse of the utility was unacceptable as it is unfair to overcharge to begin with and has no place in any budget. Further, Dr. Weir indicated that permitting a utility to estimate the amount of sewage used by the amount of water metered is an abuse of privilege by the Public Service Commission. The complaint requested that the Commission not only reassess the utility's present method of charging its customers, but also require that the utility provide a vacation rate for vacant residences.

Sun Communities responded to the complaint in a letter dated June 1, 2001, stating that this type of billing arrangement where a utility is required to provide water service through the normal potable meter, without a wastewater gallonage charge, had never been authorized or required of a utility regulated by the Commission. The utility indicated that the Commission has always

considered installation of a separate irrigation meter as the appropriate way to address a customer's desire to obtain irrigation service at any time, while separating irrigation water from drinking water and sewer service.

In that same letter, the utility listed several reasons it does not agree with the wastewater vacation rate. The utility's reasons are listed below:

**1. Possibility of abuse:** Since the proposed method is dependant solely upon customer reporting, this method is subject to abuse, either intentionally or by accident. A customer who reports a time for vacation when that customer is actually not on vacation would result in deficient revenues to the utility and the customer receiving services without properly paying for them. Subsequently, any method by which the utility is informed of the customers status outside of the meter being turned on or off presents potential problems, and requires additional monitoring, billing, and administration costs by the utility.

Through a telephone conversation, Dr. Weir stated that the residents of Sun Communities inform the security personnel at the front gate as to the periods of time they will not be in residence. However, a resident may fail to depart or return on the anticipated date. Additional time and resources to verify and to confirm the residents' vacation time would have to be implemented. These additional resources would result in additional cost to the utility, which would be passed to the general body of ratepayers.

**2. Increased costs:** Since this particular proposal for providing a wastewater vacation service to a customer has never been approved for a PSC regulated utility, it is difficult to estimate the additional costs. However, the utility stated that it would require additional computer programming and utility personnel monitoring. Further, the cost associated with billing would cost additional monies to the utility thereby possibly requiring an increase in rates.

Additionally, in order for a customer of Sun Communities to qualify for a vacation rate, the utility would first have to determine how long a customer would have to be away from the residence. Once the utility decides on the appropriate length of time a customer must be away to qualify for a vacation rate, another issue arises. If the vacation time period falls in the

middle of a billing cycle the question of how to prorate the gallonage charge occurs. Using a formula to estimate usage would likely be inaccurate and inferior to meter readings. Sending a utility representative to read the meter before customers leave and immediately after they return would be costly to the utility. As stated above, the utility indicated that additional computer programming to sufficiently allocate the correct cost to each customer would be needed. These upgrades to the utility's existing computers would come at a cost to the general body of rate payers.

**3. Revenue deficiency:** If this proposed rate structure is authorized by the Commission, to the extent it was utilized by any significant number of customers, it would create a revenue shortfall that must be made up from all classes of customers, in the form of increased rates.

Finally, the Commission sets rates for a utility based on a revenue requirement. In the limited proceeding order, Order No. PSC-00-1301-CO-WS, issued May 4, 2000, the Commission set rates based upon total gallons. The revenue requirement was spread over the BFC and gallonage charge. If a wastewater vacation rate is implemented, the gallons billed for wastewater would be reduced, which would cause the gallonage charge to increase since this revenue requirement would be spread over fewer gallons.

The utility, again, offered to install a separate irrigation meter to accomplish the goal of not having separate wastewater charges. However, Dr. Weir was unwilling to accept this offer.

The recommendation on this complaint was deferred from the March 19, 2002, agenda conference in order to allow staff time to work with the parties to settle the complaint. This recommendation addresses the settlement proposed by Sun Communities and accepted by Dr. Weir, and is substantially different from staff's recommendation dated March 7, 2002. The Commission has jurisdiction pursuant to Section 367.121, Florida Statutes.

**ISSUE 1:** Should the Commission approve the proposed settlement?

**RECOMMENDATION:** Yes, the Commission should approve the proposed settlement. The utility should file revised tariff sheets which are consistent with the Commission's vote. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that revised tariff sheets are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code. (RENDELL, MERTA)

**STAFF ANALYSIS:** Subsequent to this item being deferred, staff began discussions with both parties in order to facilitate a fair compromise and a mutually acceptable resolution to this complaint. Following numerous telephone conversations with both parties exchanging ideas and opinions and after extensive negotiation, Sun Communities proposed the following for purposes of calculating and providing irrigation service to customers:

1. The utility will provide irrigation service through a separate meter split off from the utility's existing service line, all of which are 3/4" or larger.
2. The charges imposed for such separate irrigation service will be available to old customers with the payment of a meter installation fee at the then approved rate, payment of an initial setup fee, payment of 1/2 of the standard service availability charge, a deposit, and monthly payment of 1/2 of the standard water base facility charge and the full standard gallonage charge.
3. As with all base facility and other charges, the customer will be responsible, (at a minimum), for base charges during the customer's absence, even if a turnoff is requested.

Staff explained the utility's proposal to Dr. Weir and discussed with him the options and outcomes. Staff assured Dr. Weir that, in

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staff's opinion, the proposal was a fair compromise to both parties. Dr. Weir agreed to accept the settlement proposal to resolve the dispute.

Paragraph Number Two of the settlement requires a deposit from customers requesting irrigation service. At the present time, there is no Commission approved deposit rate for this utility. If the utility wishes to charge a deposit, it must request a deposit based on an average monthly bill for a 2-month period in accordance with Rule 25-30.311, Florida Administrative Code, in a separate docket.

The charges are designed to defray the costs associated with irrigation service and place the responsibility of the cost on the person creating it rather than on the rate paying body as a whole. A schedule of the irrigation service charges follows:

<u>Description</u>	<u>Existing Water Rates</u>	<u>Irrigation Charges Per the Settlement</u>
<u>Meter Installation Fee</u>		
5/8" x 3/4"	\$100.00	\$100.00
<u>Initial Connection Fee</u>	\$15.00	\$15.00
<u>System Capacity Charge</u>		
Residential-per ERC(300 GPD)	\$141.00	\$70.50
<u>Base Facility Charge</u>		
5/8" x 3/4"	\$6.37	\$3.19
<u>Gallonge Charge</u> per 1,000 Gallons	\$0.51	\$0.51

Staff has reviewed the proposed settlement and believes that it is a reasonable compromise between the parties and is in the public interest. The customer pays for the irrigation service by a monthly water base facility charge and gallonage charges, without wastewater charges being assessed, i.e, the customer will not be charged a wastewater gallonage charge for the irrigation water. This rate structure is superior to a vacation rate in that the

vacation rate would only apply during the specified vacation time, whereas the irrigation meter is performing its function year round. This would allow Sun Communities to depend upon its meters for determination of when a customer is receiving service and when they are not. It also alleviates any concern that any of the water flows are returning to the wastewater system.

Although the Commission has approved vacation rates for some utilities in the past, it has gradually moved away from this practice. In Order No. PSC-00-0259-PAA-WS, issued February 8, 2000, in Docket No. 990080-WS, the Commission denied the establishment of a vacation rate for water and wastewater service for Shangri-La by the Lake Utilities, Inc. In addition, the order authorized a new class of service for the provision of residential irrigation service. The Order stated:

In most cases, we authorize utilities to assess both the water base facility charge and water gallonage charge for separate irrigation meters, as well as any applicable service availability charges. Depending on the size of the irrigation meter, the customer may place one or more additional equivalent residential connections (ERC) of demand on the utility's system through the use of a separate irrigation meter. This results in the utility incurring the same expenses to provide irrigation service as it does to provide service to the customer's home.

In the above case, the Commission authorized the utility to charge its approved meter installation fee to customers who requested installation of a separate irrigation meter and to assess only the water gallonage charge on water usage registered by the irrigation meters because usage levels did not exceed one ERC per customer and the installation of separate irrigation meters would not result in customers placing additional demand on the utility's water system.

Staff believes the settlement proposal is fair, just, and reasonable and consistent with prior Commission decisions. In consideration of the foregoing, staff recommends that the Commission approve the proposed settlement.

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It should be noted that the utility has filed a request to increase its meter installation fees from \$100 to \$190 for 5/8" x 3/4" meters. Docket No. 020388-WS was opened to address this request.

The utility should file revised tariff sheets which are consistent with the Commission's vote. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved the charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code.



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**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes, this docket should be closed upon the issuance of the Consummating Order if no person, whose interests are substantially affected by the proposed actions, files a protest with the 21 day protest period. (RENDELL, MERTA, HOLLEY)

**STAFF ANALYSIS:** Because no further action is necessary, upon expiration of the protest period, this docket should be closed upon the issuance of the Consummating Order, if no person, whose interests are substantially affected by the proposed actions files a protest within the 21 day protest period.