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DIVISION OF WATER &  
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**Public Service Commission**

July 2, 1996

Mr. Lee Beauregard, President  
 Colonies of Margate Homeowners Association  
 6103 Colonial Drive  
 Margate, Florida 33063

Re: Docket No. 960132-WS, Staff Assisted Rate Case for Colonies Water Company in Broward County

Dear Mr. Beauregard:

We received your letter dated June 15, 1996. The following concerns were addressed in your letter:

- 1) Employee salaries - \$23,172
- 2) Management fee - \$10,180
- 3) Unrecorded income generated by residents use of washers in the laundry room and water purchased at \$.25 per gallon from a water vending machine.
- 4) The difference in the gallons of water sold as listed in the utility's 1995 annual report and the number of gallons sold provided to you from the City of Margate.
- 5) The level of miscellaneous expenses especially for wastewater.
- 6) Interest payments on a long term debt being used as a factor in determining a rate increase.

ACK \_\_\_\_\_  
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 APP \_\_\_\_\_  
 CAF \_\_\_\_\_  
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 WAS \_\_\_\_\_  
 OTH \_\_\_\_\_

Staff's recommended rates have been provided in an accounting report dated June 10, 1996. This report has been submitted to the utility and is available for copying and customer review at the utility's office.

The employee salaries of \$23,172 are listed in the utility's 1995 annual report. This amount has not been recommended for setting rates. Commission staff has audited the utility's books to determine the number of hours employees spend conducting utility business, the duties performed and the hourly rate for each employee. Staff has reviewed the audit and has recommended an annual salary of \$4,641 for a bookkeeper and \$10,167 for the maintenance person/meter reader. Total salaries recommended are \$14,808, \$7,404 for water and wastewater each. Staff's recommended salaries are addressed in the accounting report on pages 12, 35 and 36.

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A management fee of \$9,861 has been included in the calculation of staff's recommended rates. Staff believes that this amount is reasonable for the duties performed by the management company plus the cost of overhead. Staff's recommended management fee is address in the accounting report on page 14.

The income generated from the use of washers in laundry room and the water vending machine is not regulated by the Commission. Staff contacted the utility and was told that the utility owns the laundry and Glacier Water Company owns the water vending machine. The utility does not collect any revenue from the water vending machine. The water vending machine is tied into the utility's line and is filtered by glacier water company. The water usage is included in usage for the facility in which the washers and the water vending machines are located. As addressed in the accounting report on pages 10, 19, 32 and 33, revenues have been calculated to included all customers or areas that should have been billed. In addition, all customers and consumption were included in the calculation of rates.

The difference in the amount of water sold as listed in the 1995 annual report and the total provided to you by the City of Margate has been taken into account in the calculation of annualized revenue. In addition, the usage has also been included in the rate calculation.

Staff has recommended miscellaneous expenses of \$8,423 for water and \$12,223 for wastewater. These expenses are addressed in the accounting report on pages 15 and 16.

Following standard procedure, a return on the utility's investment has been recommended based on the cost for funding the utility's assets. The utility's capital structure is addressed in the accounting report on page 9.

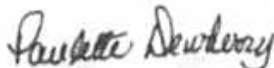
On June 26, 1996, we received your letter dated June 20, 1996 and the signed petitions of residents of the Colonies of Margate Mobile Home Community. These documents have been placed in the docket file and all customer concerns will be addressed in staff's final recommendation.

The signed petitions indicates that customers oppose any water rate increase for Colonies Water Company. The rate case for this utility is currently being processed and the Commission has not made its final decision. A customer meeting is scheduled to be held in the utility's service area on July 10, 1996. Customers will be allowed to address their concerns at that time. After the customer meeting is held, staff will complete its final recommendation and will address customer concerns. This case is scheduled to be addressed at the September 3, 1996 Agenda Conference. The Commission will make its decision to either approve, amend or deny staff's recommendation. A proposed agency

action (PAA) order is scheduled to be issued 20 days from the date of the Commission's decision. Customers can then protest the PAA order within 21 days from the date the order is issued. The Office of Public Counsel can assist you in filing a protest if you wish to after the PAA order has been issued. The Office of Public Counsel's phone number is 1-800-342-0222.

If you have additional questions please call me at (904) 413-6962.

Sincerely,

  
Paulette Dewberry  
Regulatory Analyst

PD:tyg(beaure.ltr)

cc: Records and Reporting  
Division of Water and Wastewater (Hill, Shafer, Bethea, Davis)  
Division of Legal Services (Agarwal)