



Public Service Commission  
-M-E-M-O-R-A-N-D-U-M-

**DATE:** May 16, 2001  
**TO:** E. Leon Jacobs, Chairman  
**FROM:** Timothy J. Devlin, Director, Division of Economic Regulation TJD/mmw  
Rosanne Gervasi, Chief of Water & Wastewater, Division of Legal Services RGS  
**RE:** Docket No. 010492-WS, Application for Rate Increase in Orange County by Zellwood Station Co-Op, Inc. - Test Year Approval

By letter dated May 8, 2001, Zellwood Station Co-Op, Inc. (Zellwood) has requested approval to use an historical test year ended December 31, 2000. This letter superseded the utility's initial test year approval letter dated April 10, 2001. In its test year request, Zellwood stated that it will not file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes. By telephone, the utility has stated to staff that it will not seek interim rate relief.

The utility stated that the proposed test year ended December 31, 2000 is representative of the current operations because it includes the latest twelve months of actual operating and billing data available for the system. Further, Zellwood has not made any major plant expansions since its certificates were granted by the Commission in 1998. The utility states that it will make several proforma adjustments in its application. Those adjustments include costs of \$1.15 million for construction and operation of a reclaimed water facility required by the St. Johns River Water Management District (SJRWMD), \$55,000 for a new water tank, \$77,500 for additional water transmission and distribution and wastewater collection system maintenance items, \$40,000 for rehabilitation of the wastewater treatment plant and \$10,000 for water meter replacement.

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 November 23, 1998. Although required by the SJRWMD to install meters, the utility's tariff stated that after 24 months of measured consumption, Zellwood could implement a surcharge and penalty for high water consumption. The utility was also required by the Commission per the above order 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 that the penalties would start in February 2001. Staff became aware in March 2001 that the utility's tariff was silent regarding several necessary components of implementing the water-use penalty. The utility and staff agreed that until a new rate structure could be implemented in the upcoming rate case, the current water tariff needed to be clarified. On April 24, 2001, the utility filed revised tariffs to reflect the necessary language. Docket No. 010618-WS was assigned to the tariff filing. Staff's recommendation addressing the tariff change is scheduled to be addressed by the Commission at the June 12, 2001 Agenda Conference.

Staff believes that the requested test year will be representative because of the reasons stated above. Staff has reviewed the utility's annual reports for the calendar years 1998 through 2000. Based on our review, we believe that the requested test year should be approved. Receipt of the application by August 31, 2001 will be acceptable.

DOCUMENT NUMBER-DATE

06239 MAY 17 01

REC'D  
PSC  
MAY 17 2001

The test year letter filename is I:\psc\ecr\wp\zell-tya.pwm

- c: **Dr. Mary Bane, Deputy Executive Director/Technical**  
**Division of Economic Regulation (Willis, Kummer, Merchant, Stallcup, Lingo, Crouch)**  
**Division of Legal Services (Brubaker)**  
**Division of Auditing and Financial Analysis (Vandiver)**  
**Division of Records and Reporting**  
**Jackie Edwards**

E. LEON JACOBS, JR.,  
CHAIRMAN

STATE OF FLORIDA

CAPITAL CIRCLE OFFICE CENTER  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850  
(850) 413-6046



## Public Service Commission

May 18, 2001

Thomas A. Cloud, Esquire  
Gray, Harris & Robinson, PA  
Suite 400 301 East Pine Street  
P.O. Box 3068  
Orlando, Florida 32802-3068

**Re: Docket No. 010492-WS - Application for Rate Increase in Orange County by Zellwood Station Co-Op, Inc. - Test Year Approval**

Dear Mr. Cloud:

We have received your letter dated May 8, 2001, requesting approval for Zellwood Station Co-Op, Inc. (Zellwood) to use an historical test year ended December 31, 2001. You have stated that the utility will not file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes. Further, staff has also confirmed by telephone that the utility will not be requesting interim rates. The utility's test year request as outlined above is hereby approved. You should also be aware that prefiled direct testimony must be filed with the minimum filing requirements (MFRs) since the utility will not elect to request the PAA process.

For administrative purposes only, Docket No. 010492-WS has been assigned to the forthcoming case. Your petition will be deemed filed on the date that the Division of Records and Reporting receives the complete petition, revised tariff sheets, the MFRs, testimony (if not requesting PAA), and the filing fee. To minimize any regulatory lag that may occur, we request that you file the above no later than August 31, 2001. Because of the difficulty in scheduling hearing dates it is not anticipated that an extension of this filing date will be granted.

Under the file and suspend law, the time period for processing the request will begin on the date that all of the required data is completely filed. If not complete, the official filing date will be the date the complete corrections to the deficiencies are filed. The utility is instructed to file all information it wishes the Commission to consider when arriving at a decision on its rate case application with its original filing. Because of the time limitations contained in Section 367.081, Florida Statutes, and the lengthy auditing and investigation required, there is a possibility that information not filed with the original application will not be considered. Lastly, the utility should be prepared to justify all increased operation and maintenance expenses, particularly those in excess

Thomas A. Cloud, Esquire  
Page 2  
May 18, 2001

of customer growth and inflation for the five years preceding the requested historic test year.

Sincerely,

E. Leon Jacobs, Jr.  
Chairman

ELJ/pwm

cc: Commissioners  
Mr. Talbott  
Dr. Bane  
Division of Economic Regulation (Willis, Merchant)  
Division of Legal Services (Gervasi, Brubaker)  
Division of Records and Reporting  
Jack Shreve, Office of Public Counsel