

LAW OFFICES
ROSE, SUNDBSTROM & BENTLEY, LLP
2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

FREDERICK L. ASCHAUER, JR.
CHRIS H. BENTLEY, P.A.
ROBERT C. BRANNAN
F. MARSHALL DETERDING
JOHN R. JENKINS, P.A.
KYLE L. KEMPER
STEVEN T. MINDLIN, P.A.
CHASITY H. O'STEEN
DAREN L. SHIPPY
WILLIAM E. SUNDBSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON
ROBERT M. C. ROSE (1924-2006)

(850) 877-6555
FAX (850) 656-4029
www.rsballoorneys.com

REPLY TO CENTRAL FLORIDA OFFICE

CENTRAL FLORIDA OFFICE
SANLANDO CENTER
2180 W. STATE ROAD 434, SUITE 2118
LONGWOOD, FLORIDA 32779
(407) 830-6331
FAX (407) 830-8522

MARTIN S. FRIEDMAN, P.A.
VALERIE L. LORD
BRIAN J. STREET

January 8, 2008

E-FILE

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

RE: Docket No.: 070415-WS; CHC VII, Ltd.'s Application for Staff Assisted Rate Case in
Polk County, Florida
Our File No.: 42035.01

Dear Ms. Cole:

Consultants for CHC VII, Ltd., have had an opportunity to review the preliminary Staff Report filed in this docket. Although there were numerous inaccuracies in the Report, several are material and are addressed herein.

The Staff Report imputes as CIAC the value of the collection and distribution systems. However, in this case the collection and distribution systems were not written off, but have been capitalized. Enclosed is the statement from the Utility's CPA to that effect. Since this is a rental mobile home community, the developer would not have had any lots sales against which to write off the cost of the collection and distribution systems. In an identical situation, this Commission in Order No.: PSC-96-0062-FOF-WS issued January 12, 1996, stated as follows:

The utility does not have any records which indicate whether or not the utility has collected any CIAC or written off the lines to cost of goods sold. The mobile home park is strictly a rental community and the owner still owns all of the lots within the park. Therefore, CIAC shall not be imputed for the mobile home park.

More recently this Commission in Order No. PSC-04-1120-PAA-WU issued November 9, 2004, reaffirmed that when the developer does not sell the mobile home lots but leases them to homeowners, the imputation of CIAC is inappropriate.

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Further, the Staff Report imputes revenue for water used to irrigate the golf course. It must be kept in mind that the utility, mobile home park, and the golf course are owned by a single entity and the assets are not differentiated among their various uses. We believe the Staff imputed revenue based upon Commission Order No.: PSC-99-1235-PAA-WS issued June 22, 1999, wherein an irrigation rate was set for providing potable water to an 88-acre common area golf course. The golf course does not receive potable water from the water treatment plant. The golf course now receives its water from a non-potable well which is not a part of the assets of the utility system. Thus, since the golf course is not receiving potable water from the water treatment plant, the rates established in the Order are not applicable and the imputation of revenue for water used on the golf course is inappropriate.

Should you have any questions regarding this filing, please do not hesitate to give me a call.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/tlc
Enclosure

cc: Mr. Ron Baxley (w/enclosure) (via email)
Mr. Troy Rendell, Division of Economic Regulation (w/enclosure) (via email)

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Jim D. Lee, Certified Public Accountant



500 S. Florida Avenue, Suite 640
P.O. Box 2158
Lakeland, FL 33806-2158
(863) 686-7330 FAX: (863) 686-6626

January 7, 2008

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Docket No.: 070415-WS, CHC VII, Ltd. Application for Staff Assisted Rate Case in
Polk County, FL

Dear Sir or Madam:

I understand that in connection with the above proceeding the Commission Staff has recommended the imputation of CIAC in the amount equal to the cost of the collection and distribution systems within the mobile home community.

The tax returns were available to you auditors, and they do not disclose that the collection and distribution systems were written off. Since the partnership owns the land, these costs have been capitalized as part of basis.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jim D. Lee".

Jim D. Lee
Jim Lee, CPA