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REPLY TO ALTAMONTE SPRINGS

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(LICENSED IN TEXAS ONLY)

May 6, 2004

HAND DELIVERY

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Ms. Blanca Bayo  
Commission Clerk and Administrative Services Director  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

Re: Docket No. 030444-WS; Application by Bayside Utility Services, Inc., for Rate Increase in Bay County, Florida  
Our File No.: 30057.57

Dear Ms. Bayo:

Bayside Utility Services, Inc., provides the attached responses to the comments and issues presented by its customers at the customer service hearing held on April 15, 2004. As requested, the Utility has addressed the issues raised by each customer in the order that the customer appeared at the hearing. The names are spelled phonetically and the Utility apologizes if any customer's name is spelled incorrectly.

Customer Jeter: Organization of UI:

Bayside Utility Service, Inc., is a wholly owned subsidiary of Utilities, Inc., whose corporate offices are located in Northbrook, Illinois. Utilities, Inc., is a wholly owned subsidiary of Nuon, Inc., a corporation headquartered in Amsterdam, Netherlands. Nuon is not a governmental or municipal entity but an investor-owned utility company.

Customer Jeter: Allocation of Administrative Expenses:

The Utility agrees that the costs allocated to the Utility were high and should be adjusted the amounts to correctly reflect the Utility's share.

Customer Jeter: Determination of Rates:

The rates charged to customers are based on the actual cost to the Utility of providing service. The Utility purchases water and wastewater service in bulk from the City of Panama City Beach, and the rates reflect these costs, as well as its expenses of operations.

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**Customer Jeter: Staffing Levels:**

The Utility provides sufficient manpower to operate, maintain, and repair the water and sewer facilities located at Bayside Mobile Home Park. The water and sewer facilities are visited each business day by utility staff. The typical daily workload is insufficient to warrant the posting of a staff person on a continuous basis during the workday. On occasion, additionally manpower is mobilized at the Utility's facilities on an as-needed basis. Water meters are read each month by utility staff. Utility staff responds to emergencies as expeditiously as possible once staff is notified.

**Customer Jeter: Repairs and Maintenance:**

It has been the Utility's experience that the use of contractors to make repairs is the most cost-effective means of responding to emergencies in many cases. The Utility's preferred contractors are well equipped with tools, equipment, parts, and expertise to correct the typical problems that occur at Bayside. When the utility's staff encounters a situation where the depth of a trench is greater than three feet, OSHA regulations come into play. It is the Utility's policy to use proper equipment, procedures, and manpower sufficient to protect personnel in the workplace. Given the fact that the water table is quite high throughout most of the year, as Mr. Jeter described, it is easy to understand that often times what appears to be a simple and straightforward repair may require dewatering equipment and additional manpower in order to complete the repair in a safe manner.

One of the reasons for the heavy buildup of solids in the gravity sewer mains was due to the fact that the power company had installed some years ago a guy wire for a power pole on Big Daddy Drive by drilling straight through the nearby sewer pipe. The Utility located this problem and coordinated with Gulf Power to relocate the guy wire so that the sewer pipe could be permanently repaired. This improvement significantly reduced the amount of groundwater, sand, and mud that had otherwise been allowed to enter the collection system. This is only one example of the Utility's willingness to identify and fix problems that exist in the park.

Many customers' meters are located underneath their trailers. In bad weather, the meters can become obstructed by water, mud, sand and debris. These factors often make reading the meters a challenge, and may, at times, require estimating the bill. Although the Utility is not responsible for the original location of the meters, it is relocating the meters to make them more accessible on an "as needed" basis.

Historically, when a customer calls the Utility's office to report a backup, the customary response is for the customer to call a plumber of his choosing to respond and remedy the situation. If the location of the blockage is determined to be within the portion of the collection system owned and maintained by the Utility, the Utility will reimburse the homeowner for the plumbing bill, provided the customer or plumber has contacted our office to inform our office of the problem and provided the Utility with a copy of the invoice associated with the repair. Absent notification or

documentation, the Utility will not be responsible for paying a plumber's bill. The Utility is not responsible for making repairs underneath trailer units. That is solely the responsibility of the customer.

It is the Utility's position that the individual customer is responsible for maintenance and repair of the individual service line between the house and the property line. Where more than one unit is connected to a common service line, the Utility takes responsibility for maintenance of the service line between the sewer main and the point where service lines from multiple units connect together. The Utility understands that the existing collection system is a complex system of pipes that makes a uniform maintenance policy difficult. Further, there are many locations where small diameter pipe is used to convey wastewater from many units to the sewer main. However, it only seems fair and appropriate for the individual customer to bear responsibility for the sewer pipe on his or her property. The Utility is not aware of any PSC ruling, order, or directive that specifically requires the Utility to be responsible for the full length of the service line up to the point of connection under the unit.

**Customer Jeter: Lift Stations:**

With regard to preventative maintenance of the sewer system, the Utility has on at least two occasions commissioned a contractor to clean out the sewer mains that drain into the Tiki Lift Station and the Middle Lift Station in order to remove grit, grease, dirt, and solids that build up from time to time. The pumping equipment has been repaired or replaced from time to time as conditions warrant. In the case of the pumps at the Tiki Lift Station, the pumps installed by Mr. Jeter as the prior owner were found to be undersized and incapable of adequately pumping the flow during wet weather conditions.

The Utility understands that Mr. Jeter agreed to install a second pump at the Middle Lift Station at the time of the 1998 staff-assisted rate case. The pump was never installed. Subsequently, Mr. Jeter agreed to install the second pump and electrical controls in coordination with the development of 75 trailer sites in Bayside. The Florida Department of Environmental Protection specifically required that the second pump be installed as a condition to the wastewater construction permit issued by the Department for the 75-unit development. To date, Mr. Jeter has not initiated construction and FDEP has not required the Utility to modify the lift station ahead of the development activity.

**Customer Jeter: Removal of Equipment:**

At the time of the purchase of the Utility system, the Utility assets included a wooden storage shed, approximately 10 feet by 10 feet which contained a small amount of spare pipe fittings, meters, and repair parts. Initially, Mr. Jeter charged the Utility a monthly fee to store the shed on his property. Subsequently, the Utility chose to relocate the shed and its contents to its facilities at Sandy Creek on the east side of Panama City where it is situated on Utility property. At the time of the move, the Utility canceled the rental agreement with Mr. Jeter for the storage of

the shed and reduced the Utility's operating expense accordingly. The Utility is not aware of any sewer snake or sewer rodding equipment included in the purchase of the Utility. No such equipment was identified as being included in the Utility's asset listing. The Utility does not now nor has it ever owned or possessed any such equipment at either Bayside or Sandy Creek.

**Customer Jeter: Sale of the System to the City of Panama City Beach:**

The Utility is not interested in selling its facilities to the City of Panama City Beach, or any other entity, at this time.

**Customer Jeter: Miscellaneous:**

Without more specific information, the Utility is unable to address Mr. Jeter's concerns regarding incidents of raw sewage on the ground, the Utility's alleged failures to make necessary repairs or its parent company's failure to report accurate figures.

**Customer Jeter: Health Citations:**

The Utility is not aware of any county health citations.

**Customer Kitehar: Water Leaks and Fireplugs Not in Service:**

Please refer to the Utility's responses to Mr. Jeter under the heading, Repairs and Maintenance.

**Customer Ennis: Improvements; Staffing Levels:**

Please refer to the Utility's responses to Mr. Jeter under the headings, Determination of Rates, Staffing Levels and Repairs and Maintenance.

**Mr. Frost: Unaccounted For Water; Staffing Levels:**

Please refer to the Utility's responses to Mr. Jeter under the headings, Staffing Levels and Repairs and Maintenance. The Utility is unaware of any unaccounted for water.

**Customer Hard: Response to Service Calls; Estimated Bills; Charges:**

Please refer to the Utility's responses to Mr. Jeter under the headings, Determination of Rates and Repairs and Maintenance. The Utility is not responsible for connecting Customer Hard's residence to the mains, and is unaware of any problem with such connection.

**Customer Summerbill: Level of Service; Low Water Pressure; Obstructed Meter Screens:**

Please refer to the Utility's response to Mr. Jeter under the heading, Repairs and Maintenance. The Utility is unable to respond to this customer's allegations of "terrible service" without more specific information.

Bayside is a customer of City of Panama City Beach, which in turn obtains its water from Bay County Utilities. Bayside is impacted by the ongoing Utility and highway construction activity on U.S. 98 near the new bridge. Water outages have occurred as a result of that activity, which is beyond the ability of the Utility to control. To the extent that the Utility is apprised of planned outages, the Utility notifies the park residents through signs at the park entrances.

Variations in water pressure are directly related to the pressure of water received at the Panama City Beach mains and cannot be controlled by the Utility in most cases. The Utility notifies its customers of any planned outages and other deviations from standard service when it is practicable for it to do so.

With regard to water outages that occur from time to time, the Utility coordinates the delivery of boil water notices through the Bay County Health Department. At the request of the Bay County Health Department, any time an outage occurs, the Utility notifies the Department, who in turn notify the customers through public service announcements. In addition, the Utility has posted boil water advisories at the entrance to the park prior to planned outages so that customers would be apprised of the outage ahead of time.

Unplanned outages that require repair or replacement of pipe or valves may occur from time to time. When they occur, the Utility's staff and contractors try to minimize the duration and extent of the outage by utilizing valves to isolate portions of the park. However, there are very few functional valves in the park except the one that the Utility has replaced since acquiring the system. Most of the older valves were found not to be usable. There is an insufficient number of valves at the present time so the Utility is evaluating the installation of additional valves in suitable locations.

**Customer LePoent: Repairs and Maintenance:**

Please refer to the Utility's response to Mr. Jeter under the heading, Repairs and Maintenance.

**Customer Marten: Repairs and Maintenance:**

Please refer to the Utility's response to Mr. Jeter under the heading, Repairs and Maintenance. The Utility is unable to respond to this customer's complaints that his ability to enjoy his properties has been ruined. The water provided to the customers of the Utility meets all regulatory standards. The Utility is not required to provide further treatment to the water.

Ms. Blanca Bayo  
May 6, 2004  
Page 6

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**Customer Parker: Repairs and Maintenance; Determination of Rates:**

Please refer to the Utility's responses to Mr. Jeter under the headings, Determination of Rates and Repairs and Maintenance.

**Customer Gaines: Courtesy of Staff:**

The Utility is unable to respond to this customer's allegations that its staff were discourteous without more specific information.

**Customer Lofton: Determination of Rates:**

Please refer to the Utility's response to Mr. Jeter under the heading, Determination of Rates.

**Customer Carrier: Determination of Rates:**

Please refer to the Utility's response to Mr. Jeter under the heading, Determination of Rates.

**Customer Jackson: Service Interruptions; Determination of Rates:**

Please refer to the Utility's responses to Customer Summerbill under the heading, Level of Service; Low Water Pressure; Obstructed Meter Screens, and to Customer Jeter under the heading, Determination of Rates.

**Customer Edge: Meter Accuracy; Determination of Rates:**

The Utility is not aware of any complaints of meter inaccuracy. The Utility will check the meter at the customer's request as specified in its Commission-approved Rules and Regulations. Please refer to the Utility's responses to Customer Jeter under the heading, Determination of Rates.

**Customer Peeples: Impact on Property Values:**

The Utility is unable to respond to this customer's allegations that property values will be adversely affected by an increase in rates.

**Customer Olsen: Quality of Service:**

Please refer to the Utility's responses to Customer Summerbill under the heading, Level of Service; Low Water Pressure; Obstructed Meter Screens, and to Customer Jeter under the heading, Determination of Rates.

Ms. Blanca Bayo  
May 6, 2004  
Page 7

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**Customer Murphy: Health Hazards; Quality of Service; Determination of Rates:**

Please refer to the Utility's responses to Customer Summerbill under the heading, Level of Service; Low Water Pressure; Obstructed Meter Screens, and to Customer Jeter under the headings, Miscellaneous, Health Citations and Determination of Rates.

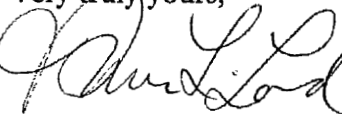
**Customer Curve: Repairs and Maintenance; Determination of Rates:**

Please refer to the Utility's responses to Customer Jeter under the headings, Determination of Rates and Repairs and Maintenance and to Customer Summerbill under the heading, Level of Service; Low Water Pressure; Obstructed Meter Screens.

**Customer Bromnitz: Origination of Parent Company:**

Please refer to the Utility's response to Customer Jeter under the heading, Organization of UI.

Should you have any questions regarding these responses, please do not hesitate to give me a call.

Very truly yours,  
  
VALERIE L. LORD  
For the Firm

VLL/mp

cc: Ms. Tricia Merchant (via facsimile)  
Mr. Bart Fletcher (via facsimile)  
Mr. Steven M. Lubertozi  
Mr. Patrick C. Flynn

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