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DIVISION OF WATER & WASTEWATER
 CHARLES H. HILL
 DIRECTOR
 (850) 413-6900

Public Service Commission

August 27, 1998

DOCUMENT NUMBER - DATE

09465 AUG 31 98

FDCG - RECORDS/REPORTING

Mr. Tarver A. Kitchens, President
 Bayside Homeowners Association
 1045 Bay Circle
 Panama City Beach, Florida 32407-5501

Re: Docket No. 971401-WS, Application for a Staff Assisted Rate Case for Bayside Utilities, Inc. in Bay County

Dear Mr. Kitchens:

This letter is in answer to the fax received in the Division of Water and Wastewater on August 26, 1998. After reviewing the utility's billing analysis, staff called the utility and questioned them as to who was paying for water and wastewater service to the camping trailers behind the fence. They stated that the Mobile Home Park was billed for the utility service to those campers. As far as if the amounts were deposited in Bayside's account, the Florida Public Service Commission cannot micro-manage utilities and follow all the utility deposits and trace where they came from. The utility customers are protected from errors or omissions in the utility's billing by the PSC staff using a test year as we did in this case. We audited the amount of 1997 utility revenues on the books of the utility and then, after a physical count of the vacant lots, did a calculation of what should have been on the utility's books. The difference, \$7,418 for water, and \$7,082 for wastewater, was imputed in the final recommendation.

ACK _____
AFA _____ There were no water and sewer lines run to the area behind the fence for the campers. The
APP _____ lines were already existing from the clubhouse and pool formerly being in the same area. Any cost
CAF _____ to run water and sewer lines to a new development in the mobile home park would be recovered
CMU _____ through future customers of that development in the form of service availability charges. As stated
CTR _____ in Commission Order No. 16499, issued August 21, 1986, "It is Commission policy that the cost of
EAG _____ future growth shall be borne by future customers. Present customers shall not pay for the plant that
 will serve the new customers."

LEG _____ The preliminary report made for the customer meeting included 228 customers which was the
LIN _____ average amount of customers included in the utility's billing analysis. The utility recorded 304
OPC _____ water and wastewater customers in its 1997 annual report. Since the utility stated the hurricane
RCH _____ rendered some of its lots unusable, staff used the billing analysis customer count for the preliminary

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SEC | _____ PSC Website: www2.scri.net/psc

Internet E-mail: contact@psc.state.fl.us

WAS _____

OTH _____

Mr. Tarver A. Kitchens, President

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report, and waited until the customer meeting to enable staff to take a physical count of the number of available lots. Two counts were taken, one the morning after the customer meeting, and one when a staff engineer returned to confirm the new force main was installed. The latter lot count was done with the utility manager present, and was the lot number used for the final recommendation. The difference between the 1997 billing analysis count (228), and the physical count of available lots (283) was 55 lots.

The mobile home park should have been billed for (and paid for) all vacant lots where water and wastewater service is available in 1997. As mentioned above, staff completes a test year calculation of what revenues should be, and if there is a variance between the staff's calculation and the utility recorded amount, revenues are imputed. In this case, staff imputed base facility charges for 55 additional lots to match the physical count of 283 available lots.

Staff reviewed Bayside's annual reports from 1988 through 1997. The utility recorded between 304 and 307 water and wastewater customers in each of those years. The annual reports will not confirm whether the base facility charges on the vacant lots were paid in each of those years. If the mobile home park was not billed for the vacant lots in those years, and a cash shortfall occurred, it would come out of the utility owners pocket since rates were, and are being set, using the number of vacant lots.

The sewer pipe was accounted for, but not correctly. This concerned the replacement of Sewer pumps and the proper bookkeeping entries for the loss on retirement of the old pumps. The utility recorded the \$1,757 loss as a "loss on disposition." The NARUC system of accounts requires the utility to record the loss in accumulated depreciation.

The unsupported operation and maintenance expenses included salary expense, payroll taxes, bad debt, and miscellaneous expenses. The auditor's findings showed \$11,138 of expenses in these accounts which were not fully supported by the utility's books and records. Since the utility could not supply back-up data, these expenses were disallowed in the test year.

As far as assigning a staff person to help the utility set up its books and records, commission staff are always available to assist a small utility with its books and records, and help it understand the NARUC system of accounts.

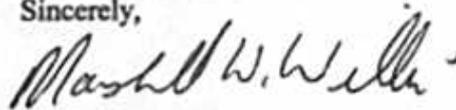
The \$24,242 loan was the balance of two Small Business Administration disaster loans which were made to the utility December 9, 1996 for construction and repair due to damage of Hurricane Opal.

As you know, Commissioners will be considering this recommendation at the September 1, 1998 Agenda Conference here in Tallahassee. Since Mr. Wharton stated you will be attending the agenda conference, Mr. Casey sent you a map of Tallahassee showing how to get to the state satellite office complex.

Mr. Tarver A. Kitchens, President
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If you have any additional questions, please don't hesitate to contact Mr. Troy Rendell (850) 413-6934, Mr. Bob Casey at (850) 413-6974, or myself. Thank You.

Sincerely,



Marshall W. Willis, C.P.A.
Chief of Economic Regulation

MW:rc

cc: Division of Water and Wastewater (Hill, Rendell, Crouch, Casey, T. Davis, Roland)
Division of Legal Services (Fleming, Jaeger)
Division of Records and Reporting (971401-WS)

Memorandum

WAW

To: MR. MARSHALL WILLIS 1 800 511-0809
CC: MR. RALPH JAEGER
From: BAYSIDE HOMEOWNERS ASSOC.
Date: 08/24/98
Re: BAYSIDE UTILITIES, 971401-WS

RECEIVED

AUG 26 1998

Florida Dept. of Transportation
Division of Water and Wastewater

From. Tarver kitchens

Bob pettilio

Jim wharton

CONCERNING QUESTIONS NOT YET ANSWERED. THANK YOU IN ADVANCE FOR YOUR HELP IN THIS MATTER.

AUGUST 24, 1998

BAYSIDE HOMEOWNERS ASSOC.
Fax # 850 233 9192

FLORIDA PUBLIC SERVICE COMMISSION
MR. MARSHALL WILLIS

DEAR MR. WILLIS:

WE RECEIVED THE MEMORANDUM DATED AUGUST 20, 1998, AND ALSO THE ANSWERS TO MOST OF THE QUESTIONS WE SUBMITTED ON JULY 29, 1998. COULD YOU PLEASE ANSWER AND FAX THE ANSWERS TO US AS THE TIME UNTIL SEPTEMBER 1, 1998 IS GETTING SHORT.

PARAGRAPH 14, 1ST PAGE ORIGINAL QUESTIONS:

WERE THE CAMPING TRAILERS BEHIND THE FENCE, ADDRESSES 999,1001,1003,1005,1007,1009,1011, CHARGED FOR WATER AND SEWER IN 1997? IF SO, HOW WERE THEY CHARGED, SINCE THEY HAD NO METER UNTIL 2/98. IF THEY WERE CHARGED, WHO DID THEY PAY, AND WERE THE AMOUNTS DEPOSITED INTO BAYSIDE UTILITIES? WHO PAID TO RUN THE WATER AND SEWER LINES? IT WAS THE HOMEOWNERS UNDERSTANDING THAT THE EXISTING CUSTOMERS DID NOT HAVE TO PAY THE COST OF ANY PARK EXPANSION. IS THIS TRUE?

DID WE UNDERSTAND PAGE 20, OF YOUR AUGUST 20, MEMO, NEXT TO LAST PARAGRAPH THAT 55 ADDITIONAL LOTS WERE COUNTED AS A RESULT OF THE QUESTIONS RAISED BY THE HOMEOWNERS? DID WE READ THE REPORT CORRECTLY THAT THE STAFF IMPUTED WATER REVENUES OF \$7,418 AND \$7,082 FOR WASTEWATER WHICH INCLUDED BASE FACILITY CHARGES FOR 55 ADDITIONAL CONNECTED VACANT LOTS FOR THE TEST YEAR TO INSURE VACANT LOT CONNECTIONS WOULD BE PAID FOR BY THE PARK OWNER. DOES THIS MEAN THE PARK OWNER HAD TO PUT THIS MONEY INTO BAYSIDE UTILITIES TO COVER THE VACANT LOT BASE FEES FOR 1997?

ALSO, IN THE ORIGINAL ORDER DATED 5/5/88, AND IN YOUR MEMORANDUM DATED AUGUST 20, 1998, PAGE 16, IT STATES, (SO AS TO INSURE THAT VACANCY COSTS ARE CHARGED TO THE PARK OWNER,) RATHER THAN THE UTILITY, THE COMMISSION DESIGNED RATES APPROVED TO INSURE THAT THIS WOULD BE THE PARKS RESPONSIBILITY. THE UTILITY WAS REQUIRED TO MAKE AN ANNUAL REPORT, DO THE ANNUAL REPORTS FILED WITH THE FPSC SHOW THAT THE BASE FACILITY CHARGES FOR ALL EMPTY LOTS IN THE YEARS BETWEEN 1988 AND 1997 WERE MADE? SINCE THE UTILITIES BOOKS WERE LOST IN THE HURRICANE, THE ANNUAL REPORT FILED WITH YOU WOULD NOT BE LOST. THESE BASE FACILITY CHARGES WOULD AMOUNT TO A GREAT DEAL OF MONEY FOR THE 10 YEARS INVOLVED.

ALSO, IN YOUR AUGUST 20, 1998 MEMO, PAGE 41, LAST PARAGRAPH, YOU STATE THAT VIOLATIONS INCLUDED DEPRECIATION WHICH WAS NOT CALCULATED USING RULE 25-30.140, CIAC WHICH WAS NOT CALCULATED PROPERLY, UNSUPPORTED OPERATION AND MAINTENANCE EXPENSES IN 1997, AND SEWER PIPE NOT ACCOUNTED FOR CORRECTLY. HOW MUCH SEWER PIPE WAS NOT ACCOUNTED FOR? WHAT KIND OF UNSUPPORTED OPERATION AND MAINTENANCE EXPENSE?

YOUR STAFF BELIEVES THE UTILITY HAS THE EXPERTISE NECESSARY TO MAINTAIN THE UTILITIES RECORDS IN CONFORMITY WITH RULE 25-30.115. QUESTION- WOULD NOT ALL PARTIES BE BETTER SERVED IF THE COMMISSION ASSIGNED SOMEONE TO HELP THIS UTILITY SET UP ITS BOOKS AND RECORDS?

FINALLY, PAGE 20, STAFF ANALYSIS: WHEN WAS THIS LOAN MADE (\$24,242) AND WHAT WAS IT USED FOR? PLEASE FAX THE ANSWERS AS SOON AS POSSIBLE,

THE HOMEOWNERS ASSOCIATION
TARVER KITCHENS, BOB PATTILLO, JIM WHARTON, JERRY AUSTIN

2. Sewer

Cost of Plant In Service:
 Less Accumulated Depreciation:
 Less Contributed Plant:
 Net Owner's Investment:

	1996	1997
\$	_____	\$ _____
	_____	_____
	_____	_____
\$	_____	\$ _____

See attached statements

G. Basic Income Statement (Most recent two years):

1. Water

Revenues (By Class):

a. _____
 b. _____
 c. _____
 Total Operating Revenues:

	1996	1997
\$	_____	\$ _____
	_____	_____
\$	_____	\$ _____

Less Expenses:

a. Salaries & Wages - Employees
 b. Salaries & Wages - Officers, Directors, & Majority Stockholders
 c. Employee Pensions & Benefits
 d. Purchased Water
 e. Purchased Power
 f. Fuel for Power Production
 g. Chemicals
 h. Materials & Supplies
 i. Contractual Services
 j. Rents
 k. Transportation Expenses
 l. Insurance Expense
 m. Regulatory Commission Expense
 n. Bad Debt Expense
 o. Miscellaneous Expense
 p. Depreciation Expense
 q. Property Taxes
 r. Other Taxes
 s. Income Taxes
 Operating Income (Loss)

\$	_____	\$ _____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
\$	_____	\$ _____

See attached statements