

STATE OF FLORIDA

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TIMOTHY DEVLIN, DIRECTOR
AUDITING & FINANCIAL ANALYSIS
(850) 413-6480

Public Service Commission

June 3, 1999

Mr. Paul E. Bieber
Breeze Hill Utilities
152 Breeze Hill
Lake Wales, FL 33853-7300

**Re: Docket No. 990356-WS; Breeze Hill Utilities
Audit Report; Staff-assisted Rate Case**

Mr. Bieber:

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the Division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

Denise N. Vandiver
Bureau Chief - Auditing Services

DNV/sp

cc: Division of Records and Reporting
 Division of Auditing and Financial Analysis (Devlin/Causseaux/File Folder)
 Division of Water and Wastewater (Butts)
 Orlando District Office (Winston)
 Division of Legal Services

Office of Public Counsel
Research and Regulatory Review (Harvey)

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING SERVICES*

Orlando District Office

**BIEBER ENTERPRISES, INCORPORATED
D/B/A BREEZE HILL UTILITIES**

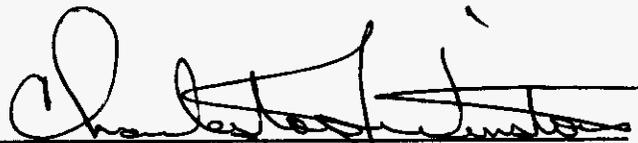
STAFF-ASSISTED RATE CASE

PERIOD ENDED DECEMBER 31, 1998

**DOCKET NO. 990356-WS
AUDIT CONTROL NO. 99-109-3-1**



Jeffery A. Small, Audit Manager



Charleston J. Winston, District Audit Supervisor

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

MAY 28, 1999

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying schedule for Net Operating Income for the 12-month period ended December 31, 1998. This schedule was prepared by staff as part of the utility's application for a Staff-Assisted Rate Case in Docket No. 990356-WS. Schedules for Rate Base and Capital Structure were not prepared for the utility because of the lack of adequate supporting documentation. There is no confidential information associated with this audit.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

In our opinion the utility's books and records are not maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission. The attached findings discuss all differences and other matters which were noted during our examination.

SUMMARY OF SIGNIFICANT FINDINGS

The utility does not maintain its books and records as required by the Uniform System of Accounts and Commission rules.

Utility-plant-in-service (UPIS) and accumulated depreciation of UPIS for the water and wastewater systems could not be established because of inadequate supporting documentation.

Contributions-in-aid-of-construction (CIAC) and accumulated amortization of CIAC balances for water and wastewater systems could not be established because of inadequate supporting documentation.

The utility's revenues from water and wastewater operations are \$14,784 and \$10,752, respectively, for the 12-month period ended December 31, 1998.

The utility's operations and maintenance expenses for water and wastewater operations are \$19,388 and \$27,100 and the utility's working capital balances for water and wastewater operations are \$2,424 and \$3,387, respectively, for the 12-month period ended December 31, 1998.

The utility's taxes other than income for water and wastewater operations are \$722 and \$704, respectively, for the 12-month period ended December 31, 1998.

The utility's capital structure could not be established because of inadequate supporting documentation.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining the utility's books and records since its last rate proceeding before the Polk County Commission for the period ended August 16, 1983, which we believe are sufficient to base our opinion. Our more important audit procedures are summarized below. The following definitions apply when used in this report.

Scanned - The documents or accounts were read quickly looking for obvious errors.

Verified - The items were tested for accuracy, and substantiating documentation was examined.

Assembled - Presented in Commission-required format financial information that was provided to audit staff and is the representation of utility management.

RATE BASE: Scanned and verified 100 percent of utility-provided documents used to identify water and wastewater additions to utility-plant-in-service (UPIS) and accumulated depreciation for the period ended December 31, 1998. Identified and established the original cost for the land that is occupied by the water and wastewater systems.

NET OPERATING INCOME: Scanned and verified 100 percent of utility-provided documents used to assemble water and wastewater account balances for utility revenues, operations and maintenance expenses, and taxes other than income for the 12-month period ended December 31, 1998. Recomputed utility billing records to verify the existing rates charged by the utility.

CAPITAL STRUCTURE: Scanned and verified 100 percent of utility-provided documents used as components of its capital structure for the period ended December 31, 1998.

OTHER: Audited the utility's 1998 Regulatory Assessment Fee returns filed with the Commission.

Audit Exception No. 1

Subject: Noncompliance with the NARUC Uniform System of Accounts

Statement of Facts: Bieber Enterprises, Inc. serves as the corporate entity for Breeze Hill Utilities and Breeze Hill Mobile Home Community.

Utility records consist of one check register and one customer billing register which are used for all transactions involving Bieber Enterprises, Inc. The records are maintained on a cash basis for income tax purposes.

Rule 25-30.115 (1), F.A.C., requires all water and wastewater utilities to maintain their accounts and records in conformity with the NARUC Uniform System of Accounts (USoA).

NARUC, Class C, Accounting Instruction 2. A, requires all water and wastewater utilities to maintain their accounts on an accrual basis.

Opinion/Recommendation: The utility does not maintain its books per the Commission rules cited above.

Bieber Enterprises, Inc.'s accounting system does not reconcile to the USoA because of multiple differences in accounting methods and treatments between income tax basis and the USoA basis of accounting for utility operations.

At the end of fieldwork for this engagement, audit staff met with Mr. Paul Bieber and his outside accountant concerning the utility's books and records. They have indicated a willingness to establish a new accounting system based on the USoA and Commission rules.

The Commission should require the utility to conform to the USoA and Commission rules cited above and give the utility sufficient time to implement its new accounting system. At the end of such time the Commission staff should initiate an investigation of the utility's books and records to assess the utility's compliance with the Commission's final order from this rate proceeding.

Audit Exception No. 2

Subject: Utility-Plant-In-Service (UPIS) and Associated Accumulated Depreciation of UPIS

Statement of Facts: Bieber Enterprise Inc.'s records do not specifically identify UPIS and its associated accumulated depreciation balances for water and wastewater operations.

Opinion/Recommendation: The utility's UPIS and associated accumulated depreciation for the period ended December 31, 1998, are not properly recorded per the USoA and the Commission rules cited previously in this report.

Bieber Enterprises, Inc. purchased the mobile home community and all utility assets on June 13, 1997. The seller did not provide the buyer with any historical records to support utility plant assets.

Polk County Commission established rate base for the utility as of August 16, 1983. However, no records or reports concerning the rate case proceeding could be located by the end of audit fieldwork.

The Commission should establish water and wastewater UPIS using an alternative method such as an Original Cost Study.

The utility was able to provide sufficient historical records and supporting source documentation for audit staff to prepare schedules that identify specific additions to UPIS and its associated accumulated depreciation to water and wastewater operations for the six-year period ending December 31, 1998.

Audit staff has determined the following from the above information:

- 1) Additions to water and wastewater UPIS that can be verified total \$11,308 and \$6,414, respectively, for the period ended December 31, 1998.
- 2) Additions to water and wastewater accumulated depreciation for the UPIS additions identified above total (\$982) and (\$328), respectively, for the period ended December 31, 1998.

See the attached schedule for details.

Depreciation expense associated with the water and wastewater UPIS additions identified above total \$554 and \$256, respectively, for the 12-month period ended December 31, 1998.

**Schedule for
Audit Exception No. 2**

**Utility-Plant-in-Service - Water Plant Additions
Period Ended December 31, 1998**

<u>Acc No.</u>	<u>Account Description</u>	<u>Plant</u>	<u>Acc/Dep (1)</u>
304.00	Structures & Improvements	\$4,714.11	(\$252.54)
309.00	Supply Mains	769.12	(40.45)
310.00	Power Generation Equipment	634.94	(18.67)
311.00	Pumping Equipment	3,102.27	(476.48)
320.00	Water Treatment Equipment	1,028.39	(90.74)
340.00	Office Furniture & Equipment	204.96	(18.03)
341.00	Transportation Equipment	760.00	(81.67)
343.00	Tools, Shop and Garage Equipment	<u>94.28</u>	<u>(3.14)</u>
	Totals	\$11,308.07	(\$981.72)

**Utility-Plant-in-Service - Wastewater Plant Additions
Period Ended December 31, 1998**

<u>Acc No.</u>	<u>Account Description</u>	<u>Plant</u>	<u>Acc/Dep (1)</u>
354.00	Structures & Improvements	\$1,216.51	(\$67.58)
360.00	Collection Sewers - Forced	1,841.34	(81.22)
380.00	Treatment & Disposal	2,296.73	(76.56)
340.00	Office Furniture & Equipment	204.96	(18.03)
341.00	Transportation Equipment	760.00	(81.67)
343.00	Tools, Shop and Garage Equipment	<u>94.27</u>	<u>(3.14)</u>
	Totals	\$6,413.81	(\$328.20)

(1) Accumulated depreciation balances are calculated using Rule 25.30.140 (2)(a), F.A.C.

Audit Exception No. 3

Subject: Utility Land and Land Rights

Statement of Facts: Per NARUC USoA Water and Wastewater Utilities, Definition No. 9, *“Original Cost, as applied to utility plant, means the cost of such property to the person first devoting it to public service.”*

On May 27, 1976, George Hunt, Inc., sole owner of the subject property, sold to Pensacola Investments, N.V. 50 percent interest in the subject property for a calculated cost of \$300,000. (Documentary stamps of \$900 divided by a tax rate \$0.30 per \$100 of sales price.)

The above real estate transaction established a fair market value of \$600,000 for the subject property which encompasses approximately 108.6 acres. (\$300,000 divided by 50 percent interest purchased.) This equates to an original cost of \$5,525 per acre. (\$600,000 divided by 108.6 acres.)

On May 27, 1976, through a series of recorded transactions George Hunt, Inc. and Pensacola Investments, N.V. created and established a partnership agreement among themselves and Lake Walk-In-The-Water Village Association. (Polk County Clerk - Original Record Book 1694, Pages 1045, 1048, and 1051)

On September 28, 1976, the above parties received approval from Polk County for “Lake-Walk-In-The-Water-Village Unit One,” a platted subdivision recorded in Plat Book 64, Page 39 of Polk County records.

The water plant and wastewater plant sites are located within the boundaries of the above-mentioned plat.

Opinion/Recommendation: Audit staff used the date of September 27, 1976, as the date that the property was devoted to public service as required by the USoA referenced above. Land value for rate base purposes is calculated as indicated below.

Water plant site	:	Area of 0.473 acres times \$5,525	=	<u>\$ 2,613</u>
W/water plant site	:	Area of 0.436 acres times \$5,525	=	\$ 2,409
Percolation pond site	:	Area of 2.587 acres times \$5,525	=	<u>14,293</u>
Total W/water land value			=	<u>\$16,702</u>

Audit Exception No. 4

Subject: Contributions-In-Aid-of-Construction (CIAC) and Associated Accumulated Amortization of CIAC

Statement of Facts: In 1983, the developers of the mobile home community petitioned the Polk County Commission for a franchise to operate the existing water and wastewater system at Breeze Hill.

Within the scope of the above-mentioned proceeding, the Polk County Utilities Division's report to the Commissioners made the following determination about the utility's current rate structure.

" There are no connection fees and the cost of the system is amortized into the sales price of the lot."

On August 16, 1983, the developer's petition was granted, and the county established the existing service area. Additionally, the franchise agreement established residential connection fees of \$400 per unit for water and \$600 per unit for wastewater. Furthermore, it required that connection fees be considered as contributed assets for the purpose of any future rate base calculations.

Order No. PSC-98-1550-WS, issued on November 23, 1998, granted Bieber Enterprises, Inc. a Grandfather Certificate and incorporated the rate base and rate structure established by the Polk County Commission for Breeze Hill Utilities.

Opinion/Recommendation: The utility's CIAC and associated accumulated amortization of CIAC for the period ended December 31, 1998, are not properly recorded per the USoA and the Commission rules cited previously in this report.

Bieber Enterprises, Inc. purchased the mobile home community and all utility assets in June 13, 1997. The seller did not provide the buyer with any historical records to support CIAC or associated CIAC amortization.

Audit staff could not verify the accuracy of the statement by Polk County Utilities Division referenced above. However, the above methodology is consistent with industry practice among developers of Florida residential communities in the 1970s and 1980s.

Audit staff could not establish water and wastewater CIAC or amortization of CIAC because of inadequate utility records. However, Polk County Commission records cited above determined that all expenditures for utility assets prior to August 1983 were recovered or recoverable from the developer's sale of mobile home lots. This would make all utility assets installed prior to the above date 100 percent contributed.

The Commission should establish water and wastewater CIAC or amortization of CIAC for the utility using an alternative method such as an Original Cost Study.

Audit Exception No. 5

Subject: Revenues

Statement of Facts: Bieber Enterprises, Inc., d/b/a Breeze Hill Utilities reported revenues of \$14,538 and \$11,088 for water and wastewater operations, respectively, on its 1998 FPSC Regulatory Assessment Fee returns.

The utility's tariff currently authorizes flat rates of \$11.00 per month for water and \$8.00 per month for wastewater services for a total rate of \$19.00 per residential connection.

Opinion/Recommendation: Mr. Paul Bieber, owner of Bieber Enterprises, Inc., stated that he calculated the above revenue amounts based on an average customer base of 112 units adjusted for known individual customer variances.

The utility provided audit staff with access to its billing registers and other utility records to recalculate its revenues for the 12-month period ended December 31, 1998.

Audit staff has calculated actual utility revenues of \$14,784 and \$10,752 for its water and wastewater operations for the 12-month period ended December 31, 1998.

The utility's revenues are misstated by the following amounts.

	<u>Water Revenues</u>	<u>W/Water Revenues</u>	<u>Total Revenues</u>
Per audit	\$14,784	\$10,752	\$25,536
Per utility	<u>14,538</u>	<u>11,088</u>	<u>25,626</u>
Audit adjustment	\$246	(\$336)	(\$90)

Audit Exception No. 6

Subject: Operating and Maintenance Expenses

Statement of Facts: Bieber Enterprises Inc.'s records do not completely separate or specifically identify the operations and maintenance (O&M) expenses for Breeze Hill Utilities. Additionally, there is no distinction between its water and wastewater operations.

Opinion/Recommendation: The utility's O&M expenses for the 12-month period ended December 31, 1998, are not properly recorded per the USoA and the Commission rules cited previously in this report.

The utility provided auditor with access to all invoices, canceled checks, and other utility records to assemble its operations and maintenance expenses for the 12-month period ended December 31, 1998. The auditor reviewed these documents to identify direct expenses and to determine an appropriate allocation methodology for each of the indirect or shared expenses

Audit staff has calculated utility O&M expenses of \$19,388 and \$27,100 for water and wastewater operations for the 12-month period ended December 31, 1998.

Additionally, per Rule 25-30.433 (4), F.A.C., the utility's working capital balance for rate base purposes was calculated as one-eighth of the above O&M expenses which amounts to \$2,424 and \$3,388 for water and wastewater operations.

See attached schedule for details and subaccount balances.

**Schedule for
Audit Exception No. 6**

**Operation and Maintenance Expenses
12-Month Period Ended 12/31/98**

<u>Acc No.</u>	<u>Account Description</u>	<u>Total Water Expense</u>	<u>Total W/Water Expense</u>
601/701	Salaries & Wages - Employees	\$9,360.00	\$9,360.00
711	Sludge Hauling	-NA-	309.38
615/715	Purchased Power	2,591.76	4,219.92
618/718	Chemicals	408.00	1,203.96
620/720	Materials & Supplies	901.23	2,706.43
630/730	Contractual Services - Billing	0.00	0.00
631/731	Contractual Services - Professional	717.50	542.50
635/735	Contractual Services - Testing	467.00	1,184.68
636/736	Contractual Services - Other	4,154.75	6,641.62
640/740	Rents	93.54	26.58
650/750	Transportation Expense	182.75	182.75
655/755	Insurance Expense	324.00	535.00
665/765	Regulatory Commission Expense	187.50	187.50
675/775	Miscellaneous Expense	<u>0.00</u>	<u>0.00</u>
	Total Expenses	\$19,388.03	\$27,100.32

Audit Exception No. 7

Subject: Taxes Other Than Income

Statement of Facts: Bieber Enterprises, Inc. taxes other than income (TOTI) for the 12-month period ended December 31, 1998, were undeterminable using the utility's existing records.

The utility is required to pay annual tax assessments to the following governmental entities during the course of its operations.

Polk County

- + Real Estate property tax on utility property based on an assessed value

State of Florida

- + Corporation filing fee to the Department of State
- + Regulatory Assessment Fee (RAF) to the Florida Public Service Commission

Opinion: The utility's TOTI for the 12-month period ended December 31, 1998, were not properly recorded per the USoA and the Commission rules cited previously in this report.

The utility provided audit staff with access to all invoices and canceled checks and other utility records to assemble its TOTI for the 12-month period ended December 31, 1998.

Using the information provided above, audit staff has determined that the utility's TOTI amounts are \$722 and \$704, respectively, for water and wastewater operations for the 12-month period ended December 31, 1998. See details illustrated below.

Governmental Authority	Assessment	Total Water Amount	Total W/Water Amount
Polk County	Property tax	\$30.70	\$168.01
Dept. of State	Corporation Filing Fee	37.50	37.50
FPSC	RAF	<u>654.21</u>	<u>498.98</u>
	Totals	\$722.41	\$704.49

Audit Exception No. 8

Subject: Capital Structure

Statement of Facts: Bieber Enterprises Inc.'s records do not completely separate, specifically identify or allocate a capital structure for Breeze Hill Utilities.

Opinion/Recommendation: The utility's capital structure is not properly stated per the USoA and the Commission rules cited previously in this report.

Bieber Enterprises, Inc.'s capital structure consists of the following two components. This capital structure supports both the utility operations and the non-utility operations.

- 1) Long-term debt - The outstanding principal due on an obligation that was created when the "Agreement for Deed" was executed between the buyer, Bieber Enterprises, Inc., and the seller, Lake-Walk-In-The-Water Village Associates, LTD.
- 2) Common equity - The owner's equity interest in continuing operations consists of the following accounts:
 - a) Common stock
 - b) Retained earnings from continuing operations
 - c) Additional Paid in Capital - Owner investments of cash to meet current obligations

The following elements of the utility's capital structure were determined by audit staff.

<u>Elements of Capital Structure</u>	<u>At 12/31/98</u>	<u>Avg. at 12/31/98</u>
Common Stock	\$200	\$200
Paid in Capital	\$21,775	\$14,175
Long-term Debt	\$60,730	\$64,365
Retained Earnings	"To be determined"	

The combined operations retained earnings balance cannot be established until a rate base has been determined.

Audit Disclosure No. 1

Subject: Pro Forma UPIS Additions

Statement of Facts: Prior Commission Order No. PSC-98-1550-FOF-WS required the utility to install customer meters before its next rate proceeding.

On January 2, 1998, the utility was issued a safety violation by the Polk County Health Department and ordered to replace the existing 3,500-gallon hydro-pneumatic tank. The utility repaired the tank and employed the engineering firm of W.A. Read, Jr. & Associates to certify the safety of the hydro-pneumatic tank and that the repairs were completed. On February 6, 1998 and August 24, 1998, the utility was required to make additional repairs to the hydro-pneumatic tank.

Subject to verification by Commission staff engineer, the utility has been told that in the near future Department of Environmental Protection (DEP) will require the utility to install an automatic switch-over gas chlorinator at its water plant.

In February 1995, the 10hp motor that operates the water pump supplying water to the utility system was struck by lightning. All efforts to locate a replacement 10hp motor that would attach to the existing plant equipment were unsuccessful. The original motor was shipped out to be rebuilt for reinstallation at a cost of \$1,302.

The wastewater treatment plant is served by three blowers.

Opinion/Recommendation: The utility has submitted the following documentation and requests consideration as pro forma plant additions for consideration in this rate proceeding.

Water Meters:

The utility has been unable to install the customer meters because of the lack of cash flow from operations. It has submitted two bids from independent contractors to install water meters at all of the existing developed lots in the community as well as for the clubhouse and pool. See proposals for specific details.

A.D. Baynard Plumbing, Inc.	\$26,075
A-OK Plumbing Service, Inc.	\$28,400

Hydro-pneumatic Water Storage Tank:

The utility now feels that it is time to replace the hydro-pneumatic tank. It has submitted a bid from an independent contractor to purchase and install a 5,000-gallon epoxy lined hydro-pneumatic tank. See the proposal for specific details that could significantly increase this estimate.

Dunham Well Drilling, Inc.	\$14,600
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Audit Disclosure No. 1, continued

Automatic Gas Switch-over Chlorinator

The utility has secured the following estimate from an independent supplier for this equipment.

A&D Water Systems, Inc. \$ 2,227

10hp Motor for Well Pump

The utility would like to have a standby motor on hand should this or a similar situation develop in the future. It has submitted an estimate from an independent supplier to purchase a standby 10hp motor.

Central Electric Motor Service, Inc. \$ 912

Blower for Wastewater Plant

The utility states that only two of the three blowers are currently in operation at this time. It has submitted an estimate from an independent supplier to purchase a replacement blower for the wastewater plant.

Barney's Pump's, Inc. \$ 952

Auditor forwards this information to the analyst and engineer in this rate proceeding for their consideration.

Audit Disclosure No. 2

Subject: Pro Forma Water Operations and Maintenance Expenses

Statement of Facts: The utility anticipates several major changes to its recurring operations and maintenance expenses in the near future.

Opinion/Recommendation: The utility has submitted the following documentation as pro forma operations and maintenance expenses.

Salary and Wages

The utility owner has stated that he intends to hire the current plant operator full time and scale back his involvement in the day-to-day operations. The owner has submitted an estimate of the new salary expenses.

Combined utility salary for Paul and Leigh	\$ 35,890
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DEP Permit

The utility's current operating permit with DEP expires at the end of 1999. The owner estimates that when he renews the permit he will incur the following cost.

DEP Permit fee	\$ 1,000
Engineering fees	\$ 2,000

Billing Services

With the installation of water meters, the owner has submitted two proposals from independent contractors to provide billing and collection services. The meter reading will be done by a utility employee.

Kohl & Company, CPAs	
Capitalized set up cost	\$ 700
Recurring billing and collections	\$ 3,666

Rainbow Bookkeeping Service	
Recurring billing and collections	\$ 8,604

DEP Notification Requirements

The utility submitted a letter from DEP indicating a future change in customer notification requirements. The cost of this change could not be determined by end of audit fieldwork.

Auditor forwards this information to the analyst and engineer in this rate proceeding for their consideration.

EXHIBIT I

**BIEBER ENTERPRISES
D/B/A/ BREEZE HILL UTILITIES
DOCKET NO. 990356-WS
WATER NET OPERATING INCOME
TWELVE-MONTH PERIOD ENDED 12/31/98**

(a) DESCRIPTION	(b) PER UTILITY 12/31/98(1)	(c) AUDIT EXCEPTION	(d) REFER TO(2)	(e) PER AUDIT 12/31/98
OPERATING REVENUES	\$0	\$14,784	E-5	\$14,784
OPERATING EXPENSES:				
O&M EXPENSE	\$0	\$19,388	E-6	\$19,388
DEPRECIATION EXPENSE (3)	\$0	\$554	E-2	\$554
CIAC AMORTIZATION (4)	\$0	\$0	E-4	\$0
TAXES OTHER THAN INCOME	\$0	\$722	E-7	\$722
TOTAL OPERATING EXPENSE	\$0	\$20,664		\$20,664
NET OPERATING INCOME(LOSS)	\$0	(\$5,880)		(\$5,880)

REQUIRED FOOTNOTES:

- (1) Utility balance set to zero. See Audit Exception No. 1.
- (2) Audit adjustments do not include audit disclosures.
- (3) No company records were available to establish depreciation expense, audit adjustments only represent verifiable additions.
- (4) No company records were available to establish CIAC amortization expense.

EXHIBIT II

**BIEBER ENTERPRISES
D/B/A/ BREEZE HILL UTILITIES
DOCKET NO. 990356-WS
WASTEWATER NET OPERATING INCOME
TWELVE-MONTH PERIOD ENDED 12/31/98**

(a) DESCRIPTION	(b) PER UTILITY 12/31/98(1)	(c) AUDIT EXCEPTION	(d) REFER TO(2)	(e) PER AUDIT 12/31/98
OPERATING REVENUES	\$0	\$10,752	E-5	\$10,752
OPERATING EXPENSES:				
O&M EXPENSE	\$0	\$27,100	E-6	\$27,100
DEPRECIATION EXPENSE (3)	\$0	\$256	E-2	\$256
CIAC AMORTIZATION (4)	\$0	\$0	E-4	\$0
TAXES OTHER THAN INCOME	\$0	\$704	E-7	\$704
TOTAL OPERATING EXPENSE	\$0	\$28,060		\$28,060
NET OPERATING INCOME(LOSS)	\$0	(\$17,308)		(\$17,308)

REQUIRED FOOTNOTES:

- (1) Utility balance set to zero. See Audit Exception No. 1.
- (2) Audit adjustments do not include audit disclosures.
- (3) No company records were available to establish depreciation expense, audit adjustments only represent verifiable additions.
- (4) No company records were available to establish CIAC amortization expense