

STATE OF FLORIDA

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

Public Service Commission

August 28, 1998

Mr. Aaron H. Huguenard
608 W. Dolphin Circle
Barefoot Bay, FL 32976

Dear Mr. Huguenard:

Thank you for your letter regarding the July 14, 1998, hearing at Barefoot Bay expressing concern for the recent rate increase and the company's remarks regarding its capacity.

Unfortunately the recent rate increase was required due, in part, to extensive construction required by State of Florida law and the Florida Department of Environmental Protection(FDEP). As part of its effluent disposal system, Barefoot Bay uses surface water disposal into a nearby creek which eventually flows into the Indian River Lagoon System. The effluent was not meeting the purity requirements of chapter 92-262, Florida Statutes, enacted July 2, 1990, for disposal into surface waters. FDEP subsequently ordered the company to meet all standards required by law. This required substantial upgrades in treatment including the construction of a duplicate wastewater plant. This Commission is required by law to include such costs in rates for recovery by utilities.

You stated concern in your letter regarding the Utility's claim of operating at capacity. While Florida Cities Water Company claimed it was at capacity, our staff investigation results disagreed and this Commission granted much less than Florida Cities Water Company requested for investment dollars in plant. We approved only 76.67% of their investment in the wastewater as used and useful and eligible for inclusion in rate base. There is over one million dollars, of the over four million dollars, in the wastewater treatment plant account not included and not being paid for by current customers. The stockholders of the Utility bear this burden until new customers hook up to the system.

Regarding your concern about the amortization of plant, wastewater treatment plants the size of the Barefoot Bay facility are depreciated over a 32 year period.

You also stated you believe a complete investigation and audit of the Florida Cities Barefoot Bay operation is called for. Mr. Huguenard, please accept my word that this Commission, through its staff of attorneys, accountants, financial auditors, and engineers performs a very thorough, competent and complete investigation and audit of a utility as part of the rate making process. The Office of Public Counsel(OPC), and its experts, were also involved. OPC represents the citizens of Florida in cases before this Commission.

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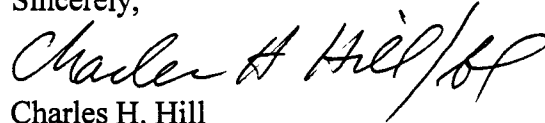
Page 2

Mr. Aaron H. Huguenard

August 28, 1998

It is my sincere wish that I have satisfactorily answered your questions and concerns. If you have further questions, please do not hesitate to contact me or my staff.

Sincerely,

A handwritten signature in cursive script that reads "Charles H. Hill".

Charles H. Hill

Director

CHH

cc: Chairman Julia L. Johnson
Division of Records and Reporting

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Julia L. Johnson
Chairman, Florida Public Service Commission
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AUG 14 1998

Florida Public Service Commission
Division of Water and Wastewater

Re: July 14, 1998 Barefoot Bay Hearing

Dear Ms. Johnson,

Please forgive the 'Ms.', but your biographical sketch does not indicate your marital status. From the way that you introduced yourself at the hearing in Barefoot Bay (Chairman), I would guess that you are not fond of 'Ms.'.

Your conducting of the meeting was exemplary. You and your fellow Commissioners and staff made everyone comfortable. You all seemed receptive of, and interested in, our speakers. I am sorry that another commitment prevented me from speaking.

I wish to address a topic that was brought up by the President of our Homeowners Association regarding the obscene rate increase the Commission approved in 1996. At the time the Commission seemed to be a rubber stamp of approval for Companies such as Florida Cities Water, our supplier and a division of Avatar, Inc. At the time, FCW indicated that they were operating at capacity. And yet a few months later welcomed a large medical clinic operation, and the addition of a large Winn Dixie store with satellite stores at our front doorstep. W/D's water consumption is said to be 6000 gallons per day. Further, a new development of 400-500 single family homes is planning to build just north of us. FCW has plans to also tie service of this new development into their system. FCW has trouble with speaking facts.

When we heard news of these new FCW customers, we were elated that they might share with us the expense of the major sewage project we were forced to pay for a couple of years ago. And will pay for it forever. (Don't understand this—why do we not pay the increased rate only until the cost of construction is

(more)

amortized?) So Mr. William Sansbury, local manager of FCW, at a recent televised meeting states that there will be no sharing of the proceeds of any new customers, even though they will pay the same horrible rates that we are paying. I met with Sansbury in his office to confirm all of this and he only reiterated his earlier comments with no understandable explanation. Just his typical arrogant comments as are fitting junior management in a monopolistic situation.

So we really need some help here. We believe A complete investigation and audit of the FCW operation in Barefoot Bay is called for.

As for the FCW's current petition, we suspect that your Commission will toss us this 80 cents a month crumb as a small reparation for the damage you caused us several months ago. We sincerely hope that, down the line, you can find other ways to right this terrible wrong. We are not happy campers.

Regards,



Cc: Chris Riesenbeck,
President, Barefoot Bay
Homeowners Association