



Public Service Commission

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

DATE: August 6, 1998
TO: Steve C. Tribble, Director, Division of Administration
FROM: Cleveland Ferguson, Staff Attorney, Division of Legal Services *CF*
RE: Docket No. 980258-SU - Acknowledgment of Exempt Status of Imperial Bonita Associates d/b/a Imperial Bonita Estates and cancellation of Certificate No. 237-S in Lee County.

On July 7, 1998, the Commission issued Final Order No. PSC-98-0906-FOF-SU, in which it acknowledged the exempt status of Imperial Bonita Estates (IBE or utility) and ordered the cancellation of Certificate No. 237-S. Owing to acknowledging the utility's exempt status, and not being able to collect regulatory assessment fees, penalties, and interest in a cost effective manner, the Commission ordered this matter sent to the Comptroller's Office for permission to write off the account as uncollectible. The Commission found that IBE owed \$312.57 for regulatory assessment fees for this period of time. In addition, through June 30, 1998, IBE owed \$78.14 in penalties and \$162.54 in interest, for a total of \$240.68. The total amount deemed uncollectible is \$553.25.

The events leading to this determination are outlined below for your convenience:

- Imperial Bonita Associates d/b/a Imperial Bonita Estates (IBE or utility) is a Class C utility serving approximately 694 general service wastewater customers in Lee County. The utility's 1992 annual report on file with the Commission lists annual revenues of \$10,419 and net operating earnings of \$1,479.
- Imperial Bonita Estates was sold to Imperial Bonita Associates d/b/a Imperial Bonita Estates on October 31, 1983. The application to transfer Certificate No. 237-S was not filed with this Commission until December 9, 1991. Included in Order No. PSC-92-0809-FOF-SU approving the transfer was a reference to a pre-sale agreement between IBE and Bonita Springs Utilities, Inc. (BSU). This agreement gave an anticipated interconnection date with BSU of late 1993.
- IBE was under Commission jurisdiction prior to the interconnection with Bonita Springs Utilities, an exempt non-profit corporation, as acknowledged in Order No. PSC-98-0153-FOF-WS. Therefore, IBE owes RAFs for the period January 1, 1993 to September 7, 1993, the date of the interconnection. The Commission found that IBE owed \$312.57 for regulatory assessment fees for this period of time. In addition, through June 30, 1998, IBE owed \$78.14 in penalties and \$162.54 in interest, for a total of \$553.25.

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FPSC-RECORDS/REPORTING

Steve C. Tribble, Director
August 7, 1998
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4. The utility corporation was dissolved in September 1993. Under certain conditions, the directors and shareholders of a dissolved corporation could be held responsible for a distribution of funds prior to the payment of RAFs. However, the Commission noted in the Order that IBE's directors and shareholders cannot be held responsible for IBE's delinquent RAFs pursuant to Sections 607.0830, and 607.0834(3), Florida Statutes.
5. The Commission found that it did not know when distributions were made. Therefore, it was unclear when the time began to run for holding the directors liable. Further, Section 607.1406(13), Florida Statutes, provides that shareholders of a dissolved corporation are not liable for any claim against the corporation which is brought after three years of the effective date of dissolution. A proceeding against the shareholders would have required commencement by September 1996.
6. Noting that collection efforts would not be cost effective, the Commission ordered that IBE's unpaid RAFs and associated penalty and interest be referred to the Comptroller's Office for permission to write off the account as uncollectible.

Please find the following attached hereto:

- a. Order No. PSC 98-0906-FOF-SU
- b. State of Florida Office of the Comptroller Bureau of Auditing Delinquent Accounts Receivable Transmittal

IBE's mailing address is:

Imperial Bonita Estates d/b/a
Imperial Bonita Estates
27700 Bourbonniere S.E.
Bonita Springs, Florida 34135-6083

CF/dr

cc: Division of Water and Wastewater (Chase, Clapp)
Division of Administration (Sewell)
Division of Records and Reporting
Martin Newby Management

MEMORANDUM

July 6, 1998

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (FERGUSON) *FT*

RE: DOCKET NO. 980258-SU - ACKNOWLEDGMENT OF EXEMPT STATUS OF
IMPERIAL BONITA ASSOCIATES D/B/A IMPERIAL BONITA ESTATES
AND CANCELLATION OF CERTIFICATE NO. 237-S IN LEE COUNTY.

Attached is an ORDER ACKNOWLEDGING EXEMPT STATUS, CANCELING CERTIFICATE NO. 237-S, DECLINING TO INITIATE SHOW CAUSE AND REFERRING DELINQUENT REGULATORY ASSESSMENT FEES, PENALTIES AND INTEREST TO COMPTROLLER'S OFFICE FOR PERMISSION TO WRITE-OFF ACCOUNT, to be issued in the above-referenced docket.

(Number of pages in order - 8)

CF/dr

Attachment

cc: Division of Water and Wastewater (Clapp, Chase)
Division of Administration (Lake, Sewell)

I:980258or.cf

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Acknowledgment of exempt status of Imperial Bonita Associates d/b/a Imperial Bonita Estates and cancellation of Certificate No. 237-S in Lee County.

DOCKET NO. 980258-SU
ORDER NO.
ISSUED:

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER ACKNOWLEDGING EXEMPT STATUS,
CANCELING CERTIFICATE NO. 237-S, DECLINING TO INITIATE SHOW CAUSE
AND REFERRING DELINQUENT REGULATORY ASSESSMENT FEES, PENALTIES
AND INTEREST TO COMPTROLLER'S OFFICE FOR
PERMISSION TO WRITE-OFF ACCOUNT

BY THE COMMISSION:

BACKGROUND

Imperial Bonita Associates, d/b/a Imperial Bonita Estates (IBE or utility), is a Class C utility serving approximately 694 general service wastewater customers in Lee County. The utility's 1992 annual report on file with the Commission lists annual revenues of \$10,419 and net operating earnings of \$1,479.

Imperial Bonita Estates is the name of the utility as well as the name of the mobile home park it serves. The mobile home park has four distinct divisions: 1) RV park; 2) mobile home rentals; 3) homeowners; and 4) a unit owned by the park for residential use by the manager.

Imperial Bonita Estates (utility and mobile home park) was sold to IBE on October 31, 1983. The application to transfer Certificate No. 237-S was not filed with this Commission until

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December 9, 1991. Included in Order No. PSC-92-0809-FOF-SU approving the transfer was reference to a pre-sale agreement between IBE and Bonita Springs Utilities, Inc. (BSU). This agreement gave an anticipated interconnection date with BSU of late 1993.

On January 20, 1998, BSU provided a letter verifying that IBE had interconnected with BSU on September 7, 1993. On May 16, 1994, the property the wastewater collection and treatment system had been located on was deeded to the Imperial Bonita Homeowners Association, Inc. This Order addresses the interconnection of the utility system to BSU, the qualification of the utility operations of the Homeowners Association as an exempt entity, the cancellation of Certificate No. 237-S, and the requirement to file an annual report and remit delinquent regulatory assessment fees (RAFTs).

ACKNOWLEDGING EXEMPT STATUS AND CANCELLING CERTIFICATE NO. 237-S

IBE (the utility) provided service to Imperial Bonita Estates, a mobile home cooperative, which had the following sections: a seasonal recreational vehicle site with a 318 vehicle capacity; a 130 lot subdivision where residents own their units and lots; a 245-unit mobile home rental area; and one unit owned by the park which is usually used to house the park manager.

In the course of gathering information for potential show cause actions with respect to delinquent annual reports and regulatory assessment fees, our staff spoke with Mr. Tim Newby, a director of the former utility, the current manager of the utility, and BSU. As a result of these exchanges, our staff received documentation concerning the series of events since the last official action recorded for this utility, which was the sale to the partnership operating as Imperial Bonita Associates.

On January 20, 1998, BSU filed a letter with this Commission stating that the Imperial Bonita Estates Wastewater Treatment Plant had been taken out of service on September 7, 1993, and that all customers of the utility had been interconnected to the BSU system to receive wastewater service. BSU is an exempt non-profit corporation, as acknowledged in Order No. PSC-98-0153-FOF-WS, issued January 27, 1998.

In a letter dated April 6, 1998, Mr. Tim Newby stated that, on May 16, 1994, the property the wastewater collection and treatment system had been located on was deeded to the Imperial Bonita Homeowners Association, Inc. Further, he affirmed that residents had not been billed for wastewater service during the time the plant was interconnected (September 7, 1993) and the conclusion of the sale (May 16, 1994). Based on the representations made by the utility, we note that IBE would have qualified as a non-profit association at that point pursuant to Section 367.022(7), Florida Statutes.

A letter received on January 26, 1998, from Imperial Bonita Estates, Inc., verified that BSU was now providing wastewater services; however, the existing on-site collection system remained the responsibility of IBE. This maintenance responsibility of IBE could, under certain circumstances make the park jurisdictional. However, our staff has verified that the collection lines for the 694 sites are maintained as part of the Association's common area elements by IBE through nonspecific maintenance fees charged the owners and through rental fees.

Based on the facts represented, we find that the operations of IBE, since September 7, 1993, meet the necessary qualifications for exemption from regulation as a non-profit association pursuant to Section 367.022(7), Florida Statutes. Therefore, we acknowledge the system as exempt, and cancel Certificate No. 237-S.

SHOW CAUSE PROCEEDING

1993 Regulatory Assessment Fees

IBE has not remitted regulatory assessment fees (RAFs) since 1992. Section 367.145, Florida Statutes, requires water and wastewater utilities to remit RAFs to this Commission. Pursuant to Section 350.113(4), Florida Statutes, and Rule 25-30.120(7)(a), Florida Administrative Code, a statutory penalty plus interest shall be assessed against any utility that fails to timely pay its RAFs, in the following manner:

1. 5 percent of the fee if the failure is for not more than 30 days, with an additional 5 percent for each additional 30 days or fraction thereof during the time in which failure continues, not to exceed a total penalty of 25 percent.

2. The amount of interest to be charged is 1% for each 30 days or fraction thereof, not to exceed a total of 12% per annum.

In addition, pursuant to Sections 367.145(1)(b) and 367.161, Florida Statutes, and Rule 25-30.120(7)(b), Florida Administrative Code, the Commission may impose an additional penalty upon a utility for failure to pay RAFs in a timely manner. RAFs are intended to cover the costs incurred in Public Service Commission regulation of utilities.

1993 Annual Report

IBE has not filed an annual report since 1992. Rule 25-30.110, Florida Administrative Code, requires utilities subject to the Commission's jurisdiction as of December 31 of each year to file an annual report on or before March 31 of the following year. Requests for extension of time must be in writing and must be filed before March 31. One extension of 30 days is automatically granted. A further extension may be granted upon showing of good cause. Incomplete or incorrect reports are considered delinquent, with a 30-day grace period in which to supply the missing information.

Pursuant to Rule 25-30.110(6)(c), Florida Administrative Code, any utility that fails to file a timely, complete annual report is subject to penalties, absent demonstration of good cause for noncompliance. The penalty set out in Rule 25-30.110(7), Florida Administrative Code, for Class C utilities is \$3 per day. The Commission may impose lesser or greater penalties, pursuant to Rule 25-30.110(6)(c), Florida Administrative Code.

Summary and Disposition of Findings

Utilities are charged with the knowledge of the Commission's rules and statutes. Additionally, "[i]t is a common maxim, familiar to all minds that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833). Thus, any intentional act, such as the utility's failure to timely file its annual report, would meet the standard for a "willful violation." In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL titled In Re: Investigation Into The Proper Application of Rule 25-14.003, F.A.C., Relating To Tax Savings Refund for 1988 and 1989 For GTE Florida, Inc., the Commission, having found that the company had

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not intended to violate the rule, nevertheless found it appropriate to order it to show cause why it should not be fined, stating that "'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule." Id. at 6. In this instance, we decline to initiate a show cause proceeding. Our rationale is set forth below.

Pursuant to Rule 25-30.110(3)(a), Florida Administrative Code, the Commission requires annual reports to be filed to: determine the earnings level of the utility; determine whether a utility is in substantial compliance with the Uniform System of Accounts as well as applicable rules and orders of the Commission; whether financial statements and related schedules fairly present the financial condition and results of operations for the period presented; and whether other information presented as to the business affairs of the utility are correct for the period they represent.

Since we find that this utility is exempt, we do not need the information regarding the utility's operations on a going-forward basis to meet the requirements of Rule 25-30.110(3)(a), Florida Administrative Code. There is no purpose in requiring IBE to submit an annual report for 1993.

In consideration of the foregoing, we decline to order the utility to show cause in writing, within 20 days, why it should not remit a penalty for violation of Rule 25-30.110, Florida Administrative Code, by failing to file its annual report for 1993.

As stated previously, IBE was under our jurisdiction prior to the interconnection with BSU. Therefore, IBE owes RAFs for the period January 1, 1993 to September 7, 1993, the date of the interconnection. Based upon the utility's 1992 annual report, IBE owes \$312.57 for RAFs for this period of time. In addition, through June 30, 1998, IBE owes \$78.14 in penalties and \$162.54 in interest, for a total of \$240.68.

When questioned about delinquent RAFs, Mr. Newby advised us that the utility was informed by Commission staff in March 1994, that IBE was listed as inactive on Commission records, and therefore, no RAFs were due. However, our records indicate that one notice of delinquency was sent on May 3, 1994, regarding 1993 RAFs. Apparently, there has been some confusion on the part of our staff and the utility's management team as to whether IBE owes any RAFs and, if so, for what period of time. Since the utility was

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interconnected with BSU, it apparently believed that it was no longer subject to Commission regulation. However, it is now clear that the utility was jurisdictional in 1993 until it interconnected with BSU on September 7. Therefore, IBE should be held responsible for outstanding RAFs. Since the penalties and interest associated with the outstanding RAFs is determined by statute, these cannot be waived by us. However, due to the circumstances in this case, we find that a show cause proceeding is not warranted.

The utility corporation was dissolved in September 1993. Under certain conditions, the directors and shareholders of a dissolved corporation could be held responsible for a distribution of funds prior to the payment of RAFs. However, we note that IBE's directors and shareholders cannot be held responsible for IBE's delinquent RAFs.

Section 607.06401(3), Florida Statutes, provides in pertinent part:

No distribution may be made, if after giving it effect:
(a) The corporation would not be able to pay its debts as they become due in the usual course of business

Section 607.0834(1), Florida Statutes provides in pertinent part:

A director who votes for or assents to a distribution made in violation of s. 607.06401 . . . is personally liable to the corporation for the amount of the distribution that exceeds what could have been distributed without violating s. 607.06401 . . . if it is established that he did not perform his duties in compliance with s. 607.0830.

To hold a director liable under Section 607.0830, Florida Statutes, it must essentially be shown that the director made the unlawful distribution in bad faith. Furthermore, for a director to be held liable for an unlawful distribution, a proceeding must be "commenced within 2 years after the date on which the effect of the distribution was measured" Section 607.0834(3), Florida Statutes. In this case, we do not know when distributions were made. Therefore, it is unclear when the time began to run for holding the directors liable. Further, Section 607.1406(13), Florida Statutes, provides that a shareholder of a dissolved corporation is not liable for any claim against the corporation which is brought after three years of the effective date of

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dissolution. A proceeding against the shareholders would have required commencement by September 1996.

Therefore, in consideration of the facts stated above, we note that collection efforts would not be cost effective. We hereby refer IBE's unpaid RAFs and associated penalty and interest to the Comptroller's Office for permission to write off the account as uncollectible. This Order is consistent with Order No. PSC-98-0663-FOF-WS, issued May 14, 1998, in Docket No. 980342.

Based on the foregoing, it is therefore,

ORDERED by the Florida Public Service Commission, that based upon the facts as represented, Imperial Bonita Associates, d/b/a Imperial Bonita Estates, 27700 Bourbonniere S.E., Bonita Springs, Florida, 33923, is hereby exempt from Commission regulation pursuant to the provisions of Section 367.022(7), Florida Statutes. It is further

ORDERED that Wastewater Certificate No. 237-S is hereby canceled. It is further

ORDERED that a show cause proceeding shall not be initiated against Imperial Bonita Associates d/b/a Imperial Bonita Estates. It is further

ORDERED that the utility's delinquent regulatory assessment fees and associated penalties and interest shall be referred to the State of Florida's Comptroller's Office for permission to write off the account as uncollectible. It is further

ORDERED that upon referral of this matter to the Comptroller's Office, this docket shall be closed.

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By ORDER of the Florida Public Service Commission this ____
day of _____, _____.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

CF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.