

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: MAY 31, 2001

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

FROM: DIVISION OF ECONOMIC REGULATION (B. DAVIS, MERCHANT) *AD*
DIVISION OF LEGAL SERVICES (BRUBAKER) *JSB PS* *AD* *RTT*

RE: DOCKET NO. 010618-WS - REQUEST FOR APPROVAL OF TARIFF
FILING BY ZELLWOOD STATION CO-OP, INC. IN ORANGE COUNTY.
COUNTY: ORANGE

AGENDA: 06/12/01 - REGULAR AGENDA - TARIFF FILING - INTERESTED
PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: JUNE 27, 2001

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\LEG\WP\010618.RCM

CASE 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 November 23, 1998, in Docket No. 980307-WS. At that time, the St. John's River Water Management District (SJRWMD) required Zellwood

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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.

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. 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 reflect the necessary language to add clarification to its tariffs. Docket No. 010618-WS was assigned to the tariff filing. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes. This recommendation addresses the requested tariff change.

DISCUSSION OF ISSUES

ISSUE 1: Should Zellwood's proposed tariff revision to include clarifying language be approved?

RECOMMENDATION: Yes. The First Revised Tariff Sheets Nos. 12.0, 12.1, 13.0, and 13.1 should be approved. Within 20 days of the Commission's decision at the Agenda Conference, the utility should provide notice of the Commission's decision to all customers in the service area who are affected by the tariff revisions. The notice should be approved by Commission staff prior to distribution. The utility should provide proof that the appropriate customers have received notice within ten days of the date of the notice. The tariffs should become effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code. (B. DAVIS, BRUBAKER)

STAFF ANALYSIS: 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, to staff, 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, staff 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.

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.

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. Staff has reviewed the additions to the tariff and recommends approval of the revised tariff sheets as filed on April 24, 2001. Staff has attached copies of the utility's proposed residential tariff as Attachment A.

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

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If Issue 1 is approved and there is no timely protest to the Commission's Order by a substantially affected person, no further action will be necessary and this docket should be closed upon the issuance of a Consummating Order. Staff should be given administrative authority to approve the revised tariff sheets. Upon staff's verification that the tariff is consistent with the Commission's decision, the tariff sheets should become effective on or after the stamped approval date on the tariff sheets. (BRUBAKER)

STAFF ANALYSIS: If Issue 1 is approved and there is no timely protest to the Commission's Order by a substantially affected person, no further action will be necessary and this docket should be closed upon the issuance of a Consummating Order. Staff should be given administrative authority to approve the revised tariff sheets. Upon staff's verification that the tariff is consistent with the Commission's decision, the tariff sheets should become effective on or after the stamped approval date on the tariff sheets.

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 schedul applies.
LIMITATIONS Subject to all of the Rules and Regulations of this tariff and General Rules and
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.

MINIMUM CHARGE The applicable Flat Rate Charge.
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

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).

The ERC factor shall be multiplied by the monthly flat rate of \$15.24 for the Excessive Water Use Penalty. 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