

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

AUGUST 22 1996

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

FROM: DIVISION OF WATER & WASTEWATER (WALKER) *WAW*
DIVISION OF LEGAL SERVICES (CROSBY) *W*

RE: DOCKET NO. 960270-WS; REQUEST FOR EXEMPTION FROM FLORIDA
PUBLIC SERVICE COMMISSION REGULATION FOR PROVISION OF
WATER AND WASTEWATER SERVICE IN PALM BEACH COUNTY BY
ASHLEY LAKE PARK LIMITED PARTNERSHIP d/b/a ASHLEY LAKE
PARK

AGENDA: SEPTEMBER 3, 1996 - REGULAR AGENDA

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\960270.RCM

CASE BACKGROUND

On February 22, 1996, this Commission received an application from Ashley Lake Park Limited Partnership, d/b/a Ashley Lake Park (Ashley Lake or reseller) for a reseller exemption pursuant to Section 367.022(8), Florida Statutes, (F.S.). According to Section 21.08(c)(14), Administrative Procedures Manual, staff has been given administrative authority to approve clear-cut or non-controversial requests for determination of exempt status. However, in this case, staff is bringing this application before the Commission for direction regarding the applicant's proposed allocation formula.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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ISSUE 1: Should Ashley Lake Park be granted a reseller exemption pursuant to Section 367.022(8), Florida Statutes?

RECOMMENDATION: Yes. The request for reseller exemption should be approved. (WALKER)

STAFF ANALYSIS: On February 22, 1996, this Commission received an application from Ashley Lake Park Limited Partnership, d/b/a Ashley Lake Park (Ashley Lake or reseller) for a reseller exemption pursuant to Section 367.022(8), Florida Statutes, (F.S.). Our review indicates that Ashley Lake meets the requirements for status as an entity that resells water and wastewater service at a rate or charge that does not exceed the actual purchase price thereof, as provided in Section 367.022(8), Florida Statutes.

The application was filed in accordance with Section 367.022(8), F.S., and Rule 25-30.060(3)(h), Florida Administrative Code (F.A.C.). Acting as the authorized agent for Ashley Lake, Mr. Fredric B. Peirce (regional manager for ZOM Residential Services, Inc.) described why Ashley Lake qualifies for reseller exemption. Ashley Lake is a 300-unit apartment community located in Palm Beach County. The applicant intends to render service at or below cost.

The applicant, through its authorized agent, acknowledged being aware of the requirements of Rule 25-30.111, F.A.C., regarding submission of an annual report. Likewise, the applicant also acknowledged being aware of the requirements of Chapter 367.122, F.S., regarding examination and testing of meters, and Rules 25-30.262 through 25-30.267, F.A.C., regarding the utility owner's responsibility for insuring the accuracy of meters.

Included with the application was a schedule of the utility's current rates and charges, an explanation of the reseller's proposed rates and charges, an explanation of the proposed method of billing customers for water and wastewater service, and a schedule showing the amount billed will not exceed the amount paid for water and wastewater. Ashley Lake will bill residents on a monthly basis. Deposits will not be required for water or wastewater service. A \$25.00 charge will be assessed for checks returned due to non-sufficient funds in accordance with Section 832.07(1)(a), Florida Statutes. This charge is not regulated by the Commission but was presented for disclosure purposes. According to applicant, usage in common areas will not be charged to residents. Further, the applicant asserts that it will absorb the cost of the billing service. The service area is located at 5020 Ashley Lake Drive, Boynton Beach, Florida, 32437. As authorized agent for the applicant, Mr. Fredric B. Peirce signed the application for reseller exemption and acknowledged that he was

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aware that pursuant to Section 837.06, Florida Statutes, penalties may be imposed for false statements.

The reason this application for a reseller exemption is presented for Commission review is because Ashley Lake has proposed an allocation methodology that differs from previously approved methods. When apartments are individually metered, consumption charges are directly assigned to each apartment, and fixed costs are usually equally divided among the number of apartments. For unmetered apartments, rates are generally determined by dividing all fixed and variable costs equally among the number of apartment units. However, other allocation formulas have been proposed for apartments that are not individually metered, and the Commission has accepted some of these proposals. By Order No. PSC-95-0953-FOF-WS, issued on August 7, 1995, in Docket No. 950280-WS, the Commission approved, on an interim basis, a methodology based on the amount of hot water used. Recently, in Docket No. 960257-WS, the Commission approved a billing methodology based upon expected usage due to the number of bathrooms per apartment. The existing plumbing infrastructure at Ashley Lake is not conducive to installation of individual water sub-meters for each apartment. Ashley Lake has requested its exemption using a billing methodology that is based upon expected usage due to the number of bedrooms per apartment.

When reviewing reseller billing proposals, staff has debated whether it is more appropriate to use the traditional ratemaking "approach" or to allow other creative, but reasonable options. Under conservative principles, the staff initially evaluated the various filings using the more traditional ratemaking approach. However, Section 367.022, Florida Statutes, does not specify the particular methodology that a reseller must adopt. It simply states that any person who resells water or wastewater service at a rate or charge that does not exceed the actual purchase price is exempt from Commission regulation. The reseller industry faces the unique problem of trying to promote water conservation by apartment tenants where an apartment complex does not have separate meters for individual apartments. Under these situations, staff believes that alternative rate designs that attempt to simulate metered usage should be considered.

According to the application, the City of Boynton Beach will provide service to Ashley Lake under the following terms: a) all apartment units are charged an \$8.31 minimum fee for water service and a \$12.66 minimum fee for wastewater service; b) the minimum fee for water service includes usage up to three thousand gallons, usage beyond 3,000 gallons is billed on a rising scale, beginning at \$1.98 per thousand gallons; c) the minimum fee for wastewater

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service does not include any usage, the charge for all wastewater service is billed at \$1.93 per thousand gallons of water service with a 7,000 gallon maximum charge per unit.

Service will be provided and individually metered for eleven (11) buildings housing from 24 to 32 apartment units each. Ashley Lake proposes to bill each apartment the minimum water and wastewater charges and to allocate consumption charges based upon expected usage due to bedrooms per apartment. Lease statistics for Ashley Lakes show that the average number of residents for a one-bedroom apartment is 1.20 persons, the average for a two-bedroom apartment is 1.88 persons, and the average for a three-bedroom apartment is 2.0 persons. Increased consumption is expected based upon the number of bedrooms per apartment.

All of the buildings except one (Building No. 7) have a standard apartment profile - one, two, or three bedrooms throughout. As the apartment buildings are separately metered, individual apartment units will be billed the same base charge and a proportionate share of the specific building's usage cost. For example, because Building No. 1 has 32 one-bedroom apartments, each unit will be charged 1/32 of any usage charges. Likewise, because Building No. 2 has 24 two-bedroom apartments, each unit will be charged 1/24 of any usage charges. Building No. 7 has a mix of one-bedroom (4 units) and two-bedroom units (24 units). Thus, while each apartment in Building No. 7 will pay the same base fee, the two-bedroom units will pay a larger share of any usage charges based upon relative persons per apartment.

Allocation Formula - Uniform Bedroom Profile

A sample billing for a typical resident of the Ashley Lake complex follows. In this example, a building with 32 single bedroom apartments used 88,000 gallons. Since 32 apartments could use 96,000 gallons before water usage charges would commence, only wastewater usage charges are incurred. 88,000 gallons divided by 32 apartment units yields 2.75 thousand gallons (Kgals) per unit.

Water (minimum charge) (\$8.31)	\$ 8.31
Base wastewater charge (\$12.66)	\$12.66
Wastewater charges (2.75 Kgals x \$1.93)	<u>\$ 5.31</u>
Total	<u>\$26.28</u>

Allocation Formula - Non-uniform Bedroom Profile

A calculated bill for Building No. 7, with its mix of one-bedroom and two-bedroom apartments, is presented below. This calculation assumes 102,000 gallons were used by 4-single bedroom

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apartments and 24-double bedroom apartments. In this case, 28 apartments could use 84,000 gallons before water usage charges commence. Thus, 18,000 gallons are included for water consumption. For division of usage charges among apartments, based upon approximate persons per apartment, a population of 50 persons is assumed (4 units x 1.2 persons + 24 units x 1.88 persons).

One bedroom apartment:

Water (minimum charge) (\$8.31)	\$ 8.31
Water charges ((18 Kgals x \$1.98)/50 x 1.2)	\$.86
Base wastewater charge (\$12.66)	\$12.66
Wastewater charges ((102 Kgals x 1.93)/50 x 1.2)	\$ 4.72
Total	<u>\$26.55</u>

Two bedroom apartment:

Water (minimum charge) (\$8.31)	\$ 8.31
Water charges ((18 Kgals x \$1.98)/50 x 1.88)	\$ 1.34
Base wastewater charge (\$12.66)	\$12.66
Wastewater charges ((102 Kgals x 1.93)/50 x 1.88)	\$ 7.40
Total	<u>\$29.71</u>

In summary, Ashley Lake's proposed billing methodology appears reasonable and does not result in revenues that exceed the amount billed by the City of Boynton Beach for service rendered. Our review indicates that Ashley Lake meets the necessary qualifications for a nonprofit reseller exemption pursuant to Section 367.022(8), Florida Statutes and Rule 25-30.060(3)(h), Florida Administrative Code. Accordingly, we recommend that Ashley Lake should be granted exemption as a reseller entity. As a reseller entity, Ashley Lake is required to file an annual report pursuant to the provisions of Rule 25-30.111, Florida Administrative Code. Ashley Lake should be put on notice that it should notify this Commission of any change in circumstances which cause it to no longer qualify for exemption pursuant to Section 367.022(8), F.S., so that its status may be reevaluated.

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ISSUE 2: Should the docket be closed?

RECOMMENDATION: Yes. (CROSBY)

STAFF ANALYSIS: No further action is required and this docket should be closed.