REQUEST TO ESTABLISH DOCKET (PLEASE TYPE)

Date 01/27/99

Docket No. 990100 - W.S

1. Division Name/Staff Name_Water and Wastewater/ Von Fossen PUF

2. OPR WAW

3. OCR LEG

4. Suggested Docket Title Complaint of Michaela Puthon against Florida Cities Water Company regarding payment of guaranteed revenue charges.

5. Suggested Docket Mailing List (attach separate sheet if necessary)

- A. Provide NAMES ONLY for regulated companies or ACRONYMS ONLY regulated industries, as shown in Rule 25-22.104, F.A.C.
- B. Provide COMPLETE name and address for all others. (Match representatives to clients.)
 - 1. Parties and their representatives (if any)

Michaela Puthon 1300 Sweetwater Cove Naples, Fl. 34110

Representing the utility

Mr. Kenneth Gatlin Ruden McClosky Smith Schuster & Russell, P.A. 215 South Monroe Street Suite 815 Tallahassee, Fl 32301

2. Interested Persons and their representatives (if any)

6. Check one:

X ____ Documentation is attached.

____ Documentation will be provided with recommendation.

I:\ESTDKT.jg(wp6.1) PSC/RAR 10 (Revised 01/96) DOCUMENT NUMBER-DATE

01110 JAN 27 5

FPSC-RECORDS/REPORTING

RUDEN
MCCLOSKY
SMITH
SCHUSTER &
RUSSELL, P.A.
ATTORNEYS AT LAW

215 SOUTH MONROE STREET SUITE 815 TALLAHASSEE, FLORIDA 32301

> TELEPHONE: (850) 681-9027 FAX: (850) 224-2032

> > E-MAIL: @RUDEN.COM

January 7, 1999

Hand Delivery

Mr. Bill Lowe, Assistant Director Division of Water & Wastewater Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850

General and the second second

Re: Complaint Tracking Number: CATS237992L/WAW784 Florida Cities Water Company

Dear Mr. Lowe:

This is in response to your letter dated December 28, 1998 to Mr. Robert Dick, Division Manager, Florida Cities Water Company, relative to the complaint by Ms. Michaela Puthon.

Florida Cities Water Company entered into an agreement with the developer of the property in question on October 3, 1991. That agreement provided that the developer would construct all necessary facilities for service to the developer's area and convey those facilities to FCWC by a bill of sale as contributions-in-aid-of-construction.

Further, as part of the agreement, the developer paid \$625 per ERC as a capacity charge thus reserving capacity sufficient to serve the developer's area. As an integral part of that same agreement, the developer agreed to pay guaranteed revenues to FCWC until such time as water meters would be set on the individual lots. The revenue guarantee is a part of the developer's agreement for the purpose of reimbursing FCWC for taxes paid on CIAC pursuant to a tariff approved by the Commission. (A copy of the tariff is attached hereto.) To deny compensation for this would be unfair to FCWC and to its customers. There were three conditions that the developer was required to meet in order to get water service from FCWC: 1) contribute the necessary facilities; 2) pay fees to reserve capacity; and 3) pay revenues for the payment of CIAC taxes. Without any one of these conditions being met, FCWC would not have agreed to provide the service requested by the developer because it would not have been prudent to do so.

It is the common practice in the industry that the accumulated guaranteed revenues are collected at the time of the placing of a meter for the individual lots in the developer's area. As a practical matter, this is the only effective way that FCWC can collect these guaranteed revenues,

Bill Lowe January 7, 1999 Page 2

unless previously paid. Other legal avenues alluded to in your letter to collect these revenues are not cost effective. The amount due on each lot would not justify the legal expenses.

Our information indicates that Ms. Puthon loaned the money to the developer to develop these lots and that the developer defaulted. She now wishes to continue with the development.

Obviously, based on our understanding of the facts, Ms. Puthon has had a continuous beneficial interest in the property. As such, she is obligated to pay the accumulated guaranteed revenues, otherwise, FCWC and its customers will be penalized.

Hopefully this matter can be resolved in an expeditious manner.

Please give us a call if you have any questions or wish to discuss.

Very truly yours, B. Kanth Rath

B. Kenneth Gatlin

RUDEN				
MCCLOSKY				
SMITH				
SCHUSTER &				
RUSSELL, P.A.				
ALLORNEYS ALLAW				

215 SOUTH MONROE STREET SUITE 815 TALLAHASSEE, FLORIDA 32301

TELEPHONE; (850) 681-9027 FAX: (850) 224-2032

E-MAIL: BKG@RUDEN.COM

MEMORANDUM

RECEIVED

JAN ~ 8 1999

Florida Public Service Commission Division of Water and Wastewater

Via Hand Delivery

To: Bill Lowe, Assistant Director Division of Water & Wastewater

From: B. Kenneth Gatlin

122

- Re: Complaint Tracking Number: CATS237992L/WAW784 Florida Cities Water Company
- Date: January 8, 1999

Enclosed is a copy of a tariff referenced in my letter to you yesterday, January 7, 1999, which was inadvertently omitted.

BKG/ldv Enclosure

TAL:19506:1

-LURIDH CITIES WHIER

TAX IMPACT OF ADVANCES FOR CONSTRUCTION AND CONTRIBUTIONS IN ALD OF CONSTRUCTION ("CLAC")

In Order No. 23541 issued on October 1, 1990 in Docket NO, 860184-PU, the Florida Public Service Commission adopted and approved specific guidelines for a utility to administer in the calculation, collection, and reporting of CIAC tax liabilities. This tariff provision is filed pursuant to the above order.

- (1) On and after January 1, 1991, the Company will include Plant Capacity charges and utility plant installed and contributed to Company as ordinary income for tax purposes and pay the Federal (FIT) and State (SII) income taxes thereon. The tax liability will be debited to Reserve for Deferred taxes. If at any time this results in a net debt deferred tax balance, such balance will be included as a separate item in establishing rate base.
- (2) The contributors (developer, builders, etc.) shall pay in addition to all other applicable rates and charges starting upon receipt of CIAC, the following <u>monthly charge</u> until a water meter is set. After ten (10) years, the charge shall cease.

Guaranteed Revenue - CIAC Tax

Plant Capacity Charges/ERC

Water - North and South Ft. Myer	s \$2.61 per month
Wastewater - North Ft. Myers	1.46 per month
Wastewater - South FL Myers	2.38 per month

On-Site Facilities/ERC

The cost of the distribution and collection facilities shall be expressed on a per ERC basis and a monthly charge, applicable to each ERC in a homesite and for commercial/industrial development, shall be equal to the cost per ERC of such facilities multiplied by 0.42%.

The above charges will be adjusted annually to reflect the changes in the Company's capitalization and cost of capital.

Effective Date: July 3, 1991

A. A. REEVES, III VICE PRESIDENT

TOTAL P.02

STATE OF FLORIDA

Commissioners: Julia L. Johnson, Chairman J. Terry Deason Susan F. Clark Joe Garcia E. Leon Jacobs, Jr.



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

Public Service Commission

December 28, 1998

Mr. Robert Dick, Division Manager Florida Cities Water Company 4837 Swift Road, Suite 100 Sarasota, FL. 34231

Re: Complaint Tracking Number: CATS 237992L/WAW 784 - Florida Cities Water Company

Dear Mr. Dick:

This letter is in regard to the complaint by Ms. Michaela Puthon concerning your refusal of utility service based upon accrued guaranteed revenue charges. The staff of the Commission's Division of Water and Wastewater and our Division of Legal Services have reviewed your earlier correspondence to Mr. Dick Durbin and researched the complaint further.

Based upon our review of the Service Agreement, we would agree that Ms. Puthon is responsible for guaranteed revenues for the seven lots she now owns. However, we believe her responsibility began when she acquired the lots. Both the service agreement and the utility's tariff state that guaranteed revenues are a monthly charge. These are not charges designed to accrue and be payable at the time of meter installation. Prior owners of the property were obligated to pay these monthly charges. Failure by the utility to collect these fees or seek legal remedy to force compliance with the service agreement falls on the utility and is not Ms. Puthon's responsibility. Should you not agree with staff's opinion, we will prepare a recommendation to place this matter before the Commission for formal disposition.

Pending resolution of this dispute, Rule 25-30.320, Florida Administrative Code, does not provide that Ms. Puthon can be refused water service for the lot upon which she is building for any charges which may be due for the other six lots. Therefore, Ms. Puthon should be able to receive a letter of water availability, for that lot, upon payment of guaranteed revenues from the date she foreclosed on the property until the present.

Mr. Robert Dick Page 2 December 28, 1998

To expedite this matter, please advise by January 7, 1999, whether you agree with staff's opinion or if we should proceed to place this complaint before the Commission. Should you have any questions or wish to discuss this opinion, please contact Ralph Von Fossen at (850) 413-7005.

Sincerely,

Gelbour

bill lowe Assistant Director

RVF

cc: Ms. Michaela Puthon McCaskill, Shafer, Von Fossen Division of Legal Services: Ferguson

- GREG

Public Service Commission

State of Florida -M-E-M-O-R-A-N-D-U-M-

DATE: December 11, 1998
TO: Chuck Hill - Director of the Division of Water and Wastewater
FROM: Leroy A. Rasberry - Bureau Chief of Complaint Resolutions A
RE: PLEASE SEE BELOW

The attached inquiry concerns the customer's complaint about having to pay capacity charges.

233345R - Puthon, Michaela

RECEIVED

DEC 10 1998 Florida Public Service Commission Division of Water and Wastewater

Name PUTHON, MICHAELA	Company_FLORIDA CITIES WATER COMPANY - LEE	Request No. <u>233345R</u>
Address 1300 SWEETWATER COVE	Attn. <u>Gerald S. Allen233345R</u>	By <u>JRD_</u> time <u>2:18 PM</u> Date <u>10/30/1998</u>
	Consumer's Telephone # <u>(941)-513-0993</u>	To <u>CO</u>
city/zip <u>Naples 34110</u> County LEE	Can Be Reached (941)-641-1694	TypeBForm
Account Number	Note	Category
Caller's Name MICHAELA PUTHON	Informal ConfOutreachOUTRECTORY	infraction
Customer has foreclosed on 19 lots in Harbo	Closed by Date/ /	
(build a house for herself on one of the lot considered to be the developer and will hav	Reply Received	
lots. What is Florida Cities Water Company	CONSUMER REQUEST	
11/16/98 Report received.		

11/20/98 9:45 AM Called customer and explained to her that this matter is so technical that I will have to refer it to WAW. (Per Commissioner Clark)

(

FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BOULEVARD TALLAHASSEE, FL. 32399-0850 850-413-6100

PLEASE RETURN THIS FORM WITH REPORT OF ACTION TO:

DICK DURBIN

DUE: <u>11/16/1998</u>

PUTHON MICHAELA	Company Florida Cities Water Company - Lee	Request No. 233345R
1300 SHEETWATER COVE	Attm. <u>Gerald S. Allen233345R</u> <u>Consumer's</u> Telephone (941)-513-0993	$\frac{\text{Py}}{\text{JR0}} \underbrace{\frac{\text{Xime}}{2:18}}_{\text{To}} \underbrace{2:18}_{\text{Date}} \underbrace{10/30/1998}_{\text{Date}}$
City/Elp Naples 34110 County LEE	Can Be Resched (941)-641-1694	Type Form Phone
Caller's Man MICHAELA PUTHON	Informal conf. Outreach TELEPHONE DIRECTORY	Infractica
(Customer has foreclosed on 19 lots in Harbor Palms in Lee County. She wants to build a house for herself on one of the lots but has been told that she will be		Closed by Oate
considered to be the developer and will ha lots. What is Florida Cities Water Compar		CONSUMER REQUEST

(See attached response)

(

Bonnie Lynn Maad Community Relations Manager

11-16-98 Date

Closed by Date //
Reply Received
CONSUMER REQUEST
FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BOULEVARD TALLAHASSEE, FL. 32399-0850 850-413-6100
PLEASE RETURN THIS FORM WITH REPORT OF ACTION TO:
DICK_DURBIN
DUE: _11/16/1998







November 13, 1998

Mr. Dick Durbin Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-6100

Re: Customer Request 233345R

Dear Mr. Durbin:

On October 16, 1998 Jennifer Fiesland from Mastercraft Homes Limited requested a letter of water availability for 13689 Harbour Ridge Drive, lot 19, in the Harbour Palms 1 subdivision. She was informed of an outstanding bill for Guaranteed Revenue (GR) in the amount of \$6,162.87. The total number of lots in the subdivision is 19 of which 10 are vacant and are accruing GR charges.

FCWC staff met with Michaela Putnow on October 28, 1998. Ms. Putnow said that she had loaned the original developer the money to develop the Harbour Palms 1 subdivision. The developer defaulted on the loan and she acquired seven (7) lots via foreclosure. She intends to build on one of the lots and will sell the balance as a commercial venture.

Florida Cities Water Company (FCWC) believes that the Service Agreement, attached for your reference, follows the land described in the legal description and as such, the terms in the Service Agreement are binding on Ms. Putnow as successor developer, with all the rights and obligations associated therewith. (See paragraph 12. of the Service Agreement.) As the successor developer Ms. Putnow has the right to use the prepaid capacity fees associated with the seven lots which she owns. Along with the right to use the prepaid capacity fees, Ms. Putnow owes the guaranteed revenue charges associated with the seven lots. The total outstanding guaranteed revenue charges for the seven lots is \$3,956.81.

It is evident from the Customer Inquiry that Ms. Putnow was confused by the terms *Capacity Fees* and *Guaranteed Revenue*. It is our understanding that after meeting with Ms. Putnow on October 28, she is now clear on the distinction and we await her decision. Should you have any questions or need additional information, please contact me.

Sincerely,

ELORIDA CITIES WATER COMPANY

Robert Dick Division Manager

Enclosure

FLORIDA CITIES WATER COMPANY POINCIANA UTILITIES INC. 4837 Swift Road, Suite 100 Sarasote, Florida 34231 Telephone (941)925-3088

Units of Avatar Utilities Inc.

Project # 10-88-66

"REVISED"

SERVICE AGREEMENT

WITNESSETH

WHEREAS, Company is the owner of a Water/Wastewater Certificate of Public Convenience and Necessity granted by the Florida Public Service Commission in certain areas of Lee County, Florida; and

WHEREAS, Developer is desirous of receiving water service for its proposed development located within Company's service area, more particularly described as follows:

HARBOR PLLMS I

Davis Road

21 Equivalent Residential Dwelling Units

LEGAL DESCRIPTION

See Exhibit "A" Attached

NOW THEREFORE, in consideration of the premises and for value received, and in consideration of the covenants of this Agreement, it is mutually agreed by and between the parties hereto as follows:

1. Developer will, at its cost and expense, furnish the necessary engineering, engineering services, labor and materials, install necessary lines and appurtenences and obtain all meters.

easements and permit as required to provide strice to and throughout Developer's property.

. . --- - ··

2. Upon completion of construction of the <u>water</u> lines and appurtenances by Developer, same will be inspected by Company and, upon determination by Company that they have properly installed in accordance with the approved plans and specifications, service will be

(1)

SYCAGR

provided to the property. Company approval will not be unreasonably withheld or delayed.

3. It is agreed that all facilities constructed within the service area of Company, or within a granted easement area, shall be deemed to be owned by Company when installed and approved without the need of any separate instrument of conveyance. Furthermore, Developer shall, without the requirements of a separate written request of Company, confirm such conveyance of title to those facilities installed in the service areas of Company by the execution and delivery of appropriate bills of sale, including copies of paid invoices and instruments of conveyance, free of all liens and encumbrances incurred by Developer. After title to the facility is vested in Company as aforesaid, all responsibility for the repair and maintenance of such facilities shall be borne by Company, provided that any construction warranties by Developer in connection with the installation thereof shall, to the extent assignable, be assigned to Company for its benefit.

4. Coincident with delivery of the Bill of Sale or other conveyance from Developer to Company with respect to the facilities constructed in accordance with this contract, there shall be delivered to the Company with reference to the facilities referred to in such Bill of Sale or conveyance the following:

a. Reproducible mylars, plans, engineer's reports surveys, plats, property records, easements, permits and agreements and other information pertaining to the facilities so conveyed.

b. In addition to certified record drawings from the Project Engineer of Record, there shall be provided "As Built" drawings and engineering surveys as taken from engineering inspections of construction while in progress. Such certified drawings and "As Built" information must be certified by the Engineer of Record.

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public utility and that its rights and obl. Itions, specifically including rates and other charges hereunder, shall be subject to all applicable orders, rules and regulations of lawful regulatory commissions or regulatory authorities that may have jurisdiction.

1

6. Developer agrees to pay, upon the execution of this Contract, an approved system capacity charge to Company for each

SYCAGR

(2)

residential equivalent dwelling unit as determined by the Company for connecting its <u>water</u> lines to the utility system of Company. The current approved system capacity charges are:

<u>S625.00 per ERC for Water plus applicable taxes as outlined in</u> Paragraph 15 of this Agreement,

7. Developer has been advised, and is fully aware, that the above-mentioned system capacity charges may not be the total system capacity charges to be paid by Developer to Company for the units covered under this Agreement. The amount of system capacity charge payable for each unit is determined as of the date that actual con-"Connection" is nection to Company's system is accomplished. accomplished when the following steps are completed: The underground system to be constructed by Developer has been completed and has been accepted by Company; and certificates of occupancy have been issued for the buildings contemplated hereunder and those buildings have been connected to the water system of the Company. Units or buildings not satisfying the above criteria at the time of an increase by appropriate regulatory authorities in Company's system capacity charges shall be subject to the difference, at the time of regulatory approval of the increased charges, between the amount paid hereunder and the increased charges.

8. Company will provide <u>water</u> service and connect additional customers to the lines and facilities constructed by the Developer and deeded to the Company in accordance with its approved rates, rules and regulations.

9. It is further understood and agreed that the limitation on residential equivalent dwelling units to be connected to the Company's utility facilities from the proposed lines and facilities within the area aforesaid shall be determined by Company. Additional usage required by Developer over and above that required to serve herein proCompany.

10. Company's commitment to serve Developer's property is limited by this Agreement to <u>21 Equivalent Residential Dwelling Units</u>. Service to additional equivalent residential connections are subject to separate agreement.

(3)

SVCAGR

11. Developer agrees to pay guaranteed revenues in an amount determined by the Florida Public Service Commission or other appropriate regulatory agencies, per unit per month, until such time as water meters are set on the respective lot or building. At that time, the entity or individual requesting the setting of the water meter and receipt of water service shall begin, in accordance with the rules, regulations and tariffs of the Company, to pay the base unit charge on that unit or those units. It is recognized that the guaranteed revenue charge referred to in this paragraph is necessary in light of the fact that Company may be in the position of owning and maintaining the underground facilities donated to it under the terms of this Agreement for an extensive period of time without all or many of the units covered hereunder producing revenue. Developer has been advised, and is fully aware, that regulatory approval for the payment of guaranteed revenues by this Developer and others in Company's service area may be forthcoming in the near future, and Developer agrees to comply fully at such time, if at all, of that regulatory approval.

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12. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement constitutes the entire understanding and agreement between the parties relevant to the matters referred to herein. No additions, deletions, modifications or other changes of this Agreement shall have any force or effect, or be of any validity unless made in writing and executed by and between the parties with the same formality as this Agreement.

13. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been fully given if delivered or mailed, first class postage prepaid.

14. It is further understood and agreed that if either party fails to comply with the term of this Agreement or any subsequent

competent jurisdict. including but not limite. co any local, state or federal administerial body shall pay all costs, expenses, reasonable attorney's fees connected with the interpretation and/or enforcement of this Agreement and/or modifications thereto, including but not limited to any and all appellate proceedings as a result thereof.

(4)

SVCAGR

15. Prior to the Congressional Tax Reform Act of 1986, Section 118(b) was amended to reclassify CIAC (both cash and property) as a taxable source of revenue, effective January 1, 1987. The net result of this action is that a utility which is a corporation must now pay income tax on the CIAC it collects.

Since the amount of this additional tax liability is directly attributable to the contributors (developers, builders, etc.) of the CIAC, the utility is authorized to collect this amount from those contributors.

Therefore, in accordance with Order No. 16971 issued on December 18, 1986, in Docket No. 860184-PU, this Commission adopted and approved specific guidelines for a utility to administer in the calculation, collection and reporting of CIAC tax liabilities as follows:

1. On and after January 1, 1987, utilities may collect from developers and others who convey cash and/or property to a utility as CIACs, an amount equal to the tax impact of the CIAC.

2. The tax impact amount to be collected shall be determined using the following formula:

TAX IMPACT = \underline{R} X (F = P) 1.0 - R

a. R = Applicable marginal rate of Federal and State Corporate Income Tax, if one is payable, on the value of contributions which must be included in taxable income of the utility. R shall be determined as follows:

R = ST + FT (1-ST)
ST = Applicable marginal rate of State Corporate Income Tax.
FT = Applicable marginal rate of Federal Corporate Income

Tax

b. F = Dollar amount of charges paid to a utility as contributions in aid of construction which must be included in taxable income of the utility c. $P = \bigcirc$ llar amount of property c veyed to utility which must be included in taxable income of the utility.

(5)

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SVCAGR

IN WITNESS WHEREOF, DEVELOPER and COMPANY have caused these presents to be executed in their respective names by their proper officers and their corporate seals to be hereunto affixed by their proper officers the day and year first above written.

Signed, sealed and delivered in our presence as witnesses:

ATTEST

IONA DAVIS PARTNERSHIP

By te

FLORIDA CITIES WATER COMPANY

Sect ST: Assistant arv

Ву

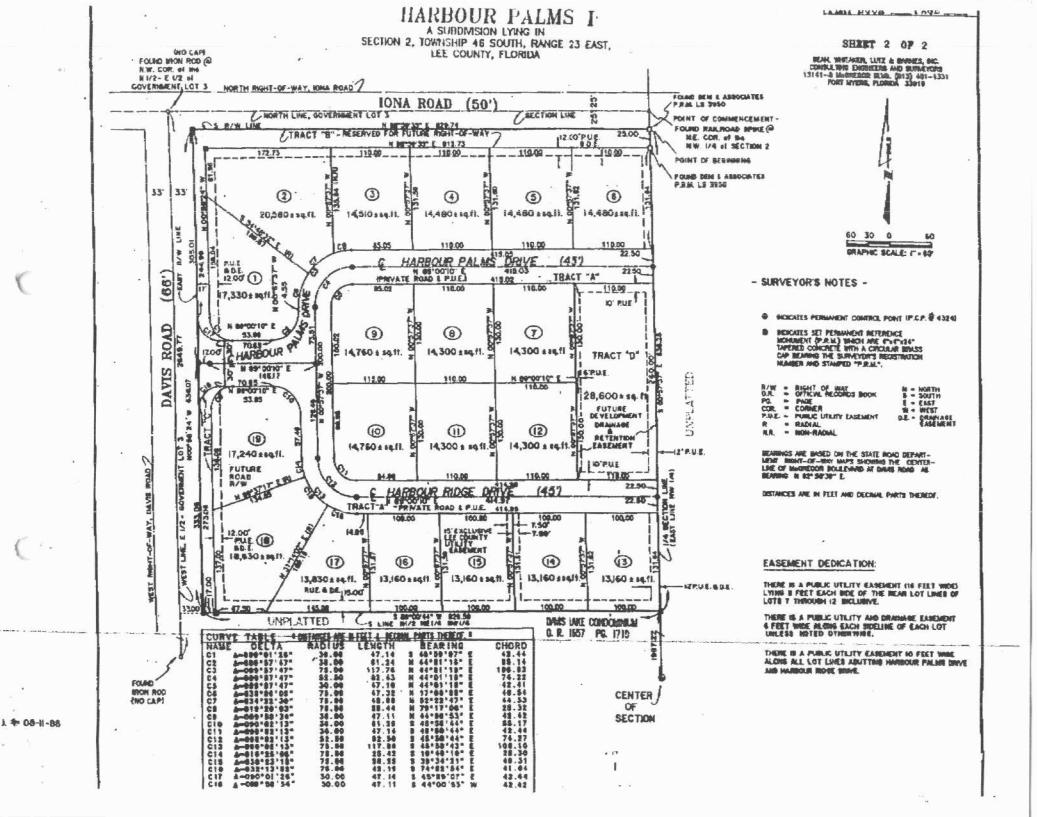
A. A. Reeves, **II** EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER

÷

161

TOTAL P.08

WinFax PRO Cover PLJe Mr. Drck Durbin Here is plat of Subdivision -I forecessed on lots 0, 9000 (19) January 1998. NNOVNCING Floride cities has no records changed Since proporty was sold 1995. Savaal proparties have sold + were issued permits etc. without their knowlede !!! lot (15) is being issued a building permit without a penalty (thay indicated permit without a penalty (thay indicated a \$ \$00 or so hode-up fee? MESSAGE: Of l am to be issued a water availability Offer l can pay arrears of \$13921 + \$60 a month + an \$1856 impact for the installation of pays 5,136 + pays for meter installation before I can build my house!!! HELP @Y. Phone: @H. Fax: @A 800 511 0209 Fax Number : @X 941 513 0993 TO: OR DICK DUrbiL From: @SMichaels Patho Pages: @N Date: @D



From: Carol Jackson CONFIRMED To: Dick Durbin Subject: Complaint call from Ms. Michaela Puthon pronounced ma-kay-la at telephone #941-513-0993

She received some lots to develop by foreclosure in south Lee County. She said that she applied for building permits, etc. that a Mr. Dick at Florida Cities Water stated that she would be charged back water fees for all her lots even though she is going to only develop one at this time. She said they discovered they had not billed anyone for years and that rather than an impact fee she was told that she would have to pay for all the lots. She said she had been transferred twice already and I conferred with Bob Crouch who explained to me that I should probably send this over to CAF. Thanks so much. IF I CAN HELP ANY OTHER WAY, PLEASE LET ME KNOW.

19 lots Jan 1993

6 building lots Harlor Palm

Isingle family home for herself \$3921

\$ 5136 now to set meters on allots

1300 Amerticater Core Napler, 34110 (94) 513-0993 (94) 641-1694

Polat n fite (orig devel)

Lee County