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March 1, 2000  
VIA HAND DELIVERY

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Mr. Bart Fletcher  
Division of Water and Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0873

Re: D.R. Horton Custom Homes, Inc.; PSC Docket No. 981609-WS  
Emergency Petition to Eliminate Service Availability and AFPI Charges of Southlake  
Utilities, Inc.  
Our File No. 33083.01

Dear Bart:

After review of Mr. Chapman's letter dated February 24, 2000, it was interesting to note that despite the fact that actual growth in the Utility's system has been less than each annual prediction by Southlake Utilities, Inc., they continue to allege that they are anticipating growth in the neighborhood of several hundred percent of this actual experience. This appears to us to be nothing more than a position calculated for the purpose of vastly overestimating the needed facilities to provide service in the foreseeable future, in order to retain their current Service Availability Charges and to continue to over collect CIAC and AFPI charges. As a result, we believe that their position will continue to move the Utility further and further into a negative rate base situation, directly contrary to Commission rules and established policies.

I have attached hereto a couple of charts prepared by Jim Boyd, our engineer, to compare the estimates that Southlake has provided to the Commission of increases in ERCs to the actual ERC increases that have occurred within the system. We are giving the Utility the benefit of the doubt in these calculations, because they relate to ERCs based upon flows, rather than on actual meter equivalents. If meter equivalents were utilized, the discrepancy between their predicted and actual ERC increases each year, would be vastly different and show an even worse record of estimating growth within the system.

- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG \_\_\_\_\_
- MAS \_\_\_\_\_
- OPC \_\_\_\_\_
- RRR \_\_\_\_\_
- SEC \_\_\_\_\_
- WAW \_\_\_\_\_
- OTH \_\_\_\_\_

Even based upon gallons of Utility service sold, the Utility's experience over the last three years has been to average only approximately 25% of the growth that the Utility alleged that it would be experiencing and for the sewer system, that growth is only approximately 11% of the estimate offered by the Utility. In other words, they are overestimating by several hundred percentage points.

DOCUMENT NUMBER - DATE

02700 MAR-18

FPSC-RECORDS/REPORTING

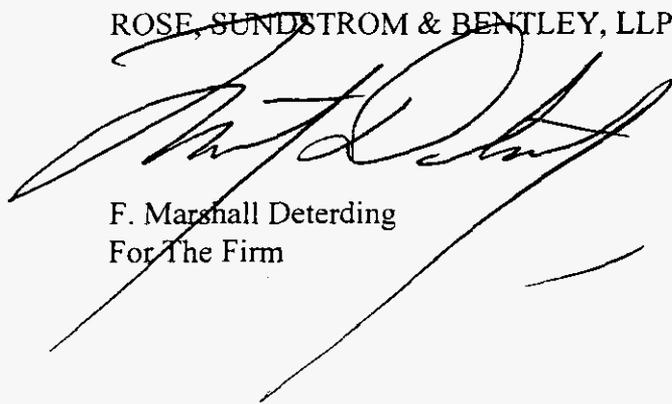
Mr. Bart Fletcher  
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This discrepancy clearly demonstrates that the Utility's estimated need for plant improvements is vastly overstated and offered for no purpose other than to justify continuation of their existing Service Availability Charges, despite the evidence that they should be discontinued altogether based upon the information provided by my client in previous correspondence and upon the actual historical growth trends for this Utility Company.

If you need any further information, please do not hesitate to contact me.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY, LLP



F. Marshall Deterding  
For The Firm

FMD/tmg

cc: Samantha Cibula, Esquire  
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Table 1

## Southlake Utilities, Inc.

Comparison of Actual Versus Predicted ERC Growth  
(1994 - 1999)Southlake Utilities Water System

<u>Year</u>	<u>Total Annual Gallons Sold</u>	<u>Days in Operation</u>	<u>Calculated ERCs</u>	<u>Actual ERC Increase</u>	<u>Predicted ERC Increase</u>	<u>Percent Actual to Predicted</u>
1994	10,565,000	275	109.8			
1995	24,040,000	365	188.2	78.4	NR	
1996	52,480,000	366	409.7	221.5	NR	
1997	67,263,000	365	526.5	116.8	1,000	11.7
1998	120,984,000	365	947.0	420.5	1,000	42.1
1999	NA	NA	NA	<u>212.6</u>	1,000	<u>21.3</u>
			Average	210.0		25.0

NR - not reported in Annual Report.

NA - 1999 Annual Report not available.

Notes:

- Total annual gallons sold obtained from Schedule W-4 of the Southlake Utilities Annual Reports.
- Calculated ERCs in accordance with the formula contained in Schedule W-6 of the Annual Report Form:  
ERC = (Total Gallons Sold / Days in Operation) / 350 Gallons Per Day
- Actual ERC increase for 1999 obtained from memorandum from Southlake Utilities to Mr. Ted Davis of the FPSC dated 2/24/00.
- Predicted annual ERC increase for the years 1997 - 1999 obtained from Schedule W-6 of the Southlake Utilities Annual Reports. (Example: the 1996 Annual Report predicted an annual increase of 1,000 ERCs for 1997.)  
The Annual Reports for 1994 and 1995 did not include an estimate of annual ERC increase.

Table 1

## Southlake Utilities, Inc.

Comparison of Actual Versus Predicted ERC Growth  
(1994 - 1999)Southlake Utilities Wastewater System

<u>Year</u>	<u>Total Wastewater Treated (Gallons)</u>	<u>Days In Operation</u>	<u>Calculated ERCs</u>	<u>Actual ERC Increase</u>	<u>Predicted ERC Increase</u>	<u>Percent Actual to Predicted</u>
1994	4,772,300	214	81.1			
1995	13,450,000	365	134.0	52.9	NR	
1996	57,535,000	366	561.4	427.4	NR	
1997	30,815,000	365	301.5	-259.9	1,000	NC
1998	32,447,000	365	317.5	16.0	1,000	1.6
1999	NA	NA	NA	<u>214.1</u>	1,000	<u>21.4</u>
			Average	90.1		11.5

NR - not reported in Annual Report.

NA - 1999 Annual Report not available.

NC - not calculated due to an actual decrease in ERCs.

Notes:

1. Total annual gallons wastewater treated obtained from Schedule S-5 of the Southlake Utilities Annual Reports.
2. The 1998 annual report contained the same number for total wastewater treated (30,815,000 gallons) as the 1997 annual report. Therefore, the FDEP Monthly Operating Reports for 1998 were referenced in order to calculate actual total annual gallons (32,447,000 as shown in the above table).
3. Calculated ERCs for years 1994 - 1995 in accordance with the formula contained in Schedule S-5 of the Annual Report Form:  $ERC = (Total\ Gallons\ Treated / Days\ in\ Operation) / 275\ Gallons\ Per\ Day$
4. Calculated ERCs for years 1996 - 1998 in accordance with the formula contained in Schedule S-6 of the Annual Report Form:  $ERC = (Total\ Gallons\ Treated / Days\ in\ Operation) / 280\ Gallons\ Per\ Day$
5. Actual ERC increase for 1999 obtained from memorandum from Southlake Utilities to Mr. Ted Davis of the FPSC dated 2/24/00.
6. Predicted annual ERC increase for the years 1997 - 1999 obtained from Schedule S-6 of the Southlake Utilities Annual Reports. (Example: the 1996 Annual Report predicted an annual increase of 1,000 ERCs for 1997.) The Annual Reports for 1994 and 1995 did not include an estimate of annual ERC increase.