

State of Florida



ORIGINAL
Public Service Commission

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COMMISSION
CLERK

DATE: June 14, 2006

TO: Blanca S. Bayó, Commission Clerk and Administrative Services Director

FROM: Nina L. Merta, Professional Accountant Specialist, Division of Economic Regulation *sm*

RE: Docket No. 050587-WS - Application for staff-assisted rate case in Charlotte County by MSM Utilities, LLC

Attached are two audio tapes of the customer meeting held on June 8, 2006, for a staff assisted rate case for MSM Utilities, LLC. Please make a copy of these tapes for my working file and file the original in the docket file. When the copy is completed, please call me at 413-6427 and I will pick it up.

Also attached is a copy of a presentation made by Mr. Maurice Millard at the customer meeting. Please include it in the correspondence file.

Cc: Division of Economic Regulation (Rendell)

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OTH *audio tape sent to tape storage*

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FPSC-COMMISSION CLERK

Response to Staff Assisted Rate Case by MSM Utilities – Docket No. 050587-WS

Reference: Staff Report Docket No. 050587-WS Dated May 5 2006

Introduction

We wish to express our objections to the proposed increases in rates recommended by the 'Staff' of the Florida Public Service Commission.

The analysis referenced Staff Report is difficult to follow, many adjustments are made to cited numbers that are only vaguely defined and the source and logic used is not explained.

The proposed rates:

- a) represent an exorbitant relative rate increase.
- b) are very much higher than the prevailing rates being charged by comparable utilities.
- c) do not consider the future effects of 'economies of scale' that will be realized if MSM follows the business plan indicated to date.
- d) Represent an analysis of the cost of operation of the current facility, not the expanded facility to be placed in operation next year.

Relative Rate Increase

We understand that the water and sewage facility was first placed in operation in 1982 and the rates have been unchanged since the initial operation. However the proposed rates represent in many cases a doubling (or more) of current rates; we consider this grossly excessive and unjustified.

Further just about all the current clients of the utility (MSM) are retired on fixed incomes, therefore sudden increases in expenses of this magnitude cause financial difficulty.

Comparison of Local rates

The attached Table 1 shows the prevailing rates charged by other water/sewer utilities in Charlotte County. The Punta Gorda data was obtained from the invoice of a current resident, supplemented by data from the Internet; Charlotte County data was drawn from the Internet, the River Edge data from the current MSM invoice and the subject filing. The reason for two sets of numbers for Usage rates in the case of Punta Gorda is that apparently rate revisions are under consideration, and the second set of numbers represent a recommendation by a consulting company.

It will be seen that the proposed water rate/thousand gallons is approximately triple what is being charged by other utilities in this area.

Failure to Consider the Economies of Scale

As initially conceived (circa 1982) the River Edge subdivision was to consist of over 250 homes and the utility system was designed and built with a capacity to support this quantity of homes. Unfortunately for the successive developers of River Edge, this quantity of homes was never achieved, it only exceeding 50 homes in recent years.

This means that the costs of operation have fallen on a fairly small customer base. That is not the fault of the current residents of River Edge. The Maltese Organization (of which MSM Utilities is subsidiary company) should have performed a much more intensive study of the water/sewer system prior to its acquisition of the properties. In fact we are informed that the purchase of the Water/Sewer facility by the Maltese Organization was optional, they choose to exercise that option to buy. Why should the current residents shoulder this burden?

Recent developments certainly will cause a significant increase in the customer base as the Maltese organization is in the near future starting construction of homes on what was the balance of the original River edge property, plus also potentially servicing a large area to the east of our subdivision. This will significantly increase the customer base.

This is reinforced by data in the Staff report. The water plant is currently running at 10% capacity (Ref Attachment C, Pg 41) The current water revenue is \$12,478, per the staff analysis, the desired revenue is \$78,662, the corresponding numbers for the waste water are \$6331 and \$57,523, (Ref Issue 7, Pg 19). A growth in the near future to 545 customers is anticipated by the report (Ref Issue 9, Pg 28).

We concluded from the Staffs own data that the plant can serve 10 times as many customers as the current base, with an anticipated increase in revenue of 10 times. Then extrapolating from the current revenue of approximately \$12,000, soon the revenue will be of the order \$120,000. This is well above the Staffs recommended figure. The staff report also notes that 'expenses will not change a great deal' with this increase in customer base.

Quality of Service Issues

We understand that the water quality is monitored continually, and we have had only brief periods when the water fell below the required standard and we had to use alternate sources or boil the water. However there are concerns by some users due to 'staining' (brown) of the sinks and toilets. These people are considering installing, at significant expense, water treatment facilities. These costs, along with the proposed increases, are very difficult to accept.

We have been told that it is a requirement that this type of utility have a 'back-up' generator system for use in 'emergencies'. This system does not have one. Following Hurricane Charley it took about a week for a mobile generator to be acquired and installed to restore service on temporary basis.

Future Growth

MSM in order to meet the growth (Ref Page 4) plans to "expand and relocate its facilities in 2007." We have reservations about the Staff Analysis which is based on the operating data on the current facility, when the new facility will in all probability use newer technology (as opposed to the present 25 year old facility). One would expect some operating costs, and particularly maintenance costs, to decrease when this expansion is realized. Given this the Staff Analysis only addresses the 'short term' issues of economics of operation. Will the Public Service Commission automatically be conducting a further review once the new plant is in operation next year?

Recommendations

We suggest that a 'two tier' pricing structure be adopted, in which current clients be 'grandfathered' at the current or lower rates, while new users be charged higher rates.

Conclusion

Based on the above we request that the Commission reject or reduce the proposed rate increases.

By Maurice Millard
1606 Hunter Creek Drive,
Punta Gorda, FL 33982-1132

Also on behalf of the following residents of River Edge
Bill & Dottie Pruneski
Ron & Jean Fox

Harry & Alice Streeter
Charles & Jean Renshaw
Brenda Millard
Don & Sheila Pezza
Bill & Mary-Ann MulConnery
Herbert & Elsie Buboltz
Earl & Charlotte Burda
Ed & Jan Johnson
Darry & Mary-Ann Beasome
Ross & Pat Raley
Jerry & Jeanette Hickey
Ronnie Nilson
Harold & Jean Mutchler
Tom & Joann Pickens
Robert & Georgie Yeokum
Don Dion & Betty Dove
Trudy Ireland
Mike Jorgenson & Ellen Butler
Norman & Beverly Maddy
Brenda Hudachko
Howard & Anita DeRidder
Robert Roush & Wendi Hoff
Elaine Seaver
Jack & Mary Ubel
Jack & Ruth Jones
Barbara Cobb
Cliff & Joan Trask
Jill McTighe
Laurie Kozak & Ray Neilson
Rita Aliota
Al & Marion Swenson
Judy Potter & Chuck Brown
Jack & Dee Runge
Dave & Jane Raker
Floyd & Norma Cable
Al & Betty Markley
Bob & Norma Wolitz
Harry Buercke
Dewey & Peggy Biedel
Bruce & Jean Coleman
John & Susan DiGregorio
Dale & Pat Hendershot

Table 1 – Comparison of Local Water/Sewer Rates

Item	City of Punta Gorda		Charlotte County**		Rivers Edge (Current)		Rivers Edge (Proposed)	
	Usage Ranges	Cost	Usage Ranges	Cost	Usage Ranges	Cost	Usage Ranges	Cost
Base Rate		\$12.82		\$15.14		\$10.50		\$15.81
Usage Rates Per K g	0 to 10K g	\$2.72/\$2.59	0 to 10K g	\$3.86	0 to 5K g	\$3.25	0 to 7K g	\$7.40
	10K to 20K g	\$3.13/\$3.05	11K to 16K g	\$4.81	5K to 8K g	\$4.88	7K to 14K g	\$9.25
	20K to 40K g	\$3.52/\$3.93	>16k g	\$5.79	>8K g	\$7.32	>14K g	\$11.01
Sewer								
Base Rate		\$20.07		\$24.90		\$6.50		\$23.34
Usage Rates Per K g	<10K g	\$1.21	<10K g	\$3.16	<10K g	\$2.50	10K g	\$4.87

** Rates are for Mobil Home Service Regular Service (Water Base = Base Charge of \$12.27 plus \$2.87, Sewer base = \$22.03 plus \$2.87))