268 Match Point Dr.
Davenport, FL 33837
January 21, 2020

Florida Public Service Commission
Office of Commission Clerk
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20190071-WS

I am writing to provide comments regarding the proposed rate increase in the water rates charged by Deer Creek RV Golf & Country Club, Inc.

First, I would like to thank the PSC staff for the information provided on December 17, 2019. But I would also like to note that because the Deer Creek community is made up of a majority of "snowbirds", many residents had either not arrived for the "season" or had left to spend the holidays with their families. Many people who would otherwise have attended and/or provided comments were not able to be there on that date.

As was indicated by the comments that were made at the meeting, there are several concerns regarding this rate increase. I would also like to offer the following:

1) Deer Creek was approved in 2017 to be the utility company for water and waste water services. At the time they were approved, they were given billing rates for each of these services. What was the basis for these rates? And as with any new company, it is not unusual to incur losses during start up periods.
2) Deer Creek is claiming the rate increase is necessary in order to recoup losses and "make a profit". Why are the rates established at inception, plus the pass thru increase, not sufficient? Are the claimed "losses" due to start-up costs and/or any one-time equipment costs/repairs that typically would be recouped over time and not as incurred? Also, why would they be allowed to make a profit when Deer Creek RV and Country Club, Inc. is incorporated as a Not-For-Profit Entity?
3) As several people commented, the properties located at the front of Deer Creek RV & Country Club, including the Polk County Tax Collector's offices are potentially receiving water and/or waste water services via Deer Creek but do not pay for any services. This should be looked into immediately, and if correct, needs to be rectified immediately and Deer Creek should be reimbursed for any past services provided. Additionally, no rate increase should be allowed until after such reimbursement is made, a payment system for subsequent usage is established, and a new accounting of expenses and revenues taking into account this reimbursement is provided. It should be noted that over the last five years, several new establishments have been built on the property in front of Deer Creek.
4) This is a 55+ community and many residents are on fixed incomes. Any significant increases, as would occur if the "staff recommended rates" contained in the Rate Case Overview were implemented, could provide a hardship for many residents. Additionally, such increases would neither be prudent nor reasonable.

5) Are any losses being incurred as a result of leaks within the infrastructure? (Also see comment 9-f below.)
6) Any increases will not only affect homeowners, but also those who rent. Currently many rents include utilities, so if an owner's costs increase, those costs most likely will be passed along as increased rents. This could affect decisions on whether to return to Deer Creek in future years, especially for our Canadian residents, who already have the added expense due to the current exchange rate.
7) Any increase will also impact community expenses for amenities such as laundry rooms, pools, bathroom/shower facilities. Expense increases would need to be recouped through increased monthly assessment fees, resulting in owner's receiving an additional increase.
8) Prior to Deer Creek becoming the Water Utility, water services were provided by National Exemption Services (NES), with payments submitted to White's Accounting. The rates used by NES and those being used by Deer Creek appear to be very similar, with NES being slightly lower. Did NES incur losses from Deer Creek customers with those rates? Did the businesses located in the front of Deer Creek make appropriate payments for their water/wastewater?
9) A review of the Annual Reports for 2017 and 2018 raises many questions that should also be addressed prior to any increase:
    a. Deer Creek was approved as the Water Utility for Deer Creek RV Resort in November of 2017, a period of one and a half months of the year. Yet, expenses and revenues are very similar for both 2017 and 2018, a full year of operations. If expenses that were incurred prior to approval to operate as a Water Utility are included in the 2017 Annual Report, these expenses should be considered as Start Up Expenses and amortized as appropriate.
    b. The Annual Report does not include a Statement of Functional Expenses, which would provide detail regarding the "Organization" expense line, which appears to be where all the majority of expenses have been reported. As a result, it is undeterminable as to exactly what the expenses are. Additionally, there is no information pertaining to if and/or how shared staff, expenses, etc. are allocated to the different departments within Deer Creek, making it unknown as whether they are appropriately allocated. While these statements may not be "required" as part of the Annual Report, they should be provided to substantiate their request for a rate increase.
    c. Payroll taxes reported on Page F7 in 2017 are $6,5825, compared to $4,089 for 2018, or almost 38% less than the prior year, a period that should only have included 1 ½ months versus 12 months.
    d. Page F7 also includes $32,601 reported as a contractual services expense for "Deer Creek (parent) salaries, payroll taxes, & Misc". Detail on who/what these expenses are for should be obtained as they are 1) Less-Than-Arms-Length, and 2) it should be verified that the expenses were not also reported as an expense for Deer Creek RV Golf and Country Club, Inc.
    e. Page F-3 includes an expense for "Non-Utility Expense". What is this? While the expense is not excessive, it does lend to overall expenses that are reported as the cause of the reported losses.
    f. Per Page W-4, in 2017, Deer Creek purchased 24,843,000 gallons of water and resold 19,012,000 gallons, leaving an excess of 5,831,000 gallons. In 2018, they purchased

25,929,000 gallons and resold 16,305,000 gallons, with an excess of 9,624,000 gallons. Where did the excess gallons go?

I understand that the PSC has been working on this rate appeal for the past several months and some of the above concerns may already have been, or are currently being addressed. If there are any questions, I can be reached at 518-253-6175.

Respectfully submitted,

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c: J.R.Kelly
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