

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval of  
tariff filing by Zellwood  
Station Co-Op, Inc. in Orange  
County.

DOCKET NO. 010618-WS  
ORDER NO. PSC-01-1440-PAA-WS  
ISSUED: July 3, 2001

The following Commissioners participated in the disposition of  
this matter:

E. LEON JACOBS, JR., Chairman  
J. TERRY DEASON  
LILA A. JABER  
BRAULIO L. BAEZ  
MICHAEL A. PALECKI

PROPOSED AGENCY ACTION ORDER APPROVING TARIFF REVISION  
CLARIFYING IMPLEMENTATION OF WATER-USE PENALTY

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

Zellwood Station Co-Op, Inc. (Zellwood or utility), is a Class  
B utility that provides water and wastewater service in Orange  
County for approximately 1,000 active customers in an area known as  
Zellwood Station. Residents of Zellwood Station, a 619-acre mobile  
home park, include Zellwood's member tenant-shareholders, nonmember  
lessees, and nonmember condominium owners. The utility also serves  
a small number of commercial and urban landscape irrigation  
customers. In 1999, Zellwood recorded annual revenues of \$474,453  
for its combined water and wastewater systems.

Zellwood acquired the utility facilities and assets in 1993  
from the previous owner in the course of a bankruptcy proceeding.  
Zellwood's current water and wastewater rate structures consist of  
flat rates that were approved as part of a settlement in its  
certification case by Order No. PSC-98-1572-FOF-WS, issued

DOCUMENT NUMBER-DATE

08170 JUL-30

FPSC-RECORDS/REPORTING

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November 23, 1998, in Docket No. 980307-WS. At that time, the St. John's River Water Management District (SJRWMD) required Zellwood to install water meters to measure consumption. As agreed upon in the settlement and approved by the Commission, Zellwood would implement, for a typical residential customer, a monthly flat water service rate with an additional flat conservation surcharge for water use in excess of 10,000 gallons per month. Also, after meters have been installed, and a customer's average usage for 24 months was known and shared with the customer, Zellwood could impose a penalty for excessive water consumption over 25,000 gallons per month. This penalty was based on multiples of the flat water service rate for specific ranges of consumption. Order No. PSC-98-1572-FOF-WS also required the utility to file a rate case specifically addressing a consumption-based and/or conservation rate structure by September 2, 2001. The 24-month period expired in December 2000 and notices were mailed in January, 2001 that the penalties would start in February, 2001.

In March 2001, our staff became aware that the utility's tariff was silent regarding several necessary components of implementing the water-use penalty. The utility and our staff agreed that until a new rate structure could be implemented in the upcoming rate case, the current water tariff needed to be clarified. By letter dated April 24, 2001, and superseded by letter dated May 5, 2001, Zellwood requested approval of the test year ended December 31, 2000, for its rate case. Docket No. 010492-WS has been assigned to that case.

By letter dated April 17, 2001, and revised by letter dated April 24, 2001, Zellwood filed revised tariffs to add clarification language to its tariffs. Docket No. 010618-WS was assigned to the tariff filing. At the June 12, 2001 agenda conference, we determined that additional clarification should be incorporated with the utility's proposed tariff revision. This Order will therefore issue as proposed agency action, as set forth below. We have jurisdiction pursuant to Section 367.091, Florida Statutes.

#### APPROVING TARIFF REVISION

In January, 2001, Zellwood implemented the conservation rate and the excessive water use penalty provided by the stipulation approved in Order No. PSC-98-1572-FOF-WS. By a letter dated March 13, 2001, the utility stated its concerns about the implementation

of the conservation rates. The utility questioned whether it was required to adjust the excessive use penalty as customers' usage changes. On March 23, 2001, we also received a letter from a customer expressing concern with the excessive water use penalty levied by the utility. The customer addressed the complicated nature of and the difficulty interpreting the tariffs.

The conservation rates are intended to be a transition from flat rates to full conservation rates using the base facility and gallonage charge rate design. The goal of the current rate structure is to allow the utility an opportunity to recover its operating costs while, at the same time, encouraging customers to conserve water. As customer usage exceeds certain threshold levels, the flat rate increases by steps. The first step is a surcharge added to the basic flat service rate. The second level increases by multiples of the basic flat service rate for each range of water consumption, which is called an excessive water use penalty. For a residential customer, if usage for one month is less than 10,000 gallons, then only the basic flat service rate is charged. If usage for one month is between 10,000 and 25,000 gallons, the customer will be billed the basic flat service rate plus the surcharge. If a customer's consumption exceeds 25,000 but is less than 36,000 gallons, the customer will be charged the excessive water use penalty, which is double the flat monthly service rate. For consumption above 36,000 gallons, the excessive water use penalty increases by multiples of the basic flat rate for each range of water consumption.

We find that the current tariff is confusing as to how to apply the surcharge when consumption is below the penalty level and whether the surcharge continues when a customer enters the penalty phase. The current tariff also does not address what consumption is used to apply the excessive water use penalty in any given month. The utility originally interpreted the level in which the penalty applies to be the 24-month historical average regardless of prospective conservation by the affected customers. Further, the tariff expressed the penalty in terms of Equivalent Residential Connections (ERC), but did not adequately define an ERC. Lastly, the current tariff does not give a clear example of how an individual customer's bill would be determined using this complex billing scheme. It would be much clearer if the tariff provided the bill amounts for consumption levels to show the effect of the surcharge and penalty applications.

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The utility's proposed tariff includes language added to the tariff which explains the surcharges based on consumption level, defines the term ERC, specifies the customers affected by the excessive water use penalty, limits the surcharge to consumption levels below the penalty level, specifies when the penalty would be imposed and when the penalty would be lifted, and provides an example of monthly bills at various consumption levels. These additions to the tariff include only explanation, clarification, and examples, and do not change the rates as set forth in the stipulation approved in Order No. PSC-98-1572-FOF-WS. We have reviewed the additions to the tariff and find it appropriate to approve the revised tariff sheets, as modified herein. The approved residential tariff is attached hereto as Attachment A, which is incorporated herein by reference.

Within 20 days of our decision at the Agenda Conference, the utility shall provide notice of our decision to all customers in the service area who are affected by the tariff revisions. The notice shall be approved by Commission staff prior to distribution. The utility shall provide proof that the appropriate customers have received notice within ten days of the date of the notice. The tariffs shall become effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code.

If there is no timely protest to the Order by a substantially affected person, no further action will be necessary and this docket shall be closed upon the issuance of a Consummating Order.

Our staff shall be given administrative authority to approve the revised tariff sheets. Upon staff's verification that the tariff is consistent with our decision herein, the tariff sheets shall become effective on or after the stamped approval date on the tariff sheets.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Zellwood Station Co-Op, Inc.'s proposed tariff revision, as modified herein as set forth in Attachment A, is approved. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance

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of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that within 20 days of our decision at the June 12, 2001, agenda conference, the utility shall provide notice of our decision to all customers in the service area who are affected by the tariff revisions. It is further

ORDERED that the notice shall be approved by Commission staff prior to distribution. It is further

ORDERED that the utility shall provide proof that the appropriate customers have received notice within ten days of the date of the notice. It is further

ORDERED that the tariffs shall become effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code. It is further

ORDERED that staff shall be given administrative authority to approve the revised tariff sheets. Upon staff's verification that the tariff is consistent with our decision herein, the tariff sheets shall become effective on or after the stamped approval date on the tariff sheets.

ORDERED that if there is no timely protest to the Order by a substantially affected person, no further action will be necessary and this docket shall be closed upon the issuance of a Consummating Order.

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By ORDER of the Florida Public Service Commission this 3rd  
day of July, 2001.

BLANCA S. BAYÓ, Director  
Division of Commission Clerk and  
Administrative Services

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

( S E A L )

JSB

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 that is available under Section 120.57, 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 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 the Commission Clerk and Administrative Services, 2540 Shumard Oak

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Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 24, 2001.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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.

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ATTACHMENT A  
 PAGE 1 OF 2

FIRST REVISED SHEET NO. 13.0  
 CANCELS ORIGINAL SHEET NO. 13.0

NAME OF COMPANY ZELLWOOD STATION CO-OP, INC.

WATER TARIFF

RESIDENTIAL

RATE SCHEDULES

AVAILABILITY Available throughout the area served by the Company.  
APPLICABILITY For water service to all customers for which no other schedule applies.  
LIMITATIONS Subject to all of the Rules and Regulations of this tariff and General Rules and Regulations of the Commission.

BILLING PERIOD Monthly

<u>RATES</u>	<u>Meter Size</u>	<u>Flat Rate</u>
	5/8" X 3/4" (1 ERC)	\$15.24
	Full 3/4"	22.87
	1"	38.11
	1 1/2"	76.22
	2"	121.95
	3"	243.90
	4"	381.09
	6"	762.17
	8"	1,219.48
	10"	1,753.00

	<u>Gallon Ceiling</u>	<u>Surcharge Over</u>
5/8" X 3/4"	10,000	\$5.32*
Full 3/4"	15,000	\$7.98
1"	25,000	\$13.30
1 1/2"	50,000	\$26.60
2"	80,000	\$42.56
3"	160,000	\$85.12
4"	250,000	\$133.00
6"	500,000	\$266.00
8"	800,000	\$425.60
10"	1,150,000	\$611.80

\*5/8" X 3/4" surcharge only applies to consumption between 10,001-25,000 gallons.

PENALTY FOR MISUSE Misuse or tampering with water system is a \$30 fine per event.

TERMS OF PAYMENT Bills are due and payable when rendered and become delinquent if not paid

EFFECTIVE DATE October 1, 2000

TYPE OF FILING Correction of Text

Gloria Holt  
 ISSUING OFFICER

Manager  
 TITLE



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ATTACHMENT A  
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FIRST REVISED SHEET NO.13.1  
 CANCELS ORIGINAL SHEET NO. 13.1

NAME OF COMPANY ZELLWOOD STATION CO-OP, INC.  
 WATER TARIFF  
RESIDENTIAL 5/8" x 3/4" METER  
EXCESSIVE WATER USE PENALTY

For each month's measured consumption, any customer with a 5/8" x 3/4" meter whose consumption exceeds 25,000 gallons per month shall be charged for that month's water usage based upon an enlarged ERC factor as set forth below:

<u>Monthly Use Over</u>	<u>ERC Factor</u>
25,000 gallons	2
36,000 gallons	3
48,000 gallons	4
60,000 gallons	5

For each additional 10,000 gallons of usage above 60,000 gallons in a month, the customer's ERC factor shall be increased by one (1).

For water consumption over 25,000 gallons, the total water bill shall be calculated by multiplying the ERC Penalty Factor by the monthly flat rate of \$15.24. No additional surcharge shall be charged in any given month when a customer is assessed an Excessive Water Use Penalty. If consumption drops below 25,000 gallons per month but exceeds 10,000 gallons, then the monthly flat rate plus the surcharge shall be applied.

MONTHLY BILL EXAMPLES

<u>Water Consumption</u>	<u>Flat Rate</u>	<u>Surcharge</u>	<u>Penalty</u>	<u>Total Water Bill</u>
0 - 10,000 gallons	\$15.24	\$0.00	\$ 0.00	\$15.24
10,001-25,000 gallons	\$15.24	\$5.32	\$ 0.00	\$20.56
25,001-36,000 gallons	\$15.24	\$0.00	\$15.24	\$30.48
36,001-48,000 gallons	\$15.24	\$0.00	\$30.48	\$45.72
48,001-60,000 gallons	\$15.24	\$0.00	\$45.72	\$60.96

EFFECTIVE DATE - February 1, 2001

Gloria Holt  
 ISSUING OFFICER

Manager  
 TITLE