

STATE OF FLORIDA

COMMISSIONERS:
MATTHEW M. CARTER II, CHAIRMAN
LISA POLAK EDGAR
KATRINA J. MCMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP



TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

July 22, 2008

RECEIVED-FPSC
08 JUL 22 PM 4:13
COMMISSION
CLERK

Mr. Herbert Hein, President
East Marion Sanitary Systems, Inc.
G-4225 Miller Road, #190
Flint, Michigan 48507-1227

Re: Docket No. 080064-WU; Complaint against East Marion Sanitary Systems Inc. by Mabelle Gregorio, Angela and Dennis Fountain, and Terry Will.

Dear Mr. Hein:

The audit is complete and a copy is attached. Audit Finding No. 1 states that the utility overcharged customers in the amount of \$2,324. Please make a refund to these customers for the overcharges by August 15, 2008, and provide a letter detailing the date and amount refunded to each customer.

We received a letter from Angela and Dennis Fountain and Mabel and Carmen Gregorio stating you have an added charge of an incline rate adjustment. Please provide an explanation of the incline rate adjustment, including when and under what circumstances you began charging the additional amount and whether all customers were charged the adjustment.

Finally, we have discussed your request to increase your meter installation charge, but to date you have not filed the information needed to process that request. If you wish to increase your meter installation charge, you will need to file a proposed tariff sheet along with information detailing the reason and cost justification for proposed charge.

If you have any questions, please contact me at (850) 413-6999. Please be sure to reference Docket No. 080064-WU in your correspondence. All of the requested information should be filed by August 15, 2008, at the address below.

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Sincerely,

Richard Redemann, P.E.

RR:kb

Enclosures 2

cc: Ann Cole, Commission Clerk, Office of Commission Clerk
Katherine E. Fleming, Office of the General Counsel
Denise N. Vandiver, Division of Regulatory Compliance & Consumer Assistance
Bart Fletcher, Public Utilities Supervisor, Division of Economic Regulation
Cheryl Bulecza-Banks, Bureau Chief, Division of Economic Regulation
Dennis & Angela Fountain
Mabelle G. Gregorio

DOCUMENT NUMBER - DATE
06356 JUL 22 08
FPSC-COMMISSION CLERK

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: June 30, 2008
TO: Patricia B. Daniel, Public Utilities Supervisor, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 080064-WU; Company Name: East Marion Sanitary Systems, Inc.;
Audit Purpose: Collections for Service Availability and other fees;
Company Code: SU535; Audit Control No: 07-290-1-1:

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of Commission Clerk. There are no confidential work papers associated with this audit.

DNV:sbj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Herbert Hein
East Marion Sanitary Systems, Inc.
G-4225 Miller Road, #190
Flint, Michigan 48507-1227

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
08 JUL - 1 PM 2:01
DIVISION OF
ECONOMIC REGULATION



FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
BUREAU OF AUDITING

Tallahassee District Office

EAST MARION SANITARY SYSTEMS, INC.
AUDIT COLLECTIONS OF SERVICE AVAILABILITY FEES
AND OTHER FEES

JANUARY 1, 2005 THROUGH OCTOBER 15, 2007

DOCKET NO. 080064-WU
AUDIT CONTROL NO. 07-290-1-1

A handwritten signature in cursive script that reads "Denise N. Vandiver".

Denise N. Vandiver, Audit Manager

A handwritten signature in cursive script that reads "Lynn M. Deamer".

Lynn M. Deamer, District Supervisor

TABLE OF CONTENTS

AUDITOR'S REPORT	PAGE
I. PURPOSE.....	1
II. OBJECTIVES AND PROCEDURES	2
III. FINDINGS	
1. OVER CHARGES	3
2. RECORDS	5

**DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
AUDITOR'S REPORT**

JUNE 27, 2008

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated October 16, 2007. We have applied these procedures to provide information to Commission staff in Docket No. 080064-WU.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES

Objective:

Schedule, by month, amounts charged to customers:

- ◆ Service availability,
- ◆ Customer deposits,
- ◆ Miscellaneous service charges (MSC), and
- ◆ Other charges.

Customer Complaints 727133W and 753207W indicate a \$597 charge for an irrigation meter. It appears that the utility is charging service availability charges for irrigation meters. Determine whether the utility over charged for any additional irrigation meters.

Procedures: Staff compiled the Billing Registers and summarized the meter readings, monthly consumption, and monthly bills. Staff further recalculated the monthly bills based on the monthly consumption. Staff verified that the company reduced its rates after four years to reflect the removal of the revenues associated with the amortization of rate case expense, pursuant to Commission Order No. PSC-02-1168-PAA-WS, issued August 26, 2002, in Docket No. 010869-WS. Staff also compiled the charges in the Billing Registers included in the two columns marked Turn-On and Adjustments. We compared these to the charges included in the tariff. Audit Finding No. 1 addresses the errors we found in the application of the rates and charges. Audit Finding No. 2 addresses the utility's failure to update its tariff.

Objective: Customer Complaint 727133W indicates that customer application for irrigation meter requires a customer to provide a driver's license and social security number. Application on file in tariff does not require these documents. Verify what documents were used for all new customers (water, wastewater, and irrigation) in audit period. Include copy of each application that is not consistent with the tariff, during this period.

Verify location of accounting records. If location of records is out of state, discuss Rule 25-30.110(1)(b) and (c), Florida Administrative Code with the owner.

Procedures: We reviewed the utility's general ledger and tariff for compliance with Commission Rules. Audit Finding No. 2 further addresses this issue.

AUDIT FINDING NO. 1

SUBJECT: OVER CHARGES

AUDIT ANALYSIS: Staff compiled the Billing Registers and summarized the meter readings, monthly consumption, and monthly bills. Staff further recalculated the monthly bills based on the monthly consumption. Only a few calculations were different than the bills reflected on the billing register. Most of these were initial or terminating bills. Audit staff did not pursue these few differences.

Staff also compiled the charges included in the Billing Registers in the two columns marked Turn-On and Adjustments. We requested further information from the company on those charges that did not obviously match the tariff rates. Mr. Hein called and went through the list and answered questions on many of the items. Based on his response, staff determined that he charged several fees that are not in his tariff, as detailed below.

First, the utility charged customers two connection fees, for water and wastewater, when the tariff states that if "both water and wastewater services are provided, only a single charge is appropriate." For the period January 1, 2005 through October 31, 2007, staff found 51 instances of this overcharge, for a total amount of \$765.

Second, the utility charged a \$25 bounced check charge that is not included in the tariff. For the period January 1, 2005 through October 31, 2007, staff found 9 instances of this overcharge, for a total amount of \$225.

Third, the utility charged \$894 for an irrigation meter for account #187. The tariff only allows a \$70 meter charge, plus a \$15 connection fee. Therefore, the utility overcharged \$809.

Staff also requested information regarding several charges \$10, \$20, \$25, and \$50. The utility owner did not know what these were for. These totaled \$525. There were several other items that staff requested information on and the amounts provided by the utility did not add up to the total on the billing register. These amounts were small and netted to zero for the entire period reviewed.

Staff also asked about numerous dollar amounts, positive and negative, that did not add up to the usage charges or the service availability fees. The utility owner addressed several of these specifically, and the remainder in general. These included:

- ◆ Bills to developers where the meter was not read on a monthly basis,
- ◆ Corrections for misreads,
- ◆ Returned checks charged back to accounts,
- ◆ Other adjustments.

The chart below summarizes the charges that the auditors determined were incorrect or were not fully supported by the utility.

Total Connection Fees	\$765
Bounced check fee	\$225
Irrigation meter	\$809
Doesn't add up but nets to zero	\$0
Unknown	\$525
Total	<u><u>\$2,324</u></u>

EFFECT ON THE GENERAL LEDGER: The utility should refund the amounts overcharged to the customers.

AUDIT FINDING NO. 2

SUBJECT: RECORDS

AUDIT ANALYSIS:

As part of our review in this audit, we reviewed the utility's accounting system and billing records.

Accounting

Rule 25-30.115, Florida Administrative Code, requires water and wastewater utilities to maintain their accounts and records in conformity with the 1996 NARUC Uniform System of Accounts (USOA) adopted by the National Association of Regulatory Utility Commissioners (NARUC). The USOA requires:

The books of accounts of all water utilities shall be kept by the double entry method, on an accrual basis. Each utility shall keep its accounts monthly and shall close its books at the end of each calendar year.

The USOA further prescribes the specific account numbers and descriptions that shall be used.

East Marion provided a general ledger for the years requested. These general ledgers did not use the prescribed account system. However, the accounts were labeled clearly and were easily compared to the USOA. However, our review also showed that the utility does not appear to keep its books on a monthly basis. Our primary basis for this is the fact that the depreciation is only booked at the end of the year.

Rule 25-30.110 (1) (b), Florida Administrative Code, states that, "unless otherwise authorized by the Commission, each utility shall maintain its records at the office or offices of the utility within this state and shall keep those records open for inspection during business hours by Commission staff." Our review indicates that although the company records are maintained within the state, they were not readily available for our review.

Tariffs

Rule 25-30.135 (2), Florida Administrative Code, states that "no utility may modify or revise its rules or regulations or its schedules of rates and charges until the utility files and receives approval from the Commission for any such modification or revision." Our review of the utility's billing registers found several charges that did not match the utility's tariff:

- ◆ The utility charged customers two connection fees, for water and wastewater,
- ◆ The utility charged a \$25 bounced check charge,
- ◆ The utility charged \$894 for an irrigation meter for account #187.

The current tariff on file is from the 2002 staff assisted rate case (Commission Order No. PSC-02-1168-PAA-WS, in Docket No. 010869-WS.) This order required the company to reduce its rates after four years to reflect the removal of the revenues associated with the amortization of rate case expense. Our recalculation of the customer bills found that the company reduced its rates in October 2006. However, the company did not file revised tariff pages to reflect this change.

Customer Complaint 727133W indicates that the customer application for an irrigation meter requires the customer provide a driver's license and social security number. The application on file in the tariff does not require these documents. The utility owner has stated that he will revise his application to be in compliance with the tariff and we have requested that the utility owner provide a copy of his current application to the analyst to prove his compliance.

CONCLUSION:

The utility is in general compliance with Commission Rules but should make some improvements as follows:

- ◆ Close its accounting records on a monthly basis,
- ◆ Establish a system so accounting records are more readily available,
- ◆ File and comply with current tariff.

July 16, 2008

Re: East Marion Sanitary

Attention: Richard Redemann

Mr. Redemann,

This is a follow up of the letter I sent June 30, 2008 regarding the Incline charges Herbert Hein has billed the Gregorios and my husband and myself.

As you can see they want back charges and indicates that the Public Service Commission has approved these charges. We would like to know if this is correct or if it has been misinterpreted by Bea Jordan.

Thank you for your time and consideration in this matter.

Sincerely,



Angela Fountain
352-625-7935

EAST MARION SANITARY SYSTEMS INC.
P O BOX 234
SILVER SPRINGS, FL. 34489

Dennis & Angela Fountain
13052 NE 7th Loop
Silver Springs, Fl. 34488

Dear Angela,

The Public Service Commission of Florida stated that if your irrigation meter usage makes your regular meter usage over 10,000 gallons we may charge the over 10,000 rate, which increases your bill by \$1.00 per 10,000 on your regular meter usage in 2008. In 2007 it is \$.97 per 10,000 gals. We are allowed to back bill for 12 months per the rules. It is called an **Incline rate**

I have taken it off the computer and tried to list it so that you can understand it.

Your Incline rate adjustment due at this time is \$15.48. You have 30 days in which to pay this amount.

Beata Jordan, Bookkeeper
East Marion Sanitary Systems Inc.
June 30, 2008

Gregorio

	<u>101 Reg</u>	<u>186 Drug</u>	
5-27-08	2800	30400	
4-25	2400	9200	
3-24	3600	4600	0
2-27	3700	5600	0
1-27	4300	4400	0
12-27-07	3900	1900	0
11-27	4100	9000	3100 X .97 301
10-28	3700	4000	0
9-29	5000	11500	5000 X .97 485
8-29	3200	28700	3200 X .97 310
7-29	3200	31400	3200 X .97 310
6-26	2800	3800	3900 X .97 369

Incl. adj → 17.74

pl v #1441 Summit
 Jul 3, 2008
 certified mail

EAST MARION SANITARY SYSTEMS INC.
P O BOX 234
SILVER SPRINGS, FL. 34489

Dennis & Angela Fountain
13052 NE 7th Loop
Silver Springs, Fl. 34488

Dear Angela,

The Public Service Commission of Florida stated that if your irrigation meter usage makes your regular meter usage over 10,000 gallons we may charge the over 10,000 rate, which increases your bill by \$1.00 per 10,000 on your regular meter usage in 2008. In 2007 it is \$.97 per 10,000 gals. We are allowed to back bill for 12 months per the rules. It is called an **Incline rate**

I have taken it off the computer and tried to list it so that you can understand it.

Your Incline rate adjustment due at this time is \$15.48. You have 30 days in which to pay this amount.

Beata Jordan, Bookkeeper
East Marion Sanitary Systems Inc.
June 30, 2008

Fountain

170

166 using

6-08	2000	35200	done	
5-08	3000	18800	done	
4-08	2100	5500	done	
3-08	1900	0	0	
2-08	2700	0	0	
1-08	2900	2400	0	
12-07	2300	5700	0	
11-07	2400	4700	0	
10-07	2100	2500	0	
9-07	2100	12400	2100 x .97	2.04
8-07	2300	22600	2300 x .97	2.23
7-07	2300	9600	1900 x .97	1.91
6-07	9600	13300	9600 x .97	9.31

Incline adj 15.48

July 16, 2008

Re: East Marion Sanitary

Attention: Richard Rodemann

Mr. Rodemann,

This is a follow up of the letter I sent June 30, 2008 regarding the Incline charges Herbert Hein has billed the Gregorios and my husband and myself.

As you can see they want back charges and indicates that the Public Service Commission has approved these charges. We would like to know if this is correct or if it has been misinterpreted by Bea Jordan.

Thank you for your time and consideration in this matter.

Sincerely,



Angela Fountain
352-625-7935

EAST MARION SANITARY SYSTEMS INC.
P O BOX 234
SILVER SPRINGS, FL 34489

Ms. Mabelle Gregorio
1220 NE 130th Terrace
Silver Springs, FL 34488

Dear Ms Gregorio,

The Public Service Commission of Florida stated that if your irrigation meter usage makes your regular meter usage over 10,000 gallons we may charge the over 10,000 use, which increases your bill by \$1.00 per 10,000 on your regular meter usage in 2008. In 2007 it is \$.97 per 10,000 gals. We are allowed to back bill for 12 months per the rules. It is called an Incline rate.

I have taken it off the computer and tried to list it so that you can understand it.

Your Incline rate adjustment due at this time is \$ 17.74. You have 30 days in which to pay this amount.

Herbert Hein, President
East Marion Sanitary Systems Inc.
June 30, 2008

<u>Gregorio</u>			
	<u>10.1 Day</u>	<u>186 Day</u>	
5-27-08	2800	30400	
4-15	2400	9200	
3-24	3600	4600	0
2-27	3700	5600	0
1-27	4300	4600	0
12-27-07	3900	1900	0
11-27	4100	9000	3100 X .97 300
10-28	3700	4200	0
9-29	5000	11500	5000 X .97 4850
8-29	3200	28700	3200 X .97 3100
7-19	3200	31400	3200 X .97 3100

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION

08 JUL -3 AM 10:48

DIVISION OF
ECONOMIC REGULATION

June 30, 2008

Re: East Marion Sanitary

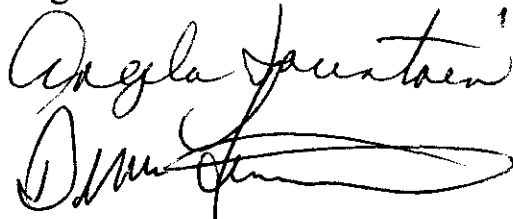
Hi, Mr. Redemann,

We are back! The Gregorios and my husband and I have an unexplained charge on our statements. I wrote to Herb Hein asking for an explanation. Of course, I never got a response. This month the additional charge is titled Incline Adjustment. As far as we can find out we are the only ones with this charge. My property is up higher, but the Gregorios is flat if that is what incline means. Can you tell us if this is allowed or what it's for? We know it's a small amount to complain about, but if Herbert Hein gets away with something he will just keep doing more things to us. He is very vindictive and I'm sure he will find something to make our lives hell.

One more question: why isn't East Marion required to put the per gallon charge on the statement?

Thank you for your time and attention to this matter.

Angela and Dennis Fountain



Mabelle and Carmen Gregorio



East Marion Unexplained charges.txt

June 2, 2008

East Marion Sanitary
P.O. Box 234
Silver Springs, Florida 34489

Attn: Herbert Hein, Donna Congdon, Beata Jordan

Re: Unexplained additional charges

Dear Mrs. Jordan,

I am in receipt of my June, 2008 bill from East Marion Sanitary. There is an unexplained charge of \$2.30 listed as adjustment/other. This is a request for an explanation of these charges in writing by return mail within 10 business days from receipt of this request.

Thank you for your cooperation in this matter.

Angela Fountain
13052 NE 7th Loop
Silver Springs, Florida 34488

EAST MARION SANITARY SYS
 PO BOX 234 GAINESVILLE/FL
 Silver Springs, Fl. 34489 FL 326
 625-0117 28 JUN 2008 PM 2 1

THIS IS A PAYMENT TO THE
 BANK OF AMERICA
 EAST MARION SANITARY SY

WAT 234100	198900	35200	114.57
		Base 74	14.43
		- 10,000 x 2.01 =	20.10
		25,200 x 3.01 =	75.85
			<u>110.38</u>

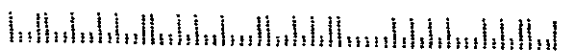
1	166	7-01-08
114.57		114.57

MAIL THIS STUB WITH YOUR PAYMENT

13052 NE 7th Loop
 PAST DUE AFTER THE 20TH OF MONTH

ACCOUNT # 166 06-27-08
 6 27 6 114.57 114.57

FOUNTAIN, DENNIS & ANGE
 13052 NE 7TH Loop
 Silver Springs Fl.
 34488



EAST MARION SANITARY SYS
 PO BOX 234 GAINESVILLE/FL
 Silver Springs, Fl. 34489 FL 326
 625-0117 28 JUN 2008 PM 2 1

THIS IS A PAYMENT TO THE
 BANK OF AMERICA
 EAST MARION SANITARY SY

WAT 50900	40900	2000	13.64
SEWAGE			23.81
INCLINE ADJ			2.00
		5/8 x 3/4 =	9.62
		2.000 x 2.01 =	4.02
			<u>13.64</u>

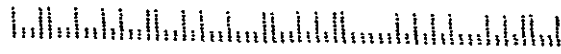
1	170	7-01-08
39.45		39.45

MAIL THIS STUB WITH YOUR PAYMENT

13052 NE 7th Loop
 PAST DUE AFTER THE 20TH OF MONTH

ACCOUNT # 170 06-27-08
 6 27 1 39.45 39.45

Fountain, Dennis
 13052 NE 7th Loop
 Silver Springs Fl.
 34488



EAST MARION SANITARY SYS
 PO BOX 234
 Silver Springs, FL 34489
 625-0117

ACCOUNT #	PRODUCT	INCLINE	USAGE	CHARGES
WAT 616800	614400	2400		14.44
	SEWAGE			25.61
	Adjustment/Other			1.60



1220 NE 130TH TERRACE
 PAST DUE AFTER THE 20TH OF MONTH

ACCOUNT # 101 04-30-08

4	25	1	41.65	41.65
---	----	---	-------	-------

EAST MARION SANITARY SYS
 PO BOX 234
 Silver Springs, FL 34489
 625-0117

ACCOUNT #	PRODUCT	INCLINE	USAGE	CHARGES
WAT 622400	619600	2800		15.25
	SEWAGE			27.42
	INCLINE RATE ADJ			2.80



1220 NE 130TH TERRACE
 PAST DUE AFTER THE 20TH OF MONTH

ACCOUNT # 101 06-27-08

6	27	1	45.47	45.47
---	----	---	-------	-------

EAST MARION SANITARY SYS
 PO BOX 234
 Silver Springs, FL 34489
 625-0117

TYPE OF SERVICE	METER READING		USED	CHARGES
	PRESENT	PREVIOUS		
WAT	619600	616800	2800	15.25
SEWAGE				27.42
Adjustment/Other				2.80



1220 NE 130TH TERRACE
 PAST DUE AFTER THE 20TH OF MONTH

ACCOUNT #	101	05-27-08											
<table border="1"> <thead> <tr> <th colspan="2">METER READ</th> <th>CLASS</th> </tr> <tr> <th>MONTH</th> <th>DAY</th> <th></th> </tr> </thead> <tbody> <tr> <td>5</td> <td>26</td> <td>1</td> </tr> </tbody> </table>		METER READ		CLASS	MONTH	DAY		5	26	1	<table border="1"> <thead> <tr> <th>NET AMOUNT TO BE PAID</th> </tr> </thead> <tbody> <tr> <td>45.47</td> </tr> </tbody> </table>	NET AMOUNT TO BE PAID	45.47
METER READ		CLASS											
MONTH	DAY												
5	26	1											
NET AMOUNT TO BE PAID													
45.47													
		45.47											