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September 19, 1996

Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Attn: Records and Reporting

RE: Meadows Utility Company, Inc.

- A. Application for Transfer of Certificate
of Facilities 95-1026WS
- B. Application for Staff Assisted Rate Case
960523-WS

Dear Ladies and Gentlemen:

As per my previous correspondence, our office has the pleasure of representing Dennis Jones and Brandi Jones, his wife, with regard to the current issues facing owners of property located within Dexter Park Villas, an unrecorded subdivision located in Citrus County, Florida and more particularly with regard to the above-noted pending Public Service Commission cases. As you may also be aware, Mr. and Mrs. Jones strenuously object to both the Meadows Utility Company, Inc. application for transfer and the Meadows Utility Company, Inc. application for rate increase. In order to properly evaluate the basis for these objections, it is necessary to provide you with some background information regarding the Subdivision. The Subdivision and its Deed Restrictions and other recorded instruments create a very complicated structure that requires a certain amount of information and analysis to understand. The purpose of this correspondence is to provide you with that background information as well as substantive objections on behalf of Mr. and Mrs. Jones.

Accordingly, I will outline the background information and substantive objections below.

DOCUMENT NUMBER-DATE

10026 SEP 20 96

FPSC-RECORDS/REPORTING

I. Subdivision. Dexter Park Subdivision is an unrecorded subdivision located in Citrus County, Florida. This subdivision is not a platted subdivision and was developed many years ago in 1980 by Mr. John Wilson. Real property located within the subdivision is subject to several recorded instruments that run with and bind the land. A Declaration of Restrictive Covenants for the subdivision has been recorded and is located at Official Record Book 588, Page 1877. (See Exhibit "A"). The Restrictions provide for numerous use restrictions and other issues relative to the property. Of consequence is the provision within the Restrictions that provides that the Dexter Park Villas Association shall be composed of the owners and developer of Dexter Park Villas. It does not provide for assignment of development rights. Additionally, the restrictions allow for the amendment of the Declaration by sixty (60%) percent of the members. As you will see below, corporations owned by Mr. LaFond do not own sixty (60%) percent of the outstanding lots, despite his claim to the contrary.

II. Common Elements. The Common Elements are described at Official Record Book 588, Page 1872, Public Records of Citrus County, Florida. (See Exhibit "B"). That document provides that the common elements shall be conveyed to the owners of the individual one hundred fifty-three (153) lots at the rate of an undivided one over one hundred fifty-three (1/153rd) interest in and to the common elements. (See E.G. Exhibit "C" consisting of Mr. and Mrs. Jones' Deed by way of example) The document further provides that the owners shall hold the common elements as tenants in common, appurtenant to their lot ownership and that such common element ownership shall not be separated from the overall residential lot ownership. Accordingly, the conveyance to Meadows Utility which purports to separately convey the common elements is void and invalid for two reasons, first, because the common element ownership cannot be separated and second, because the remaining lot owners own an undivided one over one hundred fifty-third (1/153rd) interest per lot owner to those common elements.

III. Common Elements Management Agreement. This document is of extreme significance to the Public Service Commission cases referenced above. The document is recorded at Official Record Book 588, Page 1867, Public Records of Citrus County, Florida. (See Exhibit "D"). This document provides that the common elements shall managed by William A. Dexter Corporation as contractor and that the contractor shall provide among other things, water and sewer service, distribution lines, etc. The document provides for payment by the owners monthly of a monthly service fee to William A. Dexter Corporation. The document does provide that if the

current contractor, William A. Dexter Corporation, does not provide for the appropriate service, the service can be terminated by sixty (60%) percent of the owners at a duly called meeting with notice to all unit owners for that purpose. Additionally, Dexter Corporation maintained the right to withdraw from the Service and Management Agreement upon ninety (90) days notice. There is no information in the Public Records as to whether or not Dexter's Corporation did withdraw or whether the agreement was terminated. There is clearly no evidence of any kind that a meeting was called and Meadows Utility Company, Inc. selected as the current contractor or provider for the purpose of operating the water and sewer plants.

IV. Public Service Commission. The issues currently before the Public Service Commission are the transfer of the Certificate and the establishment of rates. Of real importance to the Transfer Application is the issue of ownership of the water and sewer plant.

A. Transfer Application. The real property upon which the water and sewer plant is located is contained within the overall description of the Common Elements of Dexter Park Subdivision. The Meadows of Citrus County, Inc., Mr. LaFond's related corporation, owned ninety-one over one hundred fifty-three (91/153) interest in those parcels by virtue of its ownership of ninety-one (91) lots within the subdivision. Mathematically, this ownership of the Meadows of Citrus County, Inc. comprises 59.48 percent of the lots. (See Exhibit "E" consisting of the Deed into Mr. LaFond's related corporation) Note that this deed lists ninety-two (92) lots, however a title search reflects that one of these lots was previously conveyed to an independent third party buyer for value. This ownership in Mr. LaFond's related corporation would not be sufficient for the purpose of transferring the Certificate. As you know, the law requires that the applicant either own the property or hold a long term lease. Herein, the applicant, Meadows Utility Company, Inc. owns no lots and therefore, could not have acquired any interest in the water and sewer plants as a portion of the common elements inasmuch as the Deed of conveyance was prohibited by the Deed Restrictions and further, inasmuch as the lot owners exclusive of Meadows Utility Company, Inc.'s grantor, acquired an undivided one over one hundred fifty-third (1/153rd) interest each in the property.

As you know, the Successor Trustee of the John Wilson Trust, attempted to convey Meadows Utility Company, Inc. the sewer plant site, lift station and water retention area at a purchase price of \$15,000.00. As stated above, this conveyance did not operate to convey any interest in the real property as undivided fee simple interest was not owned by the Successor Trustee of the John Wilson

Trust nor could the Successor Trustee of the John Wilson Trust segregate or separate the common elements and convey them separately. Accordingly, at best, Mr. LaFond's related company, the Meadows of Citrus County, Inc. acquired a ninety-one over one hundred fifty-third (91/153rd) interest in the real property upon which the water and sewer plants are located and Meadows Utility Company, Inc. acquired no interest therein. Additionally, within the Application for Transfer is the proof of financial solvency required by law and purportedly provided. As you know, the Applicant is Meadows Utility Company, Inc. Apparently, no financial statement for that company was provided. A Financial Statement for Mr. LaFond individually, who apparently is not considered the guarantor, was provided yet such may have included assets held in other corporate names.

Further, Mr. LaFond claims within his Application that he paid \$30,000.00 for the water and sewer system yet the documents evidencing the transaction reflect that the purchase price was \$17,500.00 for all lots and common elements including the water and sewer plant, roads, drainage retention areas, clubhouse, etc.

Mr. LaFond has orally claimed to residents that the system is in need of thousands of dollars of improvements for which the customers will be responsible. However, his signed statement as included within the Application reflects that he has represented that the system in satisfactory condition.

Mr. LaFond also claims he paid past due water bills on behalf of the residents from June of 1995 through November of 1995 and as a result thereof, the residents are in debt to him as a result of such payment. (See Exhibit "F" attached hereto). Mr. LaFond has been unable to provide any verification that such payments were made and in fact the residents were instructed by the Successor Trustee of the Wilson Trust not to make any further payments as a result of the Successor Trustee's desire to have the system abandoned. Pursuant to Addendum "A" to his contract, Mr. LaFond did not pay the past due water bills on behalf of the residents but rather the same were paid by Mrs. Wilson from the proceeds of the \$17,500.00 total purchase price transaction. (See Exhibit "G" attached hereto). This issue should be investigated.

Mr. LaFond has orally claimed to residents that he has paid the Public Service Commission four and one-half (4 1/2%) percent of the total income of the water company for the past two (2) years. However, he has been unable to verify same. Further, a statement within the Application is made that Mr. LaFond accepts responsibility for any fines, RAF's, etc. Yet, he has orally informed residents that they will have to pay such back payments via assessments.

Further, Mr. LaFond has provided an Affidavit that Notice of the actual Application was given by regular mail or personal delivery to each customer. My client did not receive such notice and has spoken with many other customers who similarly did not receive that notice.

Finally, the issue of Meadows Utility Company, Inc.'s ability to assess customers in any fashion appears to reflect that such assessments are invalid. As stated above, the Developer of Dexter Park Villas, the Management Company, reflected within the original Management Agreement, William A. Dexter Corporation or a Successor Corporation appointed or retained by sixty (60%) percent of the members of the homeowner's group would be entitled to make such assessments. There is absolutely no evidence contained within the documentation that myself or my clients have been able to discover that the Meadows Utility Company, Inc. has in anyway succeeded to the rights of the Developer of Dexter Park Villas or has succeeded to the rights of the Management Company pursuant to the Management Service Agreement referenced above. Accordingly, there appears to be no authority for the assessment of fees by Meadows Utility Company, Inc. in any fashion.

In conclusion, my clients object to the Application for Transfer of Certificate of Facilities 95-1026WS for all of the reasons stated above. Most primarily, as a result of the Applicant's failure to own the property or hold a Long Term Lease, as a result of the owners' inconsistent responses to the PSC and customers, as a result of a lack of information provided by the Applicant, and as a result of the Applicant's lack of any rights provided in the Common Elements Management Agreement.

B. Public Service Commission Rate Case. In the event the Public Service Commission does not deny the Applicant's Application for Transfer of Certificate of Facilities, Mr. and Mrs. Jones also object to the Applicant's proposal for increased water and sewer rates. The Applicant has stated that the prior operator, J & J Water and Sewer Company charged a flat rate of \$34.00 historically. This information is factually incorrect. Within Meadow Utility Company, Inc.'s Application for increased rates, Meadow Utility Company, Inc. seeks to include numerous costs and expenses such as rent, auto expenses, office salaries, bookkeeper salaries, attorney's fees, telephone fees, etc. Yet, within its Application, the Applicant also states that the water and sewer plants are operated and managed via contracted services through Gator Water and Waster Water Management, Inc. It is confirmed that no employees outside of the contracted services are necessary within

the Public Service Commission's Staff Engineering Report. Further, the actual bills provided by Meadows Utility Company, Inc. for meters in some places is inconsistent with the representation made by Meadows Utility Company, Inc. Additionally, Meadows Utility Company, Inc. through its spokesman, Mr. LaFond, claims that existing residents will have to pay for the expansion to the facility to allow for his development of his undeveloped ninety-one (91) lots. It is patently offensive to customers of a water and sewer plant to be told by the operator that they will be required to fund expansion on behalf of a company to improve said company's private property. Further, the former operator, J & J Water and Sewer Company's 1993 Report, reflects total operating costs for the water and sewer plant of \$19,605.00 per year without depreciation. This information is confirmed by the former bookkeeper for J & J Water and Sewer Company, Ms. Jeannie Worrell. As a result of such, it is difficult for the residents to comprehend the necessity for a large rate increase when in fact the water and sewer company was adequately operated by another operator at a far lesser cost.

Finally, as you have been previously made aware, Meadows Utility Company, Inc. has on at least one, if not several occasions wrongfully terminated service to customers in its ongoing effort to control the speech of customers and the conduct of those in the neighborhood. This is an intolerable situation insomuch as the provision of water and sewer service is a vital necessity and should not be used to hold residents hostage.

In conclusion, as stated above, my clients strenuously object to both the transfer of this Certificate as well as the proposed increase in rates. We would request that the Public Service Commission deny the Application for Transfer of Certificate of Facilities for the many reasons stated above. We would further request that the Public Service Commission, in the event it declines to deny the Application for Transfer of Certificate, refuse to adopt the increase rates submitted by Mr. LaFond on behalf of Meadows Utility Company, Inc.

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If you have any questions or in need of any additional information or documentation relative to this correspondence, please do not hesitate to contact me.

Yours truly,

HAAG, GAFFNEY & WILCOX, P. A.

By:


Karen O. Gaffney

KOG/eve

Enclosures

cc: Patricia Brady

Billy Messer

Timothy Vaccaro, Esq.

Mr. and Mrs. Dennis Jones