

State of Florida



ORIGINAL

Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: November 5, 2002
TO: Division of Commission Clerk and Administrative Services
FROM: Division of Economic Regulation (Fitch) *RF*
RE: Docket No. 010087-WS, Application for a Reuse Plan by Sun Communities Finance LLC
d/b/a Water Oak Utility

Please include the attached letter dated November 4, 2002, in the above referenced docket file.

AUS _____
CAF _____
CMP _____
COM _____
CTR _____
EGR _____
GCL _____
OPC _____
MMS _____
SEC _____
OTH _____

DOCUMENT NUMBER-DATE
12120 NOV-5 02
FPSC-COMMISSION CLERK

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

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JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
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WILLIAM E. SUNDSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

ROBERT M. C. ROSE, OF COUNSEL
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CENTRAL FLORIDA OFFICE
650 S. NORTH LAKE BLVD., SUITE 420
ALTAMONTE SPRINGS, FLORIDA 32701
(407) 830-6331
FAX (407) 830-8522

November 4, 2002

VIA HAND DELIVERY

Gerald Edwards
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Re: Sun Communities Finance LLC d/b/a Water Oak Utility
PSC Docket No. 010087-WS; Application for Approval of Reuse Plan
Our File No. 33013.01

Dear Gerald:

As a follow up to my letter of October 23, 2002, I am writing to provide additional comments on Audit Exception Nos. 5 and 6, based upon the additional information provided by the staff. Attached hereto is a copy of a letter from Bob Nixon of Cronin, Jackson, Nixon & Wilson, the Utility's outside accountant, speaking to each of these issues.

As you can see from Mr. Nixon's letter and the attachments thereto, we believe that additional adjustments and modifications to Audit Exception Nos. 5 and 6 are required.

If you or any members of the Commission staff disagree with our proposals for modification of the audit either in this, Mr. Nixon's attached letter, or in my original audit response dated October 23, 2002, please let us know as soon as possible, as we would like to work with the staff to try and resolve any outstanding issues before this matter goes before the Commission for Proposed Agency Action.

ECONOMIC REGULATION
02 NOV -5 AM 11:18
RECEIVED

Gerald Edwards
November 4, 2002
Page 2

I look forward to hearing from you. If you have any need for further information or if you have any further concerns with the exceptions we have filed, please let me know.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD/tms

cc: Ralph Jaeger, Esquire
Ms. Denise Vandiver
Mr. Ryan Fitch
Mr. Troy Rendell
Marshall Willis, CPA
Julian Coto, P.E.
Gabriele Umbel
Mary Petrella
Gary Morse, P.E.
Brian Fannon
Robert C. Nixon, CPA

wateroak\2edwards.ltr

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
CHRISTINE R. CHRISTIAN, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
JEANETTE SUNG, C.P.A.
HOLLY M. TOWNER, C.P.A.
REBECCA G. VOITLEIN, C.P.A.
JAMES L. WILSON, C.P.A.

November 1, 2002

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 33765-4419
(727) 791-4020
FACSIMILE
(727) 797-3602
e-Mail
cpas@cjnw.net

F. Marshall Deterding, Esq.
Rose, Sundstrom & Bentley
2548 Blairstone Pines Drive
Tallahassee, Florida 32301

BY Fax (850) 656-4029 and Regular Mail

Re: Sun Communities Finance, LLC
d/b/a Water Oak Utility

Dear Marty:

This letter is a response to the documentation we received from the Commission Staff related to our request for documents for Audit Exceptions No. 5 and No. 6.

Audit Exception No. 5

Staff provided two invoices from Russell Aerial Photography, Inc. totaling \$930. The auditors recommend removal of these amounts as below the line expenses related to the sale of the Utility. After review of these invoices and discussions with company personnel, we agree that the \$650 invoice should be removed. This is allocated - \$342 to water and \$308 to sewer. The second invoice totaling \$280 should not be removed from above the line operation and maintenance expenses. This invoice was for a second set of color prints to be used by management in the overall operation and maintenance of the system. This invoice is allocated - \$147 to water and \$133 to sewer.

The auditors also recommended removal of an expense from Roznowski Construction totaling \$1,000 for removal of trash and concrete from the spray field. The auditors believed this invoice also related to the potential sale of Utility assets. After review of the invoice and contact with company personnel, this amount should not be removed from normal operation and maintenance expenses. The removal of trash and debris from the spray field is a normal and recurring maintenance expense. Apparently, the bookkeeper at the time made a notation on the invoice that this invoice was related to the sale. This was an error since this expense was prudent, recurring, and needed to maintain the operational integrity of the disposal system.

Audit Exception No. 6

In the Utility's response to Audit Exception No. 6, Staff was requested to provide copies of those invoices which, in the opinion of the auditor, did not qualify as conservation expenditures. In response, Staff provided four schedules, but no invoices. Three of the schedules were prepared by the Utility and previously filed with the Commission. The fourth schedule (Audit Workpaper 44) is a summary schedule comparing the original estimated costs of the conservation program with the expenditures reported by the company for 2001, and an audit adjustment to meters. Thus, none of the information furnished to the company was of any help in understanding the basis of the audited amount.

F. Marshall Deterding, Esq.
Rose, Sundstrom & Bentley
November 1, 2002
Page Two

In an effort to finalize the company's response to this exception, we reviewed the audited conservation amounts shown on Audit Workpaper 44, as described above. The company agrees with each of the audited balances except for the audited balance of \$4,226 for "irrigation audits" and the zero balance for "additional expenditures per Order". Attached to this letter is Schedule A, which shows total expenditures for irrigation audits of \$4,390 and \$4,756 of additional conservation related expenditures. Invoices supporting these amounts are attached to Schedule A. As a result, the company believes that the audited balance of \$26,208 should be increased by \$4,920 to result in total test year conservation expenditures of \$31,128 as follows:

Total irrigation audit and other conservation expenses per Schedule A	\$ 9,146
Total per Staff Audit Workpaper 44	<u>4,226</u>
Increase required	4,920
Total expenses per audit	<u>26,208</u>
Total conservation expenses per utility	<u>\$ 31,128</u>

Please contact me if you have any questions regarding this additional response to the Commission audit.

Very truly yours,

CRONIN, JACKSON, NIXON & WILSON



Robert C. Nixon

cc: Julian Coto, P.E.
Gabriele Umbel
Mary Petrella
Gary Morse, P.E.
Brian Fannon

RCN/dij

Enclosures

SUN COMMUNITIES FINANCE d/b/a WATER OAK UTILITY
DOCKET NO. 010087 - WS
RESPONSE TO PSC AUDIT
ADDITIONAL EXPENDITURES FOR IRRIGATION AUDITS AND OTHER
QUALIFIED CONSERVATION ACTIVITIES
YEAR ENDED DECEMBER 31, 2001

LINE NO.		
1	(A) <u>IRRIGATION AUDITS</u>	
2	ENVIRONMENTAL CARE, INC. (INVOICE 1 OF 6)	\$ 955
3	ENVIRONMENTAL CARE, INC. (INVOICE 2 OF 6)	1,835
4	ENVIRONMENTAL CARE, INC. (INVOICE 3 OF 6)	<u>1,600</u>
5	TOTAL IRRIGATION AUDITS	<u>4,390</u>
6	(B) <u>OTHER CONSERVATION EXPENSES</u>	
7	WATER DISTRIBUTION SYSTEM ANALYSIS - EXCEL ENGINEERING (INVOICE 4 OF 6)	2,574
8	WATER LEAK REPAIRS - KILEY AND SONS, INC. (INVOICE 5 OF 6)	986
9	LEGAL EXPENSE - REVIEW CONSERVATION REPORT & ORDER & TRANSMIT WITH	
10	COVER LETTER TO PSC (INVOICE 6 OF 6)	260
11	COMMON AREA LEAK CHECKS (ATTACHED DOCUMENT/RECORD REQUEST NO.19)	<u>936</u>
12	TOTAL OTHER CONSERVATION EXPENSES	<u>4,756</u>
13	TOTAL IRRIGATION AND OTHER CONSERVATION EXPENSES	9,146
14	TOTAL PER PSC AUDIT WORKPAPER 44	<u>(4,226)</u>
15	INCREASE IN CONSERVATION EXPENSES	<u>\$ 4,920</u>



INVOICE

ENVIRONMENTAL CARE, INC.

Landscape Management • Water Management • Interiorscape • Arborist Services • Golf Course Maintenance
4777 Old Winter Garden Road, Orlando, Florida 32811 / (407)292-9600
a subsidiary of ENVIRONMENTAL INDUSTRIES, INC., an equal opportunity employer by choice

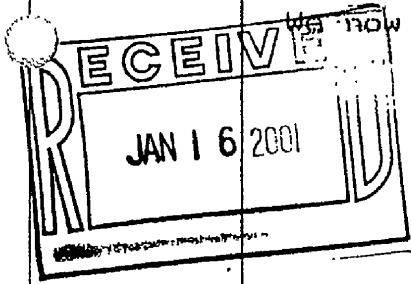
2656177
Water Oak Utility
106 Evergreen Lane
Lady Lake FL 32159

Invoice No. 720920

Invoice Date 01/11/01	Client Purchase Order Number	Payment Terms: Payment due 15 days following the date of this invoice.
--------------------------	------------------------------	--

Job No.	Description	Amount
R830546	Water Oak Utility AEW 26104	955.00
Total Invoice Amount		955.00
Tax Amount		
Balance Due		955.00

We now accept Mastercard, Visa, Discover and American Express!



Exp to 675

Water Oak Utility	Comm Code: WAU
Account #: 1620	Amount: \$\$
TOTAL 955.00	
Description: Water Audits	
Community Manager: [Signature]	Regional Manager:
Initials: [Signature]	Initials:
Date: 1/13	Date:
A/P Use Only	G/L Month:

NO
PSC 334
ITER Audits
x 8
per PSC order

PLEASE RETURN PINK COPY WITH YOUR REMITTANCE

invoice 1 of 6



INVOICE

ENVIRONMENTAL CARE, INC.

Landscape Management • Water Management • Interiorscape • Arborist Services • Golf Course Maintenance
4777 Old Winter Garden Road, Orlando, Florida 32811 / (407)292-9600
a subsidiary of ENVIRONMENTAL INDUSTRIES, INC., an equal opportunity employer by choice

2656177
Water Oak Utility
106 Evergreen Lane
Lady Lake FL 32159

Invoice No. 778168

Table with columns: Invoice Date (06/12/01), Client Purchase Order Number, Payment Terms (Payment due 15 days following the date of this invoice), Job No. (340205054), Description (Jim Mathews Authorization for Extra Work # 30305 Water Oaks), Amount (1,835.00). Includes summary rows for Total Invoice Amount, Tax Amount, and Balance Due. Includes a note: 'For questions please call Jainie at (407)292-9600.'

Water Oak Utility Comm Code: WAT
Account #: 1620 Amount: \$\$
TOTAL 1835.00
Description: water audits
Community Manager: Regional Manager
Initials: [Signature] Initials: [Signature]
Date: 6/16 Date: [Signature]
AP Use Only G/L Month:

RECEIVED
JUN 14 2001

PSC 334
IRR audits
x 15
per PSC order

PLEASE RETURN PINK COPY WITH YOUR REMITTANCE

INVOICE 2016



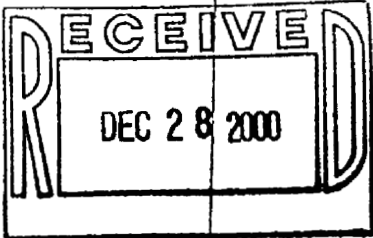
INVOICE

ENVIRONMENTAL CARE, INC.

Landscape Management • Water Management • Interiorscape • Arborist Services • Golf Course Maintenance
4777 Old Winter Garden Road, Orlando, Florida 32811 / (407)292-9600
a subsidiary of ENVIRONMENTAL INDUSTRIES, INC., an equal opportunity employer by choice

2656177
Water Oak Utility
106 Evergreen Lane
Lady Lake FL 32159

Invoice No. 714712

Invoice Date 12/22/00	Client Purchase Order Number	Payment Terms: Payment due 15 days following the date of this invoice.																
Job No. R830546	Description Water Oak Utility AEW 26369	Amount 1,600.00																
	Total Invoice Amount	1,600.00																
	Tax Amount																	
	Balance Due	1,600.00																
We now accept Mastercard, Visa, Discover and American Express!																		
<table border="1"> <tr> <td>Water Oak Utility</td> <td>Comm Code: WAU</td> </tr> <tr> <td>Account #: 1620</td> <td>Amount: \$\$</td> </tr> <tr> <td>TOTAL 1600</td> <td></td> </tr> <tr> <td>Description: Water Utility</td> <td></td> </tr> <tr> <td>Community Manager: [Signature]</td> <td>Regional Manager: [Signature]</td> </tr> <tr> <td>Initials: [Signature]</td> <td>Initials: [Signature]</td> </tr> <tr> <td>Date: 12/22/00</td> <td>Date: 1/3/01</td> </tr> <tr> <td>A/P Use Only /</td> <td>GL Month:</td> </tr> </table> <p style="text-align: right;"><i>1 ll. audits x15 PER PSC ORDER</i></p>			Water Oak Utility	Comm Code: WAU	Account #: 1620	Amount: \$\$	TOTAL 1600		Description: Water Utility		Community Manager: [Signature]	Regional Manager: [Signature]	Initials: [Signature]	Initials: [Signature]	Date: 12/22/00	Date: 1/3/01	A/P Use Only /	GL Month:
Water Oak Utility	Comm Code: WAU																	
Account #: 1620	Amount: \$\$																	
TOTAL 1600																		
Description: Water Utility																		
Community Manager: [Signature]	Regional Manager: [Signature]																	
Initials: [Signature]	Initials: [Signature]																	
Date: 12/22/00	Date: 1/3/01																	
A/P Use Only /	GL Month:																	
																		
PLEASE RETURN PINK COPY WITH YOUR REMITTANCE																		

EXCEL ENGINEERING CONSULTANTS, INC.

Invoice

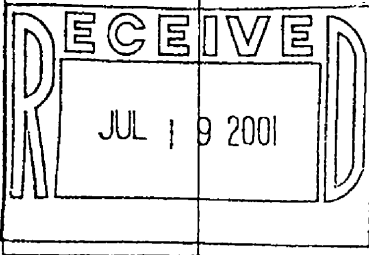
122 Wilshire Blvd.
Casselberry, FL 32707

DATE	INVOICE #
7/18/01	3058

BILL TO
Mrs. Gabrielle Umbel Water Oak Utility 106 Evergreen Lane Lady Lake, FL 32159

P.O. NO.	TERMS	PROJECT
WAT01011	15 DAYS	Water Oak Country Cl..

QUANTITY	DESCRIPTION	RATE	AMOUNT
	WATER OAK COUNTRY CLUB WATER DISTRIBUTION SYSTEM		
	Review Water Distribution Plans Site Visit	640.00	640.00
	Prepare Reproducible Velum of existing proposed valves Engineering Report	1,250.00	1,250.00
		650.00	650.00
	REIMBURSABLE EXPENSES:		
	Blueprints	4.00	4.00
	WAT01011-UPS: plans to K. Bennett, 6/29/01	15.00	15.00
	Wat01011/UPS, plans to G. Umbel, 6/27/01	15.00	15.00
	Total Reimbursable Expenses		34.00



Water Oak Utility	Comm Code: WAU
Account #: 1210	Amount: \$\$
	2574.00
Description: water distribution	Reports
Community Manager:	Regional Manager:
Initials: [Signature]	Initials: [Signature]
Date: 7/18/01	Date: 7/18/01
A/P Use Only	G/L Month:

Thank you and God Bless **Total** \$2,574.00

PSC 665 1287.00
765 1287.00 Invoice 4 of 6

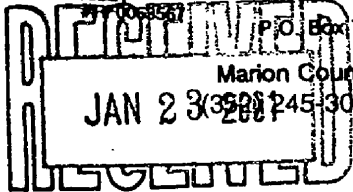


KILEY and SONS, INC. 1245

24 Hr. Plumbing Service
Repairs • Alterations • New Construction

KILEY
#1700-8587

P.O. Box 782 • Hwy. 27-441 • Lady Lake, FL 32158-0782



Marion County
352-245-3000

Lake County
(352) 753-5301

Sumter County
(352) 748-9500

Phone: 753-3000	Mechanic: Jim Frank	Helper: Scott Kistner	Date of Order: 1/17/01
Bill To: Water Oaks Estates	Address: 106 E. ...		Order Taken By:
City: Lady Lake, FL	Job Name and Location: Beeman Dr. near ball field		<input type="checkbox"/> Day Work
Work Ordered By:			<input type="checkbox"/> Contract
			<input type="checkbox"/> Extra
			Job Phone:

DESCRIPTION OF WORK

Customer reported leak in ground near ball field used backhoe to dig up. Found 2" galv valve w/cont. paper out. Cut out & replaced w/new valve. Used mechanical coupling to put back together. Turned water back on - Found no further leaks. Dug 5' wide ditch. Customer to clean up & make curbs.

Water Oak Utility	Comm Code: WAU
Account #:	Amount: \$\$
6200WAT	
TOTAL: 986.00	
Description: Repair to valve	
Community Manager:	Regional Manager:
Initials: [Signature]	Initials:
Date: 1/17	Date:
A/P Use Only	G/L Month:

PSC 630
3 1/2 hrs @ 3 hrs
1-Teach 2 hrs
backhoe operator 4 hrs +
emergency parts
off of Beeman Dr.

<input type="checkbox"/> No One Home	Date Completed: 1/17/01	TOTAL AMOUNT: 986.00
--------------------------------------	-------------------------	----------------------

Finance Charge of 1.5% per month will be added to all past due accounts.
Customer is also liable for all legal and/or collection fees.

INVOICE
5 of 6

LAW OFFICES
ROSE, SUNDBSTROM & BENTLEY, P.A.

P. O. BOX 1567
 TALLAHASSEE, FLORIDA 32302-1567

(850) 877-6555

PLEASE REFER TO INVOICE NUMBER
 WHEN REMITTING

F.E.I. # 59-2783536

WATER OAK UTILITIES CO., INC
 C/O JIM HOEKSTRA
 31700 MIDDLEBELT RD, SUITE 145
 FARMINGTON HILLS, MI 48334

INVOICE # 24006
 AUGUST 15, 2001
 FILE # 33013-0001

PAGE 1

MATTER	CUP RENEWAL/PSC RATE RESTRUCTURING		
07/09/01	REVIEW LETTER FROM PSC RE: SALE AND BEGIN DRAFT SYNOPSIS.	1.50	
07/10/01	FINISH FIRST DRAFT OF SYNOPSIS; LETTER TO JULIAN COTO RE: SAME.	2.20	
07/11/01	TELEPHONE CONFERENCE WITH UMBEL; REVIEW FAX AND MAKE CHANGES TO SYNOPSIS; REVIEW QUARTERLY REPORT; REVIEW ORDER; DRAFT COVER LETTER TO PSC RE: MONEY HELD SUBJECT TO REFUND.	1.60	
07/12/01	REVIEW CONSERVATION REPORT AND ORDER AND SEND CONSERVATION REPORT WITH COVER LETTER TO PSC.	1.30	\$260
07/16/01	REVIEW NOTES AND STATUTE AND FILING; TELEPHONE CONFERENCE WITH STAFF ATTORNEY AND ANALYST; DRAFT LETTER TO PSC RE: DELAY AND SEND.	1.80	
		8.40	
			1,680.00
TELECOPIER		60.00	
PHOTOCOPIES		35.50	
	TOTAL COSTS ADVANCED		95.50
	TOTAL STATEMENT		\$1,775.50

PLEASE REFER TO INVOICE # WHEN REMITTING

San Communities	Comm Code: <u>WAV</u>
Account #:	Amount \$
<u>1210</u>	<u>1775.50</u>
TOTAL <u>1775.50</u>	
Description: <u>Utility Sale MTRAFS</u>	
Community Manager:	Regional Manager:
Initials _____	Initials _____
Date _____	Date <u>8/27/01</u>
A/P Use Only	GA Month: _____

INVOICE
 6 of 6

Sun Communities Finance, LLC
d/b/a Water Oak Utility
Limited Proceeding Docket No. 010087-WS
Audit Document /Record Request Number Nineteen

Based on Document Request No. Nineteen, we have enclosed the following:

- A. The Utility's general ledger for the twelve-month period ended December 31, 2001. Cost transactions identified by vendor, invoice number, date, and general ledger account have been identified by an "*" symbol relating to the conservation cost expenditures.
- B. Replacement meter and associated costs capitalized have been submitted to the Commission in Document Request response Numbers Eleven and Twelve, Schedule No. 3. For your convenience, we have summarized the following related to Schedule No. 3.

Total costs capitalized - meters '01	\$13,723
Factor for replacement meters (225 replacements/248 total meters)	<u>90.73%</u>
Cost of replacement meters	<u>\$12,451</u>

- C. Employee costs not segregated as conservation cost in account 601 are as follows:

Common area irrigation leak checks
8 man hour/month @\$9.75
for 12 months (1)

\$ 936

Note (1): Labor costs do not include payroll taxes and employee benefits. No costs associated to transportation have been allocated to the conservation program.

Should you have any additional questions, please do not hesitate to contact us.

Very truly yours,

Thomas Farn
Senior V.P.
8/19/02
248-932-7416

*Audit/Document
Request 19*

LAW OFFICE
ROSE, SUNDSTROM & BENTLEY, LLP
2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

Mr. Gerald Edwards
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0873

VIA HAND DELIVERY - November 4, 2002