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DIVISION OF WATER & WASTEWATER
DANIEL M. HOPPE, DIRECTOR
(850) 413-6900

Public Service Commission

April 13, 2000

Gretchen and John Coyle
534 Leeward Avenue
Beach Haven, New Jersey 08008

Re: Application of Useppa Island Utility, Inc. For a Limited Proceeding to Increase Wastewater Rates in Lee County

Dear Gretchen and John:

Thank you for your comments regarding the limited proceeding for Useppa Island Utility, Inc. (Useppa or utility). We are aware of the additional lots on the old airstrip. If those new lots were not paying a monthly base facility charge, we would recommend service availability charges (or impact fees) which future residents would have to pay. In this rate case, it was determined that there is a water meter at each of the new lots, and each of the owners is paying the monthly base facility charge. No new service availability charges will be calculated for the new wastewater plant since the future customers are paying for their portion of the new plant by paying the monthly base facility charge.

The Department of Environmental Protection mandated that the existing wastewater plant be upgraded to handle current as well as future demand. Even if there were no additional new lots on Useppa Island, the wastewater plant would still have had to be upgraded.

As you know, the utility's rate structure is made up of a base facility charge and a gallonage charge. The purpose of this structure is for each customer to pay for his pro rata share of the cost of providing service. This design concept provides for a fixed charge based on associated costs of the facility to provide service, such as depreciation, property taxes, property insurance, maintenance of the system, and other related expenses. A gallonage charge based on the customer's water consumption is then added. This gallonage charge covers costs such as electric power, chemicals, and other related expenses which vary with the amount of water and wastewater treated. The gallonage charge recognizes that not all water consumed by residential customers is returned to the wastewater system. The residential rates for wastewater service provide for a maximum charge of 6,000 gallons per monthly billing period. Any water used over this amount is generally used for irrigation, boat washing, or watering. The wastewater gallonage cap does not apply to commercial

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Carol and Jim Doherty

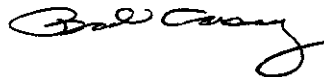
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or general service customers who normally return about 97% of their water to the utility's wastewater plant.

I hope this addresses the concerns you had in your letter. As an update, after reviewing the utility's 1999 annual report, we have decided to audit the utility's books using a calendar test year ending December 31, 1999. We are doing this to insure that the utility will not overearn on an overall basis should staff recommend approval of the requested wastewater revenue increase. Although the utility's 1999 annual report showed a wastewater net operating loss of \$27,128, it also showed a net operating income of \$49,247 for the water system. We anticipate a 60-90 day audit timeframe. The original recommendation filing date and Commission agenda date will have to be postponed pending the audit. A copy of your letter will also be placed in the official docket file for review of any interested parties. If you have any questions, please don't hesitate to contact me at (850) 413-6974.

Sincerely,



Robert J. Casey
Professional Accountant Specialist

RJC

cc: Division of Water and Wastewater (Willis, Rendell, Crouch, Ted Davis, Wetherington)
Division of Legal Services (Brubaker)
Division of Records and Reporting (000090-WS)
Useppa Island Utility, Inc.

FAXED 3.3.00

Legal

FAX 850-413-6229
ATT: JAWMFFL BRWBKRFZ

Director Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket #: 000090-SU, Useppa Island Utility, Inc.

Dear Sir:

As winter residents of Useppa Island for over twenty-two years we are writing to strongly object to the latest increase in wastewater rates. We are putting out objections in the form of a letter now, as we will be back in New Jersey at the time of the hearing on Thursday, April 6th, 2000 on Useppa and not able to attend the hearing.

The developer - Useppa Inn and Dock Company - has recently sold lots on the old airstrip. These were sold as improved lots with water and sewage lines already in place. Consequently, they commanded higher prices. And the higher prices secured went directly into the pocket of the developer Mr. Garfield Beckstead of the Useppa Inn and Dock Company.

Why are the existing Useppa homeowners going to be charged for this new treatment plant? This is the developer's responsibility, not the homeowners. Mr. Garfield Beckstead of the Useppa Inn and Dock Company should be collecting impact fees from the owners of these new and improved lots (that were not ever/even part of the original plan for developing Useppa). Unfortunately, the theory behind the proposed rate hike seems to be to get the existing homeowners to pay for something that should be taken care of by the developer.

The proposed rate increase will not help the service of existing homeowners, most of who just use their homes for a few weeks of the year. In fact, it will hinder us in that we will soon have greater density and pay higher prices. The developer has paid for the cap improvement, but should continue to pay for some part of the increased usage in the form of lower utility profits. It is obvious that Gar Beckstead, as developer, has been the biggest beneficiary through the higher prices for the lots and additional dues paying resident members.

In addition, Useppa homeowners are not clear on exactly how the gallonage is calculated and we all know there have been problems with water usage well above what should be expected. As it is our water bills are much too high. Worst of all is receiving high sewerage and water bills when our water is turned off and we are living thirteen hundred miles away! The management's pat answer is "That's just the way it is ..."

Sincerely,


Gretchen and John Coyle

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- April 2, 2000
Gretchen and John Coyle
"Cayo Costa", #9
Useppa Island
P.O. Box 640
Bokeelia, FL 33922
941-283-5008
534 Leeward Ave.
Beach Haven, NJ 08008
609-492-2201, 609-492-4554
609-492-4281 (fax)

E-mail:
gfcoble@msn.com

SINK ' R SWIM SHOP INC.
boulevard at so. carolina ave.
haven beach (beach haven) n. j. 08008