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: July 7, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Merta, Rendell)
Office of the General Counsel (Jaeger)

RE: Docket No. 050368-WS – Request for approval of change in meter installation fees and proposed changes in miscellaneous service charges in Pasco County by Paradise Lakes Utility, L.L.C.

AGENDA: 07/19/05 – Regular Agenda – Tariff Filing - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 07/22/05 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\050368.RCM.DOC

Case Background

Paradise Lakes Utility, L.L.C. (PLU or utility) is a Class C water and wastewater utility in Pasco County, providing service to 429 water and wastewater customers, per the utility's 2004 annual report. Combined water and wastewater revenues for that year were $182,369 with a net operating loss of ($27,270). The utility's service area is located in the Southwest Florida Water Management District, in a water use caution area.

On May 23, 2005, PLU filed a request for approval of a change in meter installation fees and miscellaneous service charges. The Commission has jurisdiction pursuant to section 367.091, Florida Statutes.

Discussion of Issues

Issue 1: Should Paradise Lakes Utility, L.L.C.'s proposed tariff sheet to increase meter installation fees for 5/8" x 3/4" meters to $182.15 for standard meters and $332.79 for radio read meters and actual cost for all other meter sizes be approved as filed?

Recommendation: Yes. First Revised Sheet No. 19.0, increasing the utility's meter installation fees, should be approved as filed. The utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the notice has been approved by staff. Within 10 days of the date the order is final, the utility should be required to provide notice of the tariff changes to all customers. The utility should provide proof that the customers have received notice within 10 days after the date that the notice was sent. (Merta)

Staff Analysis: PLU's meter installation charges were approved by Order No. 19276, issued May 3, 1988, in Docket No. 871005-WS, In re: Application of Paradise Lakes Utility, Ltd. For staff-assisted rate case in Pasco County. In this tariff filing, the utility requests approval to increase its water meter installation fees. The current and requested meter installation charges are shown below.

Meter Installation Charge

Meter Sizes	Current Charges	PLU Requested Charges Standard Meters	PLU Requested Charges Radio Read Meters
5/8" x 3/4"	$100.00	$182.15	$332.79
1"	$250.00	Actual Cost	Actual Cost
1 1/2"	$487.00	Actual Cost	Actual Cost
2"	$582.00	Actual Cost	Actual Cost
3"	$750.00	Actual Cost	Actual Cost
4"	$1,250.00	Actual Cost	Actual Cost

PLU stated that it is instituting use of radio read metering systems in portions of its service territory where use of those devices are practicable. PLU further stated that it is requesting a change in meter installation fees in order to recognize the cost differential for the new metering systems. In addition, the utility stated it is updating the meter installation fee cost for existing standard meters where those will continue to be used. Section 367.091(6), Florida Statutes, authorizes the utility to file an application to establish, increase, or change a rate or charge other than monthly rates or service availability charges, which must

be accompanied by a cost justification. As justification, the utility provided the following actual costs:

Breakdown of Costs for Installation of 5/8" x 3/4" Meters

Description	Non Radio Read Meter	Radio Read Meter
Materials		
Meter	$ 36.96	$177.75
Brass Meter Coupling	9.98	9.98
Rubber Meter Washer	.42	.42
Plastic Meter Box	14.72	14.72
Dual Check VLV	26.38	26.38
7% Sales Tax	6.19	16.04
Total Materials	$ 94.65	$245.29
Labor		
Laborers (2) at $25/hr – 1hr	$ 50.00	$ 50.00
Supervisor 1 at $35/hr - .5hr	17.50	17.50
Truck, transportation, tools & supplies	20.00	20.00
Total Labor	$ 87.50	$ 87.50
Total Materials & Labor	$182.15	$332.79

Staff believes that the utility's cost documentation justifies the requested installation fees.

The Commission approved meter installation fees of $250 by Order No. PSC-03-0740-PAA-WS, issued June 23, 2003, in Docket No. 021067-WS, In re: Application for staff assisted rate case in Polk County by River Ranch Water Management, L.L.C., and a $200 fee by Order No. PSC-04-1256-PAA-WU, issued December 20, 2004, in Docket No. 041040-WU, In re: Application for certificate to operate water utility in Baker and Union Counties by B & C Water Resources, L.L.C. In addition, a $190 fee was approved by Order No. PSC-02-1831-TRF-WS, issued December 20, 2002, in Docket No. 020388-WS, In re: Request for approval to increase meter installation fees to conform to current cost in Lake County by Sun Communities Finance, LLC d/b/a/ Water Oak Utility. Further, by Order No. PSC-03-1474-TRF-WU, issued December 31, 2003, in Docket No. 030956-WU, In re: Application for approval of revised service availability charges to increase meter installation fees in Osceola County by O&S Water Company, Inc., the Commission approved a $300 meter installation fee for radio read meters. Therefore, staff believes that the meter installation fees requested by PLU are reasonable and consistent with meter installation fees for other utilities.

Based on the above, staff recommends that First Revised Sheet No. 19.0 be approved as filed because it is cost-based, reasonable, and consistent with meter installation fees for other utilities. The utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the notice has been approved by staff. Within 10 days of the date the order is final, the utility should be required to provide notice of the tariff changes to all customers. The utility

should provide proof that the customers have received notice within 10 days after the date that the notice was sent.

Issue 2: Should Paradise Lakes Utility, L.L.C.'s proposed tariff sheets to modify and increase miscellaneous service charges to $20 and to add after hours charges of $40 be approved as filed?

Recommendation: Yes. First Revised Sheet No. 16.0 and First Revised Sheet No. 18.0 should be approved as filed. The utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the notice has been approved by staff. Within 10 days of the date the order is final, the utility should be required to provide notice of the tariff changes to all customers. The utility should provide proof that the customers have received notice within 10 days after the date that the notice was sent. (Merta)

Staff Analysis: PLU's miscellaneous service charges were first approved May 23, 1988, and have not changed since that date. The utility filed a tariff request for approval to increase its water and wastewater miscellaneous service charges from $15 to $20, to add After Hours charges of $40, and to modify its Premises Visit Fee (in lieu of disconnection). If both water and wastewater services are provided, only a single charge is appropriate unless circumstances beyond the control of the utility requires multiple actions. The current and requested charges are shown below.

Water Miscellaneous Service Charges

	Current Charges		PLU Requested	
	Normal	After Hrs	Normal Hrs	After Hrs
Initial Connection	$15	N/A	$20	N/A
Normal Reconnection	$15	N/A	$20	$40
Violation Reconnection	$15	N/A	$20	$40
Premises Visit Fee (in lieu of disconnection)	$10	N/A	N/A	N/A
Premises Visit Fee	N/A	N/A	$20	$40

Wastewater Miscellaneous Service Charges

	Current Charges		PLU Requested	
	Normal	After Hrs	Normal Hrs	After Hrs
Initial Connection	$15	N/A	$20	N/A
Normal Reconnection	$15	N/A	$20	$40
Violation Reconnection	Actual	N/A	Actual Cost	Actual Cost
PremisesVisit Fee(in lieu of disconnection)	$10	N/A	N/A	N/A
Premises Visit Fee	N/A	N/A	$20	$40

The utility stated that miscellaneous service charges have not been updated since 1988 and costs for fuel and labor have risen substantially since that time. PLU further stated that the Commission's price index has increased approximately 80% in that period of time. By Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-WS, In Re:

Application for rate increase and increase in service availability charges by Southern States Utilities, Inc. for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties, the Commission expressed "concern that the rates [miscellaneous service charges] are eight years old and cannot possibly cover current costs" and directed staff to "examine whether miscellaneous service charges should be indexed in the future and included in index applications." Currently, miscellaneous service charges may be indexed if requested in price index applications pursuant to Rule 25-30.420, Florida Administrative Code. However, few utilities request that their miscellaneous service charges be indexed. Staff applied the approved price indices from 1988 through 2005 to PLU's $15 miscellaneous service charge and the result was a charge of $22.98. Also, staff notes that, as claimed by the utility, the costs for fuel and labor have increased substantially. Therefore, staff believes the utility's request for a $20 charge is reasonable and is cost based. By Order No. PSC-05-0397-TRF-WS, issued April 18, 2005, in Docket 050096-WS, In re: Request for revision of Tariff Sheets 14.0 and 15.1 to change request for meter test by customer and premise visit charge, by Marion Utilities, Inc., the Commission approved a $20 charge for connection and reconnections during normal hours and a $40 after hours charge. Therefore, staff recommends that these increases be approved to allow the utility to recover the costs of its increased expenses for connection, reconnection, and after hours calls.

PLU's current tariff includes a Premises Visit Fee (in lieu of disconnection). This charge is levied when a service representative visits a premises for the purpose of discontinuing service for non-payment of a due and collectible bill and does not discontinue service, because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill. PLU seeks to replace the "Premises Visit Fee In Lieu of Disconnection" with what will be called a "Premises Visit Fee." In addition to those situations described in the definition of the current Premises Visit Fee In Lieu of Disconnection, the new Premises Visit Fee will also be levied when a service representative visits a premises at a customer's request for a complaint resolution or for other purposes and the problem is found to be the customer's responsibility. This charge is consistent with Rule 25-30.460(1)(d), Florida Administrative Code. In addition, by Order No. PSC-05-0397-TRF-WS, issued April 18, 2005, in Docket 050096-WS, In re: Request for revision of Tariff Sheets 14.0 and 15.1 to change request for meter test by customer and premise visit charge, by Marion Utilities, Inc., the Commission approved a Premises Visit Charge to be levied when a service representative visits a premises at the customer's request for complaint and the problem is found to be the customer's responsibility. Based on the foregoing, staff recommends that the Premises Visit Charge (in lieu of disconnection) be eliminated and that the Premises Visit Fee is reasonable and should be approved.

In summary, staff recommends that the utility's First Revised Sheet No. 16.0 and First Revised Sheet No. 18.0, increasing PLU's miscellaneous service charges to $20 and instituting after hours charges of $40, be approved as filed because the increased charges are cost-based, reasonable, and consistent with fees the Commission has approved for other utilities. The utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), Florida Administrative Code, provided that the notice has been approved by staff. Within 10 days of the date the order is final, the utility should

be required to provide notice of the tariff changes to all customers. The utility should provide proof that the customers have received notice within 10 days after the date that the notice was sent.

Issue 3: Should this docket be closed?

Recommendation: Yes. If Issues 1 and 2 are approved, the revised tariff sheets should become effective on or after the stamped approval date on the revised tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with all increased charges held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, the docket should be closed upon the issuance of a Consummating Order. (Jaeger)

Staff Analysis: If Issues 1 and 2 are approved, the revised tariff sheets should become effective on or after the stamped approval date on the revised tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with all increased charges held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, the docket should be closed upon the issuance of a Consummating Order.