



Public Service Commission

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RECORDS AND REPORTING

DATE: 08/5/99

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

FROM: DIVISION OF WATER AND WASTEWATER (BUTTS, CASEY)
DIVISION OF LEGAL SERVICES (CIBULA) *S.M.C. PS @*

RE: DOCKET NO. 981744-WU - TARIFF FILING BY PLACID LAKES UTILITIES, INC. REQUESTING ALLOWANCE TO COLLECT DEPOSITS ON RENTAL PROPERTY.
COUNTY: HIGHLANDS

AGENDA: AUGUST 17, 1999 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 8-MONTH EFFECTIVE DATE: 02/07/00

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\WAW\WP\981744WU.RCM

CASE BACKGROUND

Placid Lakes Utilities, Inc. (Placid Lakes or utility) is a Class B water-only utility, providing service to approximately 1,318 water customers in Highlands County. The utility is wholly owned by the Lake Placid Holding Company (LPHC). According to its 1997 Annual Report for the twelve months ending December 31, 1997, the utility recorded revenues of \$218,961 and expenses of \$199,153. The utility's service area is located in a water use caution area in the Southwest Florida Water Management District.

On November 25, 1998, Placid Lakes filed an application requesting approval to collect deposits from rental property-only customers. By Order No. PSC-99-0168-PCO-WU, issued January 28, 1999, the Commission suspended Placid Lakes' tariff filing to collect deposits on rental property pending further investigation.

Information supplied in response to staff data requests shows that since 1997, the following scenario has occurred concerning the

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utility, the tenant, and the property manager. Usually a developer (developer or contractor) builds a rental property and pays the meter installation fee and all costs associated with service availability. When the developer completes construction, he notifies the utility that he has completed the construction process, and that all paperwork involving bills, ownership, etc. should be transferred into the name of the property owner. The property owner hires a leasing agent to find a tenant and execute a lessee/lessor agreement. When the agent leases the property to the tenant, the tenant does not submit or fill out an application for service to establish a contractual agreement between the tenant and the utility. Instead, the leasing agent informs the utility to send the bills to the tenant. On April 20, 1999, the utility informed staff that since 1997, the utility and leasing agent have been under the assumption that once a tenant moves into the rental property, the utility automatically sends the monthly bill to the tenant's address. Pursuant to Rule 25-30.210(1), Florida Administrative Code, customer shall mean any person who has an agreement to receive service from the utility; therefore, the customer of record is whoever made formal application for service. Although under the above scenario, the tenants do not personally apply for service, the utility has treated the tenants tacitly as customers of record and has been billing them accordingly. For clarification purposes, during a phone conversation on April 20, 1999, to the utility, staff suggested that the utility have the tenants fill out the application for service; therefore, the tenant would become the customer of record. The utility currently does not collect any deposits from its customers. In the application submitted on November 25, 1998, the utility proposed to collect deposits for both a 5/8 inch and 1 inch meter for rental property-only customers.

The utility indicated that the basis for its requested deposits on rental property-only customers is that there are several rental units located in its certificated territory, with tenants who are likely to move without notifying the utility and without leaving a forwarding address. Further, the utility stated that most of the time it is not aware that the tenant has moved until the owner, leasing agent, or new tenant calls to complain about the past due amount on the current bill. Unfortunately, the new tenant usually has only been in the rental property for a month. By implementing a customer deposit charge, the utility would be provided a security for collecting monies that it is entitled to for providing services.

However, for the reasons set forth in Issue 1 of this recommendation, staff believes that charging of deposits to only

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rental customers would be unfairly discriminatory. Therefore, on June 3, 1999 in a phone conversation with the utility's representative, staff suggested that the utility file a revised tariff sheet establishing customer deposits on all customers located in its certificated territory. On June 7, 1999, the utility submitted a letter withdrawing its previously submitted tariff sheet and filed a revised tariff sheet requesting a customer deposit charge for all customers. The following recommendation addresses the utility's withdrawal of its original tariff sheet and the utility's proposed revised tariff sheet to require deposits from all customers located in its certificated territory.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission acknowledge Placid Lakes Utilities, Inc.'s request to withdraw its tariff filing to collect a deposit on both the 5/8 inch and 1 inch meter for rental property-only customers?

RECOMMENDATION: Yes. The Commission should acknowledge the utility's request to withdraw its tariff filing to collect deposits on rental property-only customers. (BUTTS, CASEY, CIBULA)

STAFF ANALYSIS: As stated in the case background, on November 25, 1998, Placid Lakes filed an application requesting approval to collect deposits on rental property-only customers. By Order No. PSC-99-0168-PCO-WU, issued January 28, 1999, the Commission suspended Placid Lakes' tariff filing to collect deposits on rental property pending further investigation.

The utility is experiencing collection problems with rental property customers; therefore, it requested approval to collect deposits on rental property-only customers. The utility has indicated that since 1997, the utility, the tenant, and the property manager have honored the following verbal agreement. A developer builds a rental property, and pays all costs associated with service availability for the rental property, and instructs the utility to place all the paperwork involving the rental property in the owner's name. The owner hires a leasing agent to find a tenant and execute a lease. The tenant agrees to a lessee/lessor agreement with the leasing agent, but does not complete an application for service with the utility. From the above circumstances, staff has determined that if the tenant does not apply for service with the utility, then the utility's customer is the last customer of record, which is usually the property owner.

Staff realizes that the renters located in Placid Lakes' service territory are causing problems with collections of bills, and that the leasing agents and rental owners are receiving renters' income and benefitting from this situation. On the other hand, the utility is losing revenue because it presently has no security for collecting its debt. This is the reason the utility filed its application to collect customer deposits on rental-only customers.

However, staff believes that charging of deposits to only rental customers would be unfairly discriminatory because the

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deposit would not be applicable to the utility's entire class of residential customers. It is Commission policy not to discriminate within a customer class. See Order No. PSC-93-1189-FOF-SU, issued August 12, 1993, in Docket No. 921089-SU, In re: Application for a staff-assisted rate case in Lee County by Fountain Lakes Sewer Corporation. Furthermore, by Order No. PSC-95-0576-FOF-SU, issued May 9, 1995, in Docket No. 940963-SU, In re: Application for transfer of territory served by Tamiami Village Utility, Inc., in Lee County, to North Fort Myers Utility, Inc., cancellation of Certificate No. 332-S and amendment of Certificate No. 247-S; and for a limited proceeding to impose current rates, charges, classifications, rules and regulations, and service availability policies, the Commission found that a utility should not charge different rates to customers who receive substantially the same service. Both the renters and owners who receive service from Placid Lakes fall within the residential class of service and both groups receive the same service from the utility; therefore, staff believes that it would be unfairly discriminatory to charge renters a deposit while not requiring owners to pay a deposit. Therefore, on June 3, 1999 in a phone conversation with the utility's representative, staff suggested that the utility file a revised tariff sheet establishing customer deposits on all customers located in its certificated territory.

On June 7, 1999, the utility submitted a letter withdrawing its previously submitted tariff sheet and filed a revised tariff sheet requesting a customer deposit charge for all customers. For the foregoing reasons, staff recommends that the Commission acknowledge the utility's request to withdraw its tariff sheet filed on November 25, 1998.

ISSUE 2: Should the Commission approve Placid Lakes Utilities, Inc.'s revised tariff sheet to collect deposits from all customers located in its certificated territory?

RECOMMENDATION: Yes. The revised tariff sheet to collect deposits from all customers submitted by Placid Lakes on June 7, 1999, should be approved as filed. The Commission should approve the utility's requested amount of \$100.00 for a 5/8 inch meter for all residential and general service customers, as well as the utility's requested amount of \$150.00 for all meter sizes larger than a 5/8 inch meter for residential and general service customers. The revised tariff sheet should be implemented on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, Florida Administrative Code, provided customers have received notice. (BUTTS, CASEY)

STAFF ANALYSIS: Placid Lakes has proposed deposits in its revised tariff sheet for all meter sizes. The current base facility charge (BFC) for residential customers with a 5/8 inch meter is \$7.17, the BFC for a 1 inch meter is \$17.93, and the BFC for a 1 1/2 inch is \$35.85. The gallonage charge for residential and general service customers is \$1.14 per 1,000 gallons.

The utility has stated that the average monthly water bill for a residential rental tenant is \$48.56, and the average water consumption per residential rental customer with a 5/8 inch meter and 1 inch meter is 48,850 and 40,850 gallons per month, respectively. Staff recognizes that this average consumption for rental units is above normal, but because of the limitations and complexity of this tariff filing, water consumption should be addressed in the utility's next rate case. However, using the 5/8 inch and 1 inch meter base facility charges, and average consumption per month per customer, the 5/8 inch meter customer deposit would be \$126.00 and the 1 inch meter customer deposit would be \$129.00. These figures are based on two months average bill.

Staff received additional information from the utility on June 15, 1999. The information consisted of the average water bill amounts for residential customers in the subdivision of Placid Lakes. The utility also submitted information on the average water consumption per residential customers located in the area. The utility stated that the average water bill for residential customers with a 5/8 inch meter is \$16.19, and the average water consumption per residential customers with a 5/8 inch meter is 6,912 gallons per month. The utility informed staff that these

figures are extremely low because the utility has many seasonal residents who only reside in the area four or five months of the year. Pursuant to Rule 25-30.311 (7), Florida Administrative Code, staff realizes that calculating customer deposits based on two months of average usage for the 5/8 inch meter size for a residential customer is not cost effective for the utility. The customer deposits based on two months average for a residential customer is \$32.00.

For informational purposes, staff notes that on July 7, 1999, staff received additional information from the utility on residential customers. The utility submitted information regarding the amount of residential customers bills and usage when they were in residence during the four or five months of the year mentioned earlier. Per that information, the average bill for residential customers for four or five months is \$19.00, and the average consumption for four or five months is 10,335 gallons per month. Staff realizes that based on Commission's practice of calculating deposits, the most recent information submitted by the utility is not enough of an increase in the usage to be cost effective for the utility. In either scenario, the customer deposits based on two months average for a residential customer is \$32.00 and \$38.00, respectively. However, the renters are the cost causers in this situation and are creating bad debt expense for the utility; as a result, the utility is losing money.

Staff believes the \$100.00 requested by the utility on customers with 5/8 inch meters should be approved. Staff realizes that if the \$100.00 charge is approved it will effect the seasonal customer; however, the cost causers (renters) are the reason staff believes this charge should be implemented. Staff believes the deposit should be high enough so that the cost causers will be more likely to inform the utility when they are moving and more likely to forward the utility with their new address in order to receive the refund. Staff believes the utility's requested amount of \$100.00 for a 5/8 X 3/4 inch meter on all customers is fair and reasonable.

The utility has also stated that the average monthly water bill for a general service customer with a 1 inch or 1 1/2 inch meter is \$50.00 and \$101.00, respectively. The average water consumption per general service customer with a 1 inch or 1 1/2 meter is 27,873 and 56,960 gallons per month, respectively. Using the 1 inch meter base facility charge and average consumption per month per customer, the 1 inch meter customer deposit would be \$100.00. Using the 1 1/2 inch meter base facility charge and average consumption per month per customer, the 1 1/2 inch meter customer

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deposit would be \$202.00. This is based on two months average bill.

Calculating customer deposits based on two months of average usage for the corresponding meter size is consistent with Rule 25-30.311(7), Florida Administrative Code. Bills are due and payable when rendered and become delinquent if not paid within twenty days. After five working days, written notice is mailed to the customers and service may be disconnected. The period from the first billing day to the day the service of a delinquent customer is disconnected is approximately two months. The customer deposit should be established to cover the two-month period of services. Staff recommends that the utility's requested amounts of \$100.00 for a 5/8 X 3/4 inch meter for all residential and general service customers is fair, just, and reasonable and should be approved. Further, staff recommends that the utility's requested amounts of \$150.00 for all meter sizes larger than 5/8 X 3/4 inch meter for residential and general service customers is also fair, just, and reasonable, and should be approved.

The revised tariff sheet containing customer deposits on all customers should be approved as filed. The Commission should approve the utility's requested amount of \$100.00 for a 5/8 inch meter for all residential and general service customers, as well as the utility's requested amount of \$150.00 for all meter sizes larger than a 5/8 inch meter for residential and general service customers. The revised tariff sheet should be implemented on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, Florida Administrative Code, provided customers have received notice.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. If Issue 2 is approved, the revised tariff sheet should be effective in accordance with Rule 25-30.475, Florida Administrative Code. If a protest is filed within 21-days of the issuance of the Order, the revised tariff sheet should remain in effect pending resolution of the protest. If no timely protest is filed upon expiration of the protest period, the Order should become final and effective upon the issuance of a Consummating Order and the docket should be closed. (BUTTS, CASEY, CIBULA)

STAFF ANALYSIS: If Issue 2 is approved, the revised tariff sheet should be effective in accordance with Rule 25-30.475, Florida Administrative Code. If a protest is filed within 21-days of the issuance of the Order, the revised tariff sheet should remain in effect pending resolution of the protest. If no timely protest is filed upon expiration of the protest period, the Order should become final and effective upon the issuance of a Consummating Order and the docket should be closed.