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February 20, 1998

ROBERT M. C. ROBE
OF COUNSEL

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida

Re: Forest Hills Utilities, Inc.; Docket No. 961475-SU
Audit of Customer Deposits
Our File No. 29062.02

Dear Ms. Bayo:

Forest Hills Utilities, Inc.'s consultants have had an opportunity to review the Audit Report with regard to allegations concerning improper treatment of certain customer deposits. There are a number of errors in the Customer Deposit Audit as well as other factors that were not taken into consideration by the auditor. Enclosed is a summary schedule of the analysis showing that there was a legitimate basis for not refunding customer deposits in approximately one half of those instances referred to in the Audit. The following summarizes the attached analysis:

ACK _____
AFA 1
APP _____
CAF _____
CMU _____
CTR _____
ENG _____
LEG 1
LIT 3
C _____
P _____
T _____
WAS 1
OTH _____

1. Rule 25-30.311(5), F.A.C. allows a Utility to hold non-residential deposits past the 23 month period in those instances where the Utility pays an interest rate of 7% in accordance with Rule 25-30.311(4) (a), F.A.C. As you know, Forest Hills Utilities pays an interest rate of 8% on its customer deposits. Therefore, Forest Hills is not required to refund any of its commercial deposits which account for 10% of the deposits noted in Audit Exception No. 1.
2. Pursuant to Rule 25-30.311(5), F.A.C. a Utility is not required to refund a customer deposit after 23 months of continuous service when a customer has made more than one late payment within the preceding 12 months. 47 of the

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customers identified in the Audit were late on making payments between October 31, 1996 and October 31, 1997. This accounts for 18% of those deposits noted in Audit Exception No. 1.

3. Seven deposits identified in Audit Exception No. 1 were made between October 31, 1995 and October 31, 1997 which would put them not within 23 months of continuous service to qualify for a refund
4. Ten of the customers had late payments between July 31, 1996 and October 31, 1997. This would cover late payments for the previous 12 months plus 90 days within which to make a timely deposit refund. Although Rule 25-30.311, F.A.C. has no specific time frame after the 23 months within which to make a refund, we believe that 90 days would be reasonable since that is typically the refund period in rate proceedings.
5. 29 deposits were received between July 31, 1995 and October 31, 1996, which if refunded by October 31, 1997 would be considered as timely made if 90 days is considered reasonable for making deposit refunds.

Should the staff have any questions regarding the substantiation for these matters, please do not hesitate to have them contact me.

In Audit Exception No. 2, the audit determined that 19 customers had been overcharged \$33.07 since they did not have garbage and street lights. This issue goes beyond the jurisdiction of the Public Service Commission in that if someone was charged for a non-jurisdictional deposit and did not receive those services, it is a civil matter between those customers and the garbage and street light companies.


It is my understanding that, as of this date, all refunds of customer deposits have been made in accordance with Audit Exception No. 1 and PSC rules.

Blanco S. Bayo, Director
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Should the staff require any additional information regarding this issue, please do not hesitate to have them contact me.

Very truly yours,

ROSE, SUNDSTROM & BENTLEY, LLP



Martin S. Friedman, P.A.
For the Firm

MSF:tms

Enclosure

cc: Mr. Robert L. Dreher
Ms. Kay Flynn
Ms. Lynn Davis
Ms. Denise Vandiver

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Forest Hills Utilities
 Analysis of Auditor's Findings
 Customer Deposit Audit
 Audit Exception No. 1

	PSC Auditor's Deposit Listing Page				Totals
	1	2	3	4	
Total listed	72	71	71	47	261
Eliminations:					
Commercial (1)			7	20	27
Late - 10/31/96 or later (Last 12 mos.) (2)	9	15	18	5	47
Deposit 10/31/95 or later (3)	1	1	5		7
Late - 07/31/96 - 10/31/96 (Last 12 mos. & 3 mos. for refund) (2)	3	2	5		10
Deposit 07/31/95 - 10/31/96 (3)	17	6	3	3	29
Totals	30	24	38	28	120
Net	42	47	33	19	141
Percent reduction	<u>41.67%</u>	<u>33.80%</u>	<u>53.52%</u>	<u>59.57%</u>	<u>45.98%</u>

Notes: (1) 25-30.311(5) FAC (in part) "... shall at [the Utility's] option, either refund or pay the higher rate of interest for non-residential deposits ..." therefore, commercial customers cannot have delinquent refunds of deposits (27 instances).

(2) 25-30.311(5)(a) FAC (in part) "... has not, in the preceding 12 months, made more than one late payment ..." 47 instances of late payments within the last 12 months and an additional 10 within the 90-day window for timeliness were included in the Auditor's analysis.

(3) Timeliness of refunds was not considered in the Auditor's analysis and deposits received 10/31/95 were classified as late if not refunded by 10/31/97 (7 instances). The PSC in its orders for refunds of gross-up collections and refunds of interim and final rates has allowed 90 days for such refunds. The Utility considers this to be a reasonable period and deposit refunds within this window to be timely made (29 instances).