

Marguerite McLean

090447-WS

From: Freedman, Maggie [Maggie.Freedman@ruden.com]
Sent: Wednesday, May 12, 2010 2:42 PM
To: Filings@psc.state.fl.us
Cc: Shannon Hudson; Lisa Bennett; gmorse4@tampabay.rr.com; sseyffart@hometownamerica.net
Subject: Docket No. 090447-WS, CWS Communities LP d/b/a Palm Valley Utilities in Seminole County
Attachments: PalmValley5-12-10.pdf

Docket No. and Name:

Docket No. 090447-WS, CWS Communities LP d/b/a Palm Valley Utilities in Seminole County.

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Filed on behalf of:

CWS Communities LP d/b/a Palm Valley Utilities

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Description:

Response to Complaint Case No. 0935240C

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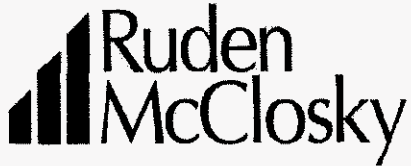
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May 12, 2010

Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Re: Response to Complaint Case No. 0935240C, in Docket No. 090447-WS, Application for staff-assisted rate case in Seminole County by CWS Communities d/b/a Palm Valley Utilities

Dear Ms. Cole:

This letter is submitted on behalf of CWS Communities d/b/a Palm Valley Utilities ("Palm Valley") in response to the information filed with the Florida Public Service Commission ("FPSC") on April 5th by a customer of the utility, Mr. T.J. Levey. By letter from the FPSC staff, dated April 21, 2010, the staff has asked Palm Valley to provide a written response to Mr. Levey's letter on or before May 12th. The comments below address the concerns and allegations of Mr. Levey, and are the result of a review performed by Mr. Gary Morse, consultant to CWS Communities. A copy of the staff's April 21, 2010, correspondence is attached.

1. With respect to the water sales revenue of \$153,725.00 reported in the 2004 Annual Report filed by Palm Valley with the FPSC, the figure is accurate and is as booked in the General Ledger ("GL") for the utility for that year. Palm Valley can provide a copy of the GL if requested.
2. Regarding the discrepancy in the water revenue calculated for the payment of the 4% Utility Tax to Seminole County for 2004, our review has determined that the utility did over estimate (and over pay) its utility tax in 2004. The error occurred for the period January through September 2004. During this period, the utility used the water plant pumped flows from which revenue was computed based upon the then current rates. The calculation of the tax due should have been made based upon water sales revenue billed. This error was identified and the reporting corrected beginning with the month of October 2004 and remained corrected thereafter. It is estimated that the utility over paid approximately \$1,356.00 in utility tax to Seminole County for 2004.

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3. With respect to entry in the Palm Valley 2004 Annual Report for utility tax paid to Seminole County on water, the figure of \$28,348.00 included in the report on page F-7 is not correct. According to the monthly Seminole County Utility Tax Remittance Forms, the utility paid \$7,667.02 for 2004. The difference of approximately \$20,681.00 is associated with county property taxes paid which should have been reported on a separate line on page F-7 in the Annual Report and apportioned to water and sewer equally. We were not able to duplicate the amount of \$7,425.00 referred to in the customer letter.
4. As to the allegation that the utility pumped 53.7MG of water from its wells in 2004, we believe that there was an error made in the reporting of well withdrawals to the Water Management District. These errors in reporting stem from the reading of the well meters and the use of a "meter multiplier" in calculating the withdrawal quantity. The error was discovered by our contract operator and has now been rectified. Revised information has been filed by the contract operator on behalf of the utility and also has been supplied to the staff of the FPSC as part of the current Staff Assisted Rate Case ("SARC"). The amounts of water pumped, as corrected, come very close to the amounts of water sold.

As to the wastewater treated, the staff of the FPSC has been made aware of the fact that our wastewater system (which has one plant totalizer) was double counting some of the wastewater being treated. This situation occurs when backwash filter water is sent back to the head (front) of the plant. Thus the amounts of wastewater being treated were overstated on the regulatory reports. This situation recently has been corrected by the installation of additional flow meters at the plant. Again, the FPSC staff has been made aware of this as part of the pending SARC and corrected information has been provided to the FPSC.


5. Costs of providing water and sewer service have increased materially since the 2002 rate case mainly due to the increased cost of power, chemicals, and labor. Additionally, regulations have changed requiring water utilities to test and treat water (and wastewater) to more stringent standards that have been promulgated by the U.S. Environmental Protection Agency. In order to meet those requirements, the utility has added new water and wastewater infrastructure and new wastewater treatment technology that makes reuse (reclaimed) water available to the residents of Palm Valley. In fact, since the FPSC Order in Docket No. 010823-WS was issued August 13, 2002, Palm Valley has spent \$417,690.00 improving the water system and \$1,124,040.00 improving the wastewater system. Further, as reported by the FPSC staff's audit in the current rate case docket, water operating expenses for the 12-month period ended September 30, 2009, are \$88,896.00 and wastewater operating expenses for the same period are \$249,064.00, which reflect the increased costs mentioned above.

CWS Communities, Palm Valley, appreciates this opportunity to provide this information. Please do not hesitate to contact us if FPSC staff has any additional questions.

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Letter to Ann Cole
May 12, 2010
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Very truly yours,



Margaret-Ray Kemper

cc: Shannon Hudson, Regulatory Analyst IV, FPSC
Gary Morse, CWS Communities
Sandy Seyffart, CWS Communities
Lisa Bennett, FPSC, Office of General Counsel

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APR 21 2010

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(850) 413-6900

Public Service Commission

April 21, 2010

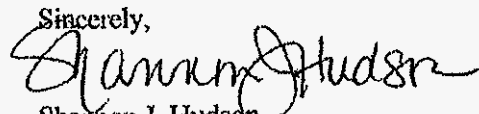
Ms. Sandy Seyffart
CWS Communities d/b/a Palm Valley
3700 Palm Valley Circle
Oviedo, FL 32765

Re: Docket No. 090447-WS; Application for staff-assisted rate case in Seminole County by CWS Communities d/b/a Palm Valley Utilities – Complaint Case No. 0935240C

Dear Ms. Seyffart:

On April, 5, 2010, the Florida Public Service Commission (Commission) received a letter from Mr. T.J. Levey (Mr. Levey or customer). The customer has alleged that CWS Communities d/b/a Palm Valley Utilities (Utility or Palm Valley) is providing erroneous figures to the Commission in its request for past and recent rate increases. Please provide a response to the Commission, in writing, to the subject matter discussed in Attachment A. Pursuant to Rule 25-22.032, Florida Administrative Code (F.A.C.), the Utility should provide a written response to the customer's complaint to the Commission staff within 15 working days after the Commission staff sends the complaint to the Utility. Therefore, Palm Valley's response is due to the Commission on or before May 12, 2010.

If you have any questions in regard to this matter, please feel free to contact me at 850-413-7021 or email at shudson@psc.state.fl.us.

Sincerely,

Shannon J. Hudson
Regulatory Analyst IV

/sjh

cc: Division of Economic Regulation (Maurey, Fletcher, Daniel, Simpson, Bruce)
Office of General Counsel (Bennett)
Office of Commission Clerk (Docket No. 090447-WS)
Ruden, McClosky, Smith, Schuster & Russell, P.A. (Mary Smallwood)
Gary Morse

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Attachment A

931 E. Palm Valley Drive
 Oviedo, FL 32765
 April 2, 2010

Chairman, Public Service Commission
 2540 Shumard Oak Boulevard
 Tallahassee, FL 32399-0850

Re: Erroneous figures used by CWS Communities D/B/A Palm Valley Utilities

To Whom It May Concern:

A resident of Palm Valley Mobile Home Park discovered some erroneous reporting by the Palm Valley Utilities (PVU) in its 2004 Annual Report and its 2005 filing for an index rate increase, which had been approved by the Commission. There were several findings by the resident.

The resident secured monthly statements from Seminole County that were filed by management of Palm Valley to pay its 4% County tax on water revenues. The 2004 statements, when compared with the 2004 Annual Report revealed the following:

<u>Item</u>	<u>2004 CWS Annual Report</u>	<u>2004 County Tax Statement</u>	<u>Difference</u>
Water Rev.	\$153,725	\$187,626	\$33,901 (Understated Rev.)
4% County Tax	\$ 28,348	\$ 7,425	\$20,923 (Overstated 4% Tax)

According to PVU's Annual Report, the Utility pumped 53,715,000 gallons of water from its wells, sold 29,305,000 gallons and treated 36,569,000 gallons of wastewater. If the revenue figure given to the County is accurate it would appear that the utility sold more water than it reported to Florida Public Service Commission on its 2004 Annual Report.

Review of the 2004 Annual Report indicates the Utility is reporting water operation and maintenance expenses that are almost three times higher than the amount approved by the Commission in PVU's most recent rate case, with a projected test year ending July 31, 2003. In its 2004 Annual Report PVU also claims wastewater operation and maintenance expenses that are about 80% higher than the amount allowed by the Commission in this same very recent rate case, with a projected test year ending July 31, 2003.

	<u>2002 Rate Case</u>	<u>2004 Annual Report</u>
Water expenses:	\$ 31,796	\$ 91,799
Wastewater expenses:	\$152,579	\$ 276,169

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Ms. Seyffart
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Palm Valley Utilities -- Page 2 April 2, 2010

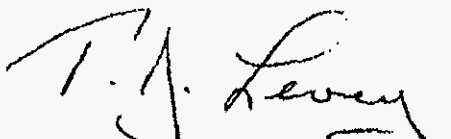
The erroneous revenue figures were not only used in the 2004 Annual Report, but were also used in the 2005 Indexed Rate Increase request filing and certainly had to be included in each subsequent increase request. Our questions about PVU's reported revenues and expenses are based upon the known and approved expenses of the Utility in its most recent rate case and the conflicting report the Utility gave to Seminole County. There are other questions regarding reported income and expenses.

These discoveries were made in 2006. One may question why this erroneous data was not referred to the PSC earlier. ANSWER: It was used to the benefit of the Palm Valley HOA to urge the President of the Utility and of SE Division of Hometown America to sign a \$6,000 Settlement Agreement, which had tied the Palm Valley HOA up for two years.

Now, with the residents facing horrendous increases in their rates, it is time to reveal these questionable practices for all to see.

If there are any questions about any of this information, please feel free to call me, T.J. Levey, at 407-359-7658. Thank you.

Respectfully,



T.J. Levey, Resident Palm Valley
Former President HOA

TJL

PALM VALLEY WATER AND SEWER RATES

Once upon a time, W&S was included in the rent. In October 2003, the park owner began to charge for W&S in exchange for \$29.66 per month reduction in rent. On November 1, 2005, the Park Owner imposed an indexed rate increase for W&S and the base facility charges. Then again in 2006, 2007 and 2008 the park owner imposed still more indexed rate increases. In September 2006 just those residents without recycled water were granted an additional \$8.44 reduction in rent for a total of \$38.00/month as a result of the Settlement Agreement signing.

Let's take a look at the impact the 2005, 2006, 2007 and 2008 miniscule rate increases had on each household when compared to the 2003 rates. And, the astronomical proposed increases for 2010.

<u>2003 Rates</u>	<u>2005 Rates</u>	<u>2006 Rates</u>	<u>2007 Rates</u>	<u>2008 Rates</u>	<u>Proposed 2010 Rates</u>	
\$ 9.57	\$ 9.68	\$ 9.79	\$ 9.89	\$ 9.98	\$ 11.24	Water Base Facility Charge
<u>+10.74</u>	<u>+11.08</u>	<u>+11.37</u>	<u>+11.68</u>	<u>+11.96</u>	<u>+ 27.80</u>	Sewer Base Facility Charge
\$20.31	\$20.76	\$21.16	\$21.57	\$21.94	\$ 39.04	Total Base Facility Charge (Incr. \$18.73)
\$ 2.30	\$ 2.33	\$ 2.36	\$ 2.38	\$ 2.40	\$ 2.70	Water Rate/1000 Gal. + 4% Tax
<u>+3.81</u>	<u>+3.93</u>	<u>+4.03</u>	<u>+4.14</u>	<u>+4.24</u>	<u>+10.45</u>	Sewer Rate/1000 Gal.
\$ 6.11	\$ 6.26	\$ 6.39	\$ 6.52	\$ 6.65	\$ 13.15	Total W&S Rate/1000 Gal. (Incr. \$7.04)

In less than seven years time, the base facility charge has almost doubled and the W&S rates per/1000 gal. have more than doubled. The base facility charge now exceeds the rent reduction, and every resident will pay \$39.04 to the utility without using one drop of water.

TJL updated 3-31-10

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