

STATE OF FLORIDA

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DIVISION OF WATER & WASTEWATER  
CHARLES H. HILL  
DIRECTOR  
(850) 413-6900

Public Service Commission

March 17, 1999

Ms. Linda J. McKenna  
Shangri La by the Lake  
134 Shanghai Island Road  
Leesburg, FL 34788

RE: Docket No. 990080-WS, Complaint and request for hearing by Linda J. McKenna and 54 petitioners regarding unfair rates and charges of Shangri-La by the Lake Utilities, Inc. in Lake County

Dear Ms. McKenna:

I am writing in response to your February 22, 1999 letter to Martha Golden regarding several concerns with the Shangri-La by the Lake Utilities, Inc.'s (Shangri-La or utility) billing format. My staff has contacted the utility regarding the billing changes that we believe are necessary to comply with the Commission's rules. I will address each of the concerns you cited in your letter:

Wastewater Gallonage Charge: \$2.86 vs. \$2.84

The correct wastewater gallonage charge is \$2.84 per 1,000 gallons up to a maximum of 6,000 gallons. The \$2.86 rate which was shown on your previous bills is incorrect. We have discussed this error with the utility, and they are in the process of correcting the billing program to reflect the correct rate.

Due to the level of work that is required of the utility and the PSC staff to administer and audit customer refunds, we are not requiring the utility to refund the \$0.02 overcharge at this time. However, we will keep this issue under consideration as we continue our review in this docket and may recommend a refund at a future date.

Dates of Service on the Monthly Bills

Rule 25-30.335(1), Florida Administrative Code, requires that the bill indicate "the billing period covered." My staff has been informed that the utility plans to read the meters on the 15th of each month. There may be occasions when the utility needs to read the meters a day earlier or a day

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Ms. Linda J. McKenna

Page 2

March 17, 1999

later, for instance if the weather is bad or the 15th falls on a weekend. This is a common practice in the water and wastewater industry, and has been allowed by the Commission for many years. My staff is currently working with utility personnel to determine an acceptable format in which to present this information on the monthly bills.

### Payment Due Date

My staff has discussed the billing due date and Commission rules with the utility. The utility will modify the due date shown on the bill to reflect the required 20 day payment period.

Although you are already aware of the required 20 day payment period, I believe it may be helpful to you if I explain our requirements regarding payment of bills in more detail. Rule 25-30.335(4), Florida Administrative Code, states "a utility may not consider a customer delinquent in paying his or her bill until the 21st day after the utility has mailed or presented the bill for payment." Because the utility plans to hand deliver the bills, you will have 20 days from the day the bill is delivered to pay the bill before you may be considered delinquent. If a bill has not been paid by the 21st day, the utility may disconnect the customer's service. However, prior to disconnecting the service, the utility must give the customer 5 working days' written notice. Specifically, Rule 25-30.320(2)(g), Florida Administrative Code, states in part that a utility may refuse or discontinue service "for nonpayment of bills or noncompliance with the utility's rules and regulations...only after there has been a diligent attempt to have the customer comply, including at least 5 working days' written notice to the customers. Such notice shall be separate and apart from any bill for service. For purposes of this subsection, "working day" means any day on which the utility's office is open and the U.S. Mail is delivered."

Once a customer's service has been disconnected, the customer must pay all past due bills and a violation reconnection fee before the utility will reconnect the service. In most cases, the violation reconnection fee will be \$15. However, if circumstances require that a utility physically disconnect the wastewater service, the utility is authorized to charge the actual cost of reconnecting the wastewater service because this process is more costly than simply disconnecting the water service. In some cases, customers will pay the bill to the utility employee when he arrives at the customer's house to disconnect the service. This is permissible, however, the utility is authorized to charge a premises visit in lieu of disconnection fee of \$10 in that case.

### Meter Reading

In your letter you asked if rounding rather than using accurate meter readings is a proper method of billing. The answer is yes. Utilities have the option of either billing to the exact gallon or rounding. As long as the utility is consistent in its calculations, either method is acceptable. Most utilities elect the rounding methodology. There are several variations of rounding that are acceptable. For example, some utilities round to the nearest hundred gallons. Some utilities round

Ms. Linda J. McKenna

Page 3

March 17, 1999

up or down to the nearest 1,000 gallons at the 500 gallon breakpoint. And some utilities, as is the case with Shangri-La, round down to the nearest 1,000 gallons.

My staff has discussed the utility's billing methodology with utility personnel and determined that it is satisfactory. However, we believe it will be helpful to you if we explain how the utility plans to determine your usage for billing purposes. Shangri-La plans to only bill for usage after it reaches the next 1,000 gallon mark. The following is an example of how this methodology would be applied.

Beginning in the first month of service, let's assume a customer's meter reading is 900 gallons. The utility will not bill a gallonage charge on the 900 gallons of usage that month because it has not reached the 1,000 gallon mark on the meter. In the second month, let's assume the meter reading has increased to 1,400 gallons. The meter reading has now passed the 1,000 gallon mark. Therefore, the utility will bill the customer for 1,000 gallons only. The remaining 400 gallons will not be billed until the meter reading has reached the next 1,000 gallon increment, which in this example is 2,000 gallons.

Carrying our example to a third month, let's assume the meter reading has now increased to 1,900 gallons. Because the meter reading has not yet reached the next 1,000 gallon increment (i.e., 2,000 gallons in this example), the utility will not charge a gallonage charge that month because the usage has not increased to the next 1,000 gallon increment. In the fourth month, we'll assume that the meter reading has increased to 2,900 gallons. The utility will bill the customer for 1,000 gallons (i.e., the gallonage between the 1,000 gallons previously billed in the second month and the 2,000 gallon level reached in this month.) The remaining 900 gallons will not be billed until the meter reading reaches the 3,000 gallon level.

Because this is a confusing concept to grasp at first, I'll give you another example with more realistic usage levels:

First Month:

Actual meter reading = 7,423

Rounded meter reading for billing purposes = 7,000

Usage billed that month = 7,000

Second Month:

Actual meter reading = 15,678

Rounded meter reading for billing purposes = 15,000

Ms. Linda J. McKenna  
Page 4  
March 17, 1999

Usage in second month for billing purposes = (Current month's rounded meter reading for billing purposes less previous month's rounded meter reading for billing purposes)  
= 15,000 - 7,000 = 8,000  
Usage billed that month = 8,000

To further illustrate why the rounding methodology is acceptable, I would like to show what the water gallonage portion of your bill would be using the rounded meter readings versus the actual meter readings from our example above:

Bills Using Rounded Meter Readings:

Note: Because the gallonage charge is per 1,000 gallons of usage, the last three digits of the meter reading are either dropped or a decimal point is used in the calculation. For example, because the rounded meter readings end in zeros, we'll drop the last three digits. However, for the calculation using the exact meter readings, we'll replace the comma with a decimal point to achieve the correct bill per 1,000 gallons.

First Month: 7 x \$2.84 = \$19.88  
Second Month: 8 x \$2.84 = \$22.72  
Total over two months = \$42.60

Bills Using Exact Meter Readings:

Note: Using exact meter readings, the usage in the second month would be 8,255 (i.e. 15,678 - 7,423 = 8,255)

First Month: 7.423 x \$2.84 = \$21.08  
Second Month: 8.255 x \$2.84 = \$23.44  
Total over two months = \$44.52

As you can see from the calculations above, the utility's method of rounding actually produces a slightly lower bill each month because a portion of the usage is deferred to the following month for billing purposes.

Backbilling for Utility Billing Errors

Finally, you asked if a utility is allowed to rebill a customer for a billing error made by the utility. The simple answer is yes, however, there are some restrictions. Rule 25-30.350(1), Florida Administrative Code, states in part that "a utility may not backbill customers for any period greater than 12 months for any undercharge in billing which is the result of the utility's mistake. The utility shall allow the customer to pay for the unbilled service over the same time period as the time period during which the underbilling occurred or some other mutually agreeable time period."

Ms. Linda J. McKenna  
Page 5  
March 17, 1999

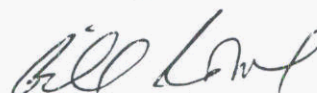
In other words, if the utility makes a mistake in calculating a customer's bill and discovers the mistake within 12 months of making the mistake, the utility is allowed to bill the customer for the undercharge. If for example the mistake occurred in each month for six months, the customer would be allowed to pay a portion of the additional charges in each month for the next six months.

Formal Complaint

Because you previously filed a formal complaint which is now a docketed matter before the Commission, it will be helpful to us if you will refer to the docket number and title on any future correspondence that you send to us regarding this matter. The correct docket number and title are: "Docket No. 990080-WS, Complaint and request for hearing by Linda J. McKenna and 54 petitioners regarding unfair rates and charges of Shangri-La by the Lake Utilities, Inc. in Lake County." This will help insure that your correspondence is included in our official file for this docket. Additionally, please provide a copy of all future correspondence to Mr. Martin Friedman at the address that was provided to you previously by Tim Vaccaro.

I hope this information will be helpful. If you have any questions regarding this letter, please feel free to call Martha Golden at (850)413-7015.

Sincerely,



bill lowe  
Assistant Director

BL:MAG

cc: Martin Friedman  
Harold Rogers  
George Shepit  
Jack Shreve  
William Werner  
Division of Legal Services (Jaber, Vaccaro)  
Division of Records and Reporting  
Division of Water and Wastewater (Hill, Lowe, Williams, Bethea, Golden, Rieger)

Linda J. McKenna  
Shangri La by the Lake  
134 Shanghai Island Road  
Leesburg, Fl 34788

February 22, 1999

Martha A. Golden, Economic Analyst  
Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Blvd  
Tallahassee FL 32399-0873

Re: Shangri La by the Lake Utilities, Inc., Lake County

Dear Ms. Golden:

When you met with our group in January, you stated that the utility was overcharging for sewer because it was billing at the rate of \$2.86 per 1000 gallons when the Order provided for billing at the rate of \$2.84 per 1000 gallons. We would like to verify that \$2.84 is the correct amount to be charged as the utility continues to bill at the higher figure.

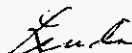
In addition, the utility bills do not reflect the dates of service (i.e., from date of last meter reading and date of current reader reading), nor do they allow 20 days for payment. The most recent bill is dated February 17, 1999, was delivered to customers on February 20, 1999, and states a due date for payment as of March 1, 1999 (which is only 12 days from the date of the bill and 9 days from the date of delivery of the bill). We were informed at the meeting with you that customers had to have 20 days to pay a bill and that this was to be reflected on the statement.

Additionally, the bills do not give an accurate meter reading, but rather estimated figures rounded off by thousands. Last month many customers had a bill for 999 gallons - this month, those same customers show "Beg 1000; End 5000; Gal 4000" on the statement. Is this a proper method of billing by rounding off the gallons instead of accurate readings?

Another question we have is: If the utility bills a customer an incorrect amount - can it come back later and rebill to collect for its error?

I look forward to hearing from you in response to these concerns. Again, thanks for your efforts on our behalf.

Sincerely,



Linda J. McKenna

cc: Charles Hill, Director  
Bill Lowe, Asst. Director  
Jack Schreve, Esq.  
Tim Vaccaro, Esq.  
John D. Williams  
George Shepit, HOA Committee  
Harold Rogers, HOA President

**RECEIVED**

FEB 24 1999  
Florida Public Service Commission  
Division of Water and Wastewater

Shangri La by the Lake Homeowner's Association  
c. Linda J. McKenna, Secret  
134 Shanghai Island Road  
Leesburg, Fl 34788

February 20, 1999

Tim Vaccaro, Esq.  
Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Blvd  
Tallahassee FL 32399-0850

Re: Complaint Docket No. 990080-WS  
Petitioners v. Shangri La by the Lake Utilities, Inc.  
Lake County, Florida

Dear Mr. Vaccaro:

Since I will be returning to Maine in April and not available to receive any future notices regarding the petition filed by customers of Shangri La by the Lake Utilities, Inc., all future correspondence regarding the above docketed matter should be forwarded to:

George Shepit, Committee Chairman  
Shangri La by the Lake  
206 N. Bangkok Island Lane  
Leesburg, FL 34788

as well as to ALL OF THE OTHER PETITIONERS LISTED.

Thank you.

Sincerely,



Linda J. McKenna  
Association Secretary

cc: Bill Lowe, Asst. Director  
Martin S. Friedman, Esq.  
Jack Schreve, Esq., Consumer Advocate  
Blanca S. Bayo, Director - Div. of Records  
and Reporting

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FEB 24 1999

Florida Public Service Commission  
Division of Water and Wastewater

Shangri La by the Lake Homeowners Association  
c/o Linda McKenna, Secretary  
134 Shanghai Island Road  
Leesburg, Fl 34788

February 20, 1999

Jack Schreve, Esq.  
Public Advocate Counsel  
Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Blvd  
Tallahassee FL 32399-0850

Re: Petition filed by Customers of Shangri La by the Lake  
Utilities, Inc., Lake County Docket No. 990080-WS

Dear Mr. Schreve:

As you are aware, 55 customers of the above utility filed a  
Petition requesting review of the application and license of the  
utility, as well as review of the rates. You have already done some  
initial investigation into the issues for us.

As public counsel advocate, will you represent our interests at any  
hearings that may be scheduled? The utility has hired expert legal  
counsel to represent it in this issue. We trust that as public advocate  
counsel, you would appear on behalf of the customers.

As I will be leaving Florida in April, would you please direct any  
correspondence after March 31 to:

George Shepit, 206 N. Bangkok Island Rd., Leesburg, FL 34788

Thank you. We look forward to hearing from you.

Sincerely,



Linda J. McKenna

cc: Bill Lowe, Asst. Director  
Charles Hill, Director  
Tim Vaccaro, Esq.  
Harold Rogers, Pres., HOA

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FEB 24 1999  
Florida Public Service Commission  
Division of Water and Wastewater