

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: MARCH 7, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (COSTNER, BIGGINS) *ML*
OFFICE OF THE GENERAL COUNSEL (ESPINOZA) *JHE Net*

RE: DOCKET NO. 010616-WS - COMPLAINT BY DR. WILLIAM F. WEIR
AGAINST SUN COMMUNITIES FINANCE, LLC D/B/A WATER OAK
UTILITY IN LAKE COUNTY REGARDING PRESENT METHOD OF
CHARGING CUSTOMERS.
COUNTY: LAKE

AGENDA: 03/19/02 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\010616.RCM

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CASE BACKGROUND

Sun Communities Finance, LLC d/b/a Water Oak Utility (Sun Communities or utility) is a Class B water and wastewater utility located in Lake County. The utility provides water and wastewater service to approximately 788 residential customers and 141 general service customers. The utility was granted Water Certificate No. 454-W and Wastewater Certificate No. 388-S, pursuant to Order No. 16150, issued May 23, 1986, in Docket No. 850517-WS. The utility's rate base was last established pursuant to Order No. PSC-97-0034-FOF-WS, issued January 7, 1997 in Docket No. 960040-WS.

In a letter dated April 24, 2001, William F. Weir, filed a formal complaint pursuant to Rule 25-22.032, Florida Administrative Code, and requested that Sun Communities provide a vacation rate for vacant residences. This recommendation addresses whether Sun Communities should be required to provide a wastewater vacation rate.

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ISSUE 1: Should Sun Communities Finance, LLC d/b/a Water Oak Utilities be required to provide a wastewater vacation rate?

RECOMMENDATION: No, Sun Communities should not be required to provide a wastewater vacation rate. (COSTNER, BIGGINS)

STAFF ANALYSIS: Dr. William F. Weir contacted staff subsequent to the utility's last rate proceeding in Docket No. 960040-WS. Dr. Weir is a part-time resident who is a customer of Sun Communities. Dr. Weir inquired as to the possibility of obtaining a wastewater vacation rate while away from the Sun Community subdivision. This rate would be for part-time residents who reside at another residence for several months at a time. The customer's concern was that while not in residence, the water is used for irrigation purposes only and therefore is not returned to the wastewater system. Staff subsequently contacted the utility and discussed this informal complaint with the utility. The utility submitted a letter dated November 28, 2000, to Dr. Weir regarding the availability of irrigation meters for his residence. This solution was rejected by the complainant. Dr. Weir subsequently contacted staff and indicated that part-time residents typically inform the security personnel at the front gate of the community as to the periods of time they will be away. The security personnel then routinely inspects these residences at this time.

Staff sent a letter to the utility on February 20, 2001, requesting information concerning the potential impact a vacation rate for wastewater service would have on the utility. In a letter dated March 2, 2001, the utility indicated that the utility was exploring the feasibility of vacation rates and would inform the staff as to its decision. In a subsequent telephone conversation, staff was informed that this type of billing arrangement would cause financial difficulty to the utility, but that the utility was willing to install irrigation meters for these customers. The utility further indicated that the additional costs involved with the vacation rate billing and any potential decrease in wastewater revenues had not been budgeted by the utility nor addressed by the Commission in the utility's last rate proceeding, Docket No. 960040-WS.

Dr. Weir then filed a formal complaint pursuant to Rule 25-22.032, Florida Administrative Code. In his complaint, the customer indicated that the budget excuse of the utility was unacceptable as it is unfair to overcharge to begin with and has no

place in any budget. Further, Dr. Weir indicated that permitting a utility to estimate the amount of sewage used by the amount of water metered is an abuse of privilege by the Public Service Commission. The complaint requests that the Commission not only reassess the utility's present method of charging its customers, but also require that the utility provide a vacation rate for vacant residences.

Irrigation Meters

An irrigation meter is a separate meter or a submeter that records the gallons used for irrigation. Using an irrigation meter would allow the utility to remove water gallons used for irrigation from the calculation of the water gallonage charge.

In the November 28, 2000, letter to Dr. Weir, the utility provided the installation costs of the irrigation meters. The additional costs are as follows:

Water Service Availability fee	\$141.00
Meter Installation Fee	<u>\$175.00</u>
Total	\$316.00

Sun Communities responded to the complaint in a letter dated June 1, 2001, stating that this type of billing arrangement where a utility is required to provide water service through the normal potable meter, without a wastewater gallonage charge, had never been authorized or required of a utility regulated by the Commission. The utility, again, offered to install a separate irrigation meter to accomplish the goal of not having separate wastewater charges. However, Dr. Weir is unwilling to accept this offer.

In that same letter, the utility indicated that the Commission has always considered installation of a separate irrigation meter as the appropriate way to address a customer's desire to obtain irrigation service at any time, while separating irrigation water from drinking water and sewer service. The customer pays for the irrigation service by a monthly water base facility charge and gallonage charges, without wastewater charges being assessed. This would allow Sun Communities to depend upon its meters for determination of when a customer is receiving service and when they

are not. It also alleviates any concern that any of the water flows are returning to the wastewater system.

An advantage of an irrigation meter for the customer is that the customer will not be charged a wastewater gallonage charge for the irrigation water. It is superior to the vacation rate in that the vacation rate only applies during the specified vacation time, whereas the irrigation meter is performing its function year round.

As stated above, in a letter dated August 27, 2001, the utility suggested the implementation of an irrigation meter to Dr. Weir; however, he declined the offer.

Vacation Rate

In response, the utility also addressed the method Dr. Weir proposed. In that letter the utility listed several reasons it does not agree with the wastewater vacation rate. The utility's reasons are listed below:

1. Possibility of abuse: Since the proposed method is dependant solely upon customer reporting, this method is subject to abuse, either intentionally or by accident. A customer who reports a time for vacation when that customer is actually not on vacation would result in deficient revenues to the utility and the customer receiving services without properly paying for them. Subsequently, any method by which the utility is informed of the customers status outside of the meter being turned on or off presents potential problems, and requires additional monitoring, billing, and administration costs by the utility.

Through a telephone conversation, Dr. Weir stated that the residents of Sun Communities inform the security personnel at the front gate as to the periods of time they will not be in residence. However, a resident may fail to depart or return on the anticipated date. Additional time and resources to verify and to confirm the residents vacation time would have to be implemented. These additional resources would result in additional cost to the utility, which would be passed to the general body of ratepayers.

2. Increased costs: Since this particular proposal for providing a wastewater vacation service to a customer has never been approved for a PSC regulated utility, it is difficult to estimate the additional costs. However, the utility stated that it would

require additional computer programming and utility personnel monitoring. Further, the cost associated with billing would cost additional monies to the utility thereby possibly requiring an increase in rates.

Additionally, in order for a customer of Sun Communities to qualify for a vacation rate, the utility would first have to determine how long a customer would have to be away from the residence. Once the utility decides on the appropriate length of time a customer must be away to qualify for a vacation rate, another issue arises. If the vacation time period falls in the middle of a billing cycle the question of how to prorate the gallonage charge occurs. Using a formula to estimate usage would likely be inaccurate and inferior to meter readings. Sending a utility representative to read the meter before the customer leaves and immediately after they return would be costly to the utility. As stated above, the utility indicated that additional computer programming to sufficiently allocate the correct cost to each customer would be needed. These upgrades to the utility's existing computers would come at a cost to the general body of rate payers.

3. Revenue deficiency: If this proposed rate structure is authorized by the Commission, to the extent it was utilized by any significant number of customers, it would create a revenue shortfall that must be made up from all classes of customers, in the form of increased rates.

Finally, the Commission sets rates for a utility based on a revenue requirement. In the limited proceeding order, Order No. PSC-00-1301-CO-WS, issued May 4, 2000, the Commission set rates based upon total gallons. The revenue requirement was spread over the BFC and gallonage charge. If a wastewater vacation rate is implemented, the gallons billed for wastewater would be reduced, which would cause the gallonage charge to increase since this revenue requirement would be spread over fewer gallons.

In conclusion, staff agrees with the utility that the implementation of a wastewater vacation rate is not beneficial to the general body of ratepayers nor the utility. The utility would have increased costs, a possible revenue deficiency, and the hardships of facing possible abuse of the wastewater vacation rate. It is staff's belief that the utility should install an irrigation meter if residents of Sun Communities are willing to pay for the meter and installation fee. The utility has already stated it

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no protest occurs within 21 days of the issuance date of the Order, the PAA Order will become final upon the issuance of a Consummating Order and the docket should be closed. (COSTNER, BIGGINS, ESPINOZA)

STAFF ANALYSIS: If the Commission approves staff's recommendation in Issue 1, the PAA Order will become final upon the issuance of a Consummating Order and the docket should be closed.

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would do so. Therefore, Sun Communities should not be required to provide a wastewater vacation rate.