



Public Service Commission

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

DATE: September 1, 1999
 TO: Miami District Office (Welch)
 FROM: Denise N. Vandiver; Division of Auditing and Financial Analysis *OW*
 RE: Docket No. 990975-SU; Bonita Country Club Utilities, Inc.
 Audit Service Request; Establish Rate Base as of July 31, 1999
 Audit Control No. 99-244-4-1

Attached is a new audit service request. The analyst's requested due date is October 27, 1999. By copy of this memorandum, I request that Kathy Welch be added to the CASR distribution list.

DNV: sp

Attachments

cc: Public Counsel
 Division of Auditing and Financial Analysis (Halbert)
 Division of Records and Reporting (Moses)

- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- MAS _____
- OPC _____
- PAI _____
- SEC 1
- WAW _____
- OTH _____

*copy memo only
to Sandy*

DOCUMENT NUMBER-DATE

10595 SEP-2 1999

FPSC-RECORDS/REPORTING

STATE OF FLORIDA

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



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

Public Service Commission

September 1, 1999

Mr. Michael J. Miceli
Bonita Country Club Utilities, Inc.
10200 Maddox Lane
Bonita Springs, FL 34135-7639

**Re: Docket No. 990975-SU; Bonita Country Club Utilities, Inc.
Audit Request; Establish Rate Base as of July 31, 1999
Audit Control No. 99-244-4-1**

Dear Mr. Miceli:

The Florida Public Service Commission will establish the rate base as of July 31, 1999 in accordance with Commission audit procedures. Access will be requested to documents and records of the utility and, if necessary, supporting records for affiliate company transactions that affect regulated operations. Staff auditors may also request to review the utility's external audit working papers for the most recent independent audit. Kathy Welch, (305)470-5600, the district office supervisor, will coordinate this audit. Questions regarding the audit or audit staff should be directed to the district supervisor or myself. My phone number is (850) 413-6487.

The Audit Access to Records rule for each industry states:

In those instances where the utility disagrees with the auditor's assessment of a reasonable response time to the audit request, the utility shall first attempt to discuss the disagreement with the auditor and reach an acceptable revised date. If agreement cannot be reached, the utility shall discuss the issue with successive levels of supervisors at the Commission until an agreement is reached.

Mr. Michael J. Miceli
Page 2
September 1, 1999

A formal report is expected to be issued for internal Commission use in October 1999. A copy of the final report will be mailed to the company liaison listed in the Commission Mailing Directory.

Sincerely,



Denise N. Vandiver
Bureau Chief - Auditing

DNV: sp

cc: District Office Supervisor
Division of Legal Services
Division of Records and Reporting
Public Counsel

AFAD SERVICE
11-7-93
ANALYSIS DIV

AUDIT SERVICE REQUEST

August 26, 1999
Date of Request

AFAD control #
99-244-4-1

TO : DIVISION AUDITING & FINANCIAL ANALYSIS

FROM: DIVISION OF WATER AND WASTEWATER Cheryl Johnson (904) 413-6984
Division Name Phone number

RE : REQUEST FOR AUDIT OF Bonita Country Club Utilities, Inc.
DOCKET NO.: 990975-SU
AUDIT PURPOSE: To establish rate base as of July 31, 1999

LIST AUDIT OBJECTIVES & OTHER INFORMATION ON BACK.

ADMINISTRATIVE DETAILS:

COMPANY CONTACT: Mr. G. Helen Athan, Esq. ATTORNEY (941) 514-1000
Name Title Phone Number

MAIL ADDRESS: GRANT, FRIDKIN, PEARSON, ATHAN & CROWN P.A.
5551 RIDGEWOOD DRIVE, SUTIE 501
Law Firm Street Address
NAPLES FLORIDA 34108
City State Zip Code

LOCATION OF RECORDS: The application states that the books and records are available at the address listed below. The books and records have been subpoenaed.
: Ms Pam Pass
Bonita Country Club Utilities, Inc.
10200 Maddox Lane
Bonita Springs, Florida 34135

AUDIT DUE DATE: October 27, 1999

PIECEMEAL RESULTS: YES NO

COORDINATING DETAILS: CHERYL JOHNSON (Analyst) (904) 413-6984
RICHARD REDEMANN (Engineer) (904) 413-6999
Name and phone number of other Division staff and any other administrative instructions

REFERENCES: Orders No. 15549 and 14441
Attach copies of FPSC ORDERS and other documents as appropriate

FOR USE OF THE FIELD AUDIT SUPERVISOR:

REQUEST ACKNOWLEDGED BY: _____ DATE: _____
AUDIT MANAGER ASSIGNED: _____ DATE ON SIGHT: _____

COMMENTS:

ITEM #	AUDIT OBJECTIVE OR QUESTION Add supplemental background for auditor	WORK PRIORITY
<u>ALL ITEMS CONSIDERED HIGH (H) PRIORITY</u>		
<u>1</u>	<u>The rate base objectives per rate case audit guide of the DAFA audit manual should be used in auditing utility plant, accumulated depreciation, CIAC and accumulated amortization of CIAC. A working capital allowance need not be calculated.</u>	
<u>2</u>	<u>Determine whether any assets on the seller's books are not being transferred, such as desk, computer equipment and vehicles, and exclude these items from the calculation of rate base.</u>	
<u>3</u>	<u>Determine if these are any extraordinary circumstances surrounding the purchase. Current Commission policy is not to allow an acquisition adjustment up or down unless there are extraordinary circumstance justifying an acquisition adjustment. The burden of proof is on the utility.</u>	
<u>4</u>	<u>Verify land ownership in the name of the current owner of the utility for the real property on which the utility plant is located.</u>	
<u>5</u>	<u>Verify the existing rates, miscellaneous service charges, service availability charges, and customer deposits charged by the utility.</u>	

PRIORITY
CODES

H - HIGH PRIORITY - CRITICAL WORK NEEDED TO COMPLETE PROGRAM.
M - MIDDLE PRIORITY - REQUIRED FOR FULL CONSIDERATION OF PROGRAM.
L - LOW PRIORITY - WORK THAT CAN BE DEFERRED.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of BONITA SPRINGS) DOCKET NO. 840050-SU
GOLF AND COUNTRY CLUB UTILITIES, INC.,)
for a transfer of Certificate No.) ORDER NO. 15549
281-S to BONITA COUNTRY CLUB UTILITIES,)
INC., and application for a staff) ISSUED: 1-14-86
assisted rate case in Lee County,)
Florida.)
_____)

The following Commissioners participated in the disposition of this matter:

GERALD L. GUNTER
KATIE NICHOLS

ORDER ACCEPTING STIPULATIONS AND
SETTING FINAL RATES AND CHARGES

BY THE COMMISSION:

On February 9, 1984, Bonita Country Club Utilities, Inc. (Utility), filed its application for staff assistance. Upon discovering that the certificate was issued to Bonita Springs Golf and Country Club Utilities, Inc., the utility was notified that it needed to apply for a transfer of certificate. On April 5, 1984, the utility filed its application for transfer of certificate.

Subsequently, by memorandum dated April 22, 1985, the staff scheduled the applications for transfer of the certificate and the staff assisted rate case to be considered by this Commission at the May 21, 1985, Agenda Conference. At this Agenda Conference, the Commission decided that the transfer should be immediately approved and that the recommended rates in the staff recommendation should be approved as interim rates. Order No. 14441, granting the transfer of certificate and setting interim rates, was issued on June 5, 1985.

At this same Agenda Conference, the Commission decided, on its own motion, to set the staff assisted rate case to be heard at formal hearing. Pursuant to the Commission's decision at the May 21st Agenda Conference, a prehearing conference was originally scheduled for October 9, 1985, and ultimately held on October 10, 1985.

At this prehearing conference, it was decided that the parties needed more time in which to prefile testimony. Therefore, the hearing scheduled for October 23, 1985, was cancelled, and rescheduled for January 30, 1986. Further, it was decided that a second prehearing conference was needed, and this was scheduled for January 13, 1986.

By letter dated October 16, 1985, the utility notified the Commission that, "While the utility does not agree with all aspects of the Staff findings, they are willing to accept the rates and charges determined therein as final Commission action, in order to avoid the expensive and time-consuming process of formal hearing." Further, the utility stated that it " . . . would have no objection to the Staff recommendation dated April 22, 1985, becoming final Commission action in regard to this case." This letter is attached and made a part of this order.

By letter dated November 15, 1985, the Bonita Springs Country Club Civic Association, Inc. (the customer organization), through its agent Philip K. Singer, advised this Commission that it was

FORWARDED TO DATE

1985 11 15 10

1985 11 15 10

" . . . ceasing it's (sic) opposition to the rate recommendations proposed in the Staff Memorandum of April 22, 1985." This letter is also attached and made a part of this order.

In addition, by letter dated December 19, 1985, the Citizens of the State of Florida through the Office of Public Counsel, advised this Commission that they had no opposition to the agreement worked out between the customers and the utility.

Therefore, since all parties were in agreement, and since there was no further opposition to the staff recommendation dated April 22, 1985, the prehearing conference scheduled for January 13, 1986, and the hearing scheduled for January 30, 1986, were cancelled.

STIPULATION

Since all parties have ceased their opposition to the Staff recommendation dated April 22, 1985, we find that the rates and charges set out in this recommendation should be approved as final rates and charges. In addition, we have attached and made a part of this order the staff recommendation dated April 22, 1985.

In that recommendation, the staff proposed the following rates:

<u>Customer Class</u>	<u>Flat Rates</u>
General Service	\$ 63.08
Residential:	
Single-Family	\$ 21.66
Multi-Family	14.44
Mobile Home	14.44

These rates should be approved.

However, it should be noted that on July 15, 1985, the utility filed for a 1985 Price Index (Docket No. 850371-SU). By Order No. 14666, issued on August 2, 1985, this Commission acknowledged that the utility would increase its existing rates by 3.61 percent. The existing rates were those as set out in the staff recommendation that is now accepted by all parties. Therefore, the utility being entitled to the Price Index as a matter of law, the final rates authorized for this utility are as set out below:

<u>Customer Class</u>	<u>Flat Rates</u>
General Service	\$ 65.36
Residential:	
Single-Family	\$ 22.44
Multi-Family	14.96
Mobile Home	14.96

COST OF CAPITAL

The capital structure is composed of 100 percent equity. Using the leverage formula from Order No. 14051, the cost of equity is calculated to be 14.15 percent, with a range of reasonableness of plus or minus one percent. Therefore, the total cost of capital is 14.15 percent.

SERVICE AVAILABILITY CHARGES

In the staff recommendation dated April 22, 1985, the staff recommended that the current charges as set out below be approved.

Plant Capacity Charge: Per ERC	\$ 400.00
Customer Connections Charge: Service Lateral	Actual Cost

Therefore, these service availability charges are hereby approved.

REFUND REQUIREMENT

By Order No. 14441, issued on June 5, 1985, we approved the staff recommended rates as interim rates, subject to refund. Since we have now approved those rates as final rates (as modified by the Price Index), there is no need for a refund.

In consideration of the above, it is

ORDERED by the Florida Public Service Commission that the application of Bonita Country Club Utilities, Inc., for increased rates to its customers in Lee County be granted as set out in the body of this order. It is further

ORDERED that the utility be allowed to charge the final rates and charges as set out in the body of this order. It is further

ORDERED that there is no refund requirement. It is further

ORDERED that the utility shall file within twenty (20) days the appropriate revised tariff sheets reflecting the above rates and charges. It is further

ORDERED that the utility shall notify each customer of the final action by this Commission. It is further

ORDERED that this docket shall remain open until this notification is complete.

By ORDER of the Florida Public Service Commission, this 14th day of JANUARY, 1986.


STEVE TRIBBLE
Commission Clerk

(S E A L)

RRJ

**Bonita Springs Country Club
Civic Association, Inc.**

P.O. Box 2593
Bonita Springs, Florida 33923

November 15, 1985

State of Florida Public Service Commission
c/o Office of Commission Clerk
101 East Gaines Street
Tallahassee, Florida 32301

Ref: Docket No. 840050-SU

Gentlemen:

By this letter the Bonita Springs Country Club Civic Association, Inc., through its agent Philip K. Singer representing the customers of Bonita Springs Utilities, Inc., advises that it is ceasing its opposition to the rate recommendations proposed in the Staff Memorandum of April 22, 1985.

We accept those proposed rates as follows:

General Service	\$63.08	per Month
Single Family Res.	21.66	" "
Multi-Family Res.	14.44	" "
Mobile Home Res.	14.44	" "

Please acknowledge receipt of this notice at your earliest convenience.

Very truly yours,


Philip K. Singer

cc: Jack Shreve - Public Counsel



JACK SHREVE
PUBLIC COUNSEL

STATE OF FLORIDA
OFFICE OF THE PUBLIC COUNSEL

824 CROWN BUILDING
702 BLOUNT STREET
TALLAHASSEE, FLORIDA 32301
904-486-8320

December 19, 1985

Ralph Jaeger, Esquire
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

Re: Bonita Springs
Docket No. 840050-SU

Dear Ralph:

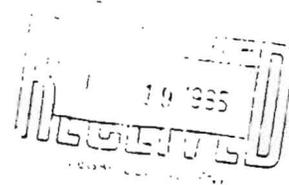
Jack has talked with the customer representatives from the Bonita Springs service area. His understanding is that the customers are generally satisfied with an agreement that they have reached with the Utility. Given that satisfaction, our office has no opposition to the agreement.

If I can be of further help, please call me.

Sincerely,


Stephen Burgess
Associate Public Counsel

SB/vlh



LAW OFFICES
MYERS, KENIN, LEVINSON, FRANK & RICHARDS

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

BRICKELL EXECUTIVE TOWER

1428 BRICKELL AVENUE

MIAMI, FLORIDA 33131

TELEPHONE (305) 371-9041

LEON HARLAN
908 PTA

TALLAHASSEE OFFICE
620 EAST LAFALETTE STREET
TALLAHASSEE, FLORIDA 32301

TELEPHONE (904) 222-9999

BRUCE J. BERMAN
DEBRA E. COHEN
LEROY C. CLYTON
BARRY CRANA, P.A.
MARTIN S. FRIEDMAN
CAROLE KENIN GANGUZZA
EDWIN M. GINSBURG
WILLIAM M. GRODNICK
ROBERT E. HOWARD
DAVID S. KENIN, P.A.
EDWARD E. LEVINSON
HAROLD L. LEWIS
KATHLEEN HARKEY
PAUL M. MARMISH
RICHARD A. MORRISON
KENNETH M. MYERS, P.A.
STANLEY C. MYERS
PATRICK PATRICKSON
GEORGE R. RICHARDS, P.A.
R. M. C. ROSE
WILLIAM E. SUNDSTROM
HELENE TENCHIN
STONEY S. TRAUH
JEFFREY WEITHORN
JAMES O. WING

* TALLAHASSEE OFFICE

October 16, 1985

Please Respond to
Tallahassee Office



Mr. Steve Tribble, Clerk
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

Re: Docket No. 840050-SU; BONITA COUNTRY CLUB UTILITIES, INC.,
Staff-assisted rate increase.
Our File No. 20710.T

Dear Mr. Tribble:

This letter is filed in order to inform the Commission, its Staff, and the Office of Public Counsel that Bonita Country Club Utilities, Inc., would have no objection to the Staff recommendation dated April 22, 1985, becoming final Commission action in regard to this case. While the utility does not agree with all aspects of the Staff findings, they are willing to accept the rates and charges determined therein as final Commission action, in order to avoid the expensive and time-consuming process of formal hearing. For the purposes of eliminating the need for hearing, the utility is therefore in agreement with the Staff position on all issues in this case.

If you or any of the other parties to this proceeding have any question in this regard, you may contact Marty Deterding or me in our Tallahassee office.

RMCR/jbe

Sincerely yours,

cc: Commissioner Cresse
Commissioner Nichols
Ralph R. Jaeger, Esq.
Sherri Causseaux
Ted Davis
Jack Shreve, Esq.
Steve Burgess, Esq.
Don Hale
Michael Miceli

DOCUMENT NUMBER DATE

07603 OCT 18 1985

1750 COPY

R. M. C. Rose, P.A.
For the Firm

M E M O R A N D U M

April 22, 1985

TO: COMMISSION CLERK

FROM: WATER AND SEWER DEPARTMENT (S. CAUSSEAUX, T. DAVIS, B. DETERDING) *SAK*
LEGAL DEPARTMENT (R. AUSTIN) *RAA*

RE: UTILITY: BONITA SPRINGS GOLF AND COUNTRY CLUB

DOCKET NO.: 840050-SU . COUNTY: LEE

CASE: APPLICATION FOR A CERTIFICATE TRANSFER AND A STAFF ASSISTED RATE CASE.

AGENDA: MAY 21, 1985 - CONTROVERSIAL

PROPOSED AGENCY ACTION

ISSUE SUMMARY

Certificate Transfer

ISSUE 1: Transfer of Certificate Number 281-S.

RECOMM.: That Certificate No. 281-S should be transferred to Bonita Country Club Utilities, Inc.

Quality of Service

ISSUE 2: Quality of Service

RECOMM.: That the quality of service be considered marginal.

Rate Base

ISSUE 3: Plant-in-Service

RECOMM.: That plant be increased by \$108,506.

ISSUE 4: C.W.I.P.

RECOMM.: That \$22,500 be placed in C.W.I.P.

- ISSUE 5: Allocation for future expenditures to upgrade conditions of plant.
RECOMM.: That no pro forma adjustment be included for future upgrading expenses.
- ISSUE 6: Used and Useful
RECOMM.: That the Sewer Treatment Plant be considered 37.4% used and useful, and the Sewer Collection System be considered 34.5% used and useful. That account 353 be considered 100% used and useful.
- ISSUE 7: C.I.A.C.
RECOMM.: That C.I.A.C. at an average value of \$256,844 be employed.
- ISSUE 8: Acquisition Adjustment
RECOMM.: That no acquisition adjustment be allowed for Bonita Country Club Utilities, Inc.
- ISSUE 9: Working Capital Allowance
RECOMM.: That the balance sheet method be used in calculating the working capital allowance.
- ISSUE 10: Test Period Rate Base
RECOMM.: That the average test period rate base equal \$71,195.

Cost of Capital

- ISSUE 11: Capital Structure
RECOMM: That a capital structure composed of 100% equity be used.
- ISSUE 12: Return on Equity
RECOMM.: That the return on equity be determined via the leverage graph.
- ISSUE 13: Overall Cost of Capital
RECOMM.: That the overall cost of capital be 14.15%.

Net Operating Income

- ISSUE 14: Depreciation Expense
RECOMM.: That depreciation expense be reflected at a composite rate of 4%, net of CIAC amortization.
- ISSUE 15: Income Tax Expense
RECOMM.: That no income tax expense be allowed for the utility.
- ISSUE 16: Test Period Net Operating Income
RECOMM.: That the test period net operating income be set at \$10,074 for sewer.

Revenue Requirement

- ISSUE 17: Revenue Requirement
RECOMM.: That final revenues be allowed at a level of \$56,096 for sewer.

Rates

ISSUE 18: Rate Structure
RECOMM.: That flat rates be employed by the utility.

Service Availability Fees

ISSUE 19: Service Availability Charges
RECOMM.: That the utility's present service availability charges remain in effect.

CASE BACKGROUND

On September 16, 1980, in Docket No. 790915-S, Bonita Springs Golf and Country Club received Sewer Certificate No. 281-S. In addition, Order No. 9544 established a rate base for the utility of \$454,976.

On February 2, 1983, Mr. Michael Miceli purchased the utility from the Partnership of Marvella Associates, Inc. and Blossom, Inc. Later that year (April, 1983) Mr. Miceli formed Bonita Country Club Utilities, Inc., a Florida Corporation (Sub Chapter - S).

An application for staff assistance was received on February 9, 1984. At this time, the utility was notified it needed to apply for a certificate transfer. The utility's application of certificate transfer was received on April 5, 1984.

An audit of the books and records was completed during April, 1984 and forms the basis for the following analysis.

DISCUSSION OF ISSUES

Certificate Transfer

ISSUE 1: Transfer of Certificate Number 281-S.

RECOMM.: That Certificate No. 281-S should be transferred to
Bonita Country Club Utilities, Inc.

STAFF ANALYSIS:

The territory to be transferred from Bonita Springs Golf and
Country Club to Bonita Country Club Utilities, Inc. is described as being
in Lee County and more particularly as denoted in Commission Order No.
9544, issued on September 16, 1980.

All filing fees have been paid and disclosure requirements met.

Quality of Service

ISSUE 2: Quality of Service

RECOMM.: That the quality of service be considered marginal.

STAFF ANALYSIS:

The utility is cooperating with the Department of Environmental
Regulation to satisfy an open citation concerning monitoring of the
ground water table underneath the percolation ponds.

Approximately 65% of the manholes were not set at the proper grade
during construction, and are a contributing factor of the high
infiltration/inflow rate. According to customers at the informal
meeting, there are lift stations that back up and must be pumped out
during peak usage.

The utility has maintained a file of customer complaints. This
file illustrates that the current owner's attitude is one of concern and
willingness to reduce the frequency of customer inconvenience.

The staff is convinced that the utility is making an attempt to
provide a satisfactory quality of service. The utility appears to be
falling short of that goal due to the condition of the system at the

time of purchase. The quality of service should be considered marginal with no penalties against the current owner.

Rate Base

ISSUE 3: Plant-in-Service

RECOMM.: That plant be increased by \$108,506.

STAFF ANALYSIS:

During the audit, it was discovered that two lift stations (Sandy Hollow and Fairway Pines) were constructed and donated to the utility by the developers. The original cost could not be verified; therefore, engineering estimated the original cost to be \$36,406. An adjustment was made to reflect the cost of these two lift stations in plant-in-service, as well as C.I.A.C.

In addition, a letter from Mr. Roy Evans (a prior owner) to a developer, Mr. Edward McArdle, stated that the cost of a lift station, constructed by Mr. McArdle and deeded to the utility, would be accepted in lieu of a tap-fee. The cost of this lift station was not recorded in plant, but was included in CIAC. An adjustment was made to reflect the cost of the lift station (\$24,000) in plant-in-service.

Finally, an adjustment was made to reflect the cost of service laterals (\$48,100) installed but not recorded as plant-in-service. The amount of the tap-in paid by the customer was included in CIAC.

ISSUE 4: C.W.I.P.

RECOMM.: That \$22,500 be placed in C.W.I.P.

STAFF ANALYSIS:

On January 31, 1984, the Department of Environmental Regulation (DER) notified the Bonita Springs Golf and Country Club Utilities, Inc.

of amendments to Chapter 17-3 and 17-4 of the Florida Administrative Code. The utility is now required to submit an acceptable monitoring plan to show the impact of discharged water on the ground water table. The utility has contracted Missimer and Associates (consulting hydrologists) to comply with DER's regulations. The estimated costs for this compliance is:

<u>Task</u>	<u>Maximum Cost Of Contract Services</u>
1. Project Element I (Cost of Study)	\$ 2,500.00
2. Project Element II (Installation of Test Wells)	12,000.00
3. Project Element III (Testing for Effluent Plumage)	3,500.00
4. Project Element IV (Static Water Level Monitoring)	500.00
5. Project Element V (Results Report to DER)	<u>4,000.00</u>
TOTAL	<u>\$ 22,500.00</u>

ISSUE 5: Allocation for future expenditures to upgrade conditions of plant.

RECOMM.: That no pro forma adjustment be included for future upgrading expenses.

STAFF ANALYSIS:

The utility has presented to staff an engineering study by the consulting firm, Agnoli, Assad, Barber, Brundage and Shannon (AABB & S). This study details the findings of an inspection of the utility by AABB & S during the test year. In this report, repairs and upgrades are recommended for both the plant and collection system that will require a budget range of \$50,000 to \$80,000. Although the consultants stress the critical nature of these repairs, no estimated timetable was noted.

During the test year the utility incurred a total of \$9,085 for non-routine repairs on plant and equipment. This expense has been

included in the rate calculations and creates a considerable allowance for the utility to begin a systematic program to upgrade the plant-in-service.

ISSUE 6: Used and Useful

RECOMM.: That the Sewer Treatment Plant be considered 37.4% used and useful, and the Sewer Collection System be considered 34.5% used and useful. That account 353 be considered 100% used and useful.

STAFF ANALYSIS:

The plant should be considered 37.4% used and useful, and the collection system should be considered 34.5% used and useful. The utility initiates service upon demand, and therefore, the NARUC account number 353 (services to customers) should be considered 100% used and useful. (See Schedule No. 7, three pages).

The collection system used and useful adjustment for CIAC was only applied to the lift stations deeded to the utility. The balance (cash CIAC) is 100% used and useful.

ISSUE 7: C.I.A.C.

RECOMM.: That C.I.A.C. at an average value of \$256,844 be employed.

STAFF ANALYSIS:

The CIAC records of the previous owners were incomplete. The annual reports could not be reconciled with the financial statements, deposit slips, or customer account cards. Therefore, CIAC was calculated based on the tariff rates and customer connections since certification in

1979. The excess of staff's balance over the company's recorded CIAC was imputed.

In addition, an adjustment was made to record the cost of the two lift stations constructed by developers and deeded to the utility (\$36,406), as CIAC. An additional adjustment was made to reflect the cost of tap-in for the fifty-six customers (ERC's) included in the margin reserve of the used and useful calculation (\$22,863). CIAC was limited to the amount of plant included as a result of the margin reserve.

ISSUE 8: Acquisition Adjustment

RECOMM.: That no acquisition adjustment be allowed for Bonita Country Club Utilities, Inc.

COMPANY POSITION:

The utility believes that a positive acquisition adjustment in the amount of \$139,017 is justified. The following reasons were supplied by the company.

- A. The purchaser paid less than replacement cost for the utility purchased.
- B. The sale was an arms length transaction, as none of the sellers are in any way related to the buyer.
- C. It was believed to be prudent purchase due to the fact that replacement cost would be much higher, and if properly operated, the owner's might make a profit on their investment.
- D. The utility assets purchased did remain in use after the sale.
- E. The purchase benefited the customers in many ways, for example:
 1. The sellers involved many different partners, some of which were foreclosed on by other partners in the same partnership.
 2. Real estate taxes were not paid on the land for 3 years.

3. Equipment at the sewage treatment plant was neglected and in need of repair.
4. Bank loans were not being paid.
5. Mortgages on the land were overdue and were in the process of being foreclosed on.
6. A large quantity of tap-in-fees were never collected due to the possible side deals of previous owners.
7. There was no insurance on the plant whatsoever.
8. A possible shut down of the plant could have occurred if someone did not take action.

The new owners believe they have rectified most of the above problems, and are in the process of correcting many of the other existing problems.

The utility's calculation of the acquisition adjustment is as follows:

Purchase Price Allocated to Sewer	\$ 475,000
Less Net Investment at Purchase	<u>(335,983)</u>
Acquisition Adjustment Needed	<u>\$ 139,017</u>

STAFF ANALYSIS:

Generally, rate base includes only the original cost of the property to the first owner devoting the property to public service. This original cost must be distinguished from a subsequent purchasers investment.

Bonita Springs Golf and Country Club was purchased on February 2, 1983 by Mr. Michael Miceli at a price of \$341,720. The amount of the purchase price was determined by staff as follows:

Net Book Value of Sewer System-Sellers Books	\$	470,594
Divided by Net Book Value of Total Assets Purchased	÷	<u>941,970</u>
Percent-Sewer System		49.9585%
Time Total Purchase Price	X	<u>1,026,000</u>
Purchase Price Allocated to Sewer	\$	512,574

Less Debts Assumed:

A). Property Taxes-Specifically Identified	(1,720)
B). Regulatory Assessment Fees Owed to PSC	(134)
C). Other Debts-Allocated Based on Assets Purchased		<u>(169,000)</u>
Net Purchase Price-Sewer	\$	<u>341,720</u>

The net investment in the utility system at February 2, 1983 was \$335,983. This amount was calculated as follows:

Land	\$	60,000
Plant-in-Service		547,208
Accumulated Depreciation	(49,689)
CIAC		(232,856)
Accumulted Amortization-CIAC		<u>11,320</u>
Net Investment	\$	<u>335,983</u>

This results in an excess of purchase price over original cost of \$5,737. This excess over original cost represents only a change in ownership without any increase in the investment in plant used and useful to the public. To include the excess as an acquisition adjustment would be requiring the customers to pay for a portion of the property again.

Current Commission policy on acquisition adjustments is that they (positive or negative acquisition adjustments) will not be allowed unless the acquiring utility shows through extraordinary circumstances, that they are necessary and in the best interest of the customers.

Based on the foregoing, staff recommends that no acquisition adjustment be allowed.

ISSUE 9: Working Capital Allowance

RECOMM.: That the balance sheet method be used in calculating the working capital allowance.

STAFF ANALYSIS:

The balance sheet method was employed in calculating the working capital allowance. The allowance was calculated as follows:

Adjusted 13-month Average Current Assets	\$ 6,677
Less Adjusted 13-month Average Current Liabilities	<u>(2,069)</u>
Working Capital Allowance	<u>\$ 4,608</u>

ISSUE 10: Test Period Rate Base

RECOMM.: That the average test period rate base equal \$71,195.

STAFF ANALYSIS:

Based on the information obtained, the test period sewer rate base should total \$71,195. The rate base is reflected on Schedule No. (1). Adjustments to the rate base are itemized on Schedule No. (2).

Cost of Capital

ISSUE 11: Capital Structure

RECOMM.: That a capital structure composed of 100% equity be used.

STAFF ANALYSIS:

Mr. Miceli purchased the utility with funds (cash) obtained from the sale of another property he owned. Debts assumed in the purchase were paid.

Mr. Miceli owns 100% of the outstanding stock of Bonita Country Club Utilities, Inc.

Based on the foregoing, the capital structure consists of 100% equity.

ISSUE 12: Return on Equity

RECOMM.: That the return on equity be determined via the leverage graph.

STAFF ANALYSIS:

Based upon the leverage as determined in Order No. 14051 dated February 1, 1985 (Docket No. 850006-WS), the cost of equity for a sewer utility with a common equity ratio of 100%, should be 14.15%.

The leverage graph is presented on Schedule No. (6).

ISSUE 13: Overall Cost of Capital

RECOMM.: That the overall cost of capital be 14.15%.

STAFF ANALYSIS:

Based upon a capital structure composed of 100% equity, an overall return of 14.15% on rate base is appropriate.

The capital structure is presented on Schedule No. (6).

Net Operating Income

ISSUE 14: Depreciation Expense

RECOMM.: That depreciation expense be reflected at a composite rate of 4%, net of CIAC amortization.

STAFF ANALYSIS:

Depreciation expense for the test year has been adjusted in order to comply with Rule 25-10.32, F.A.C.

When the utility was originally certificated, in Docket No. 790915-S, a depreciation rate of 2 1/2% was adopted and used in establishing rate base in Order No. 9544 (test year ended December 31, 1979).

Based on test year plant balances, and the service lives outlined in Rule 25-10.32, F.A.C., a new composite rate of 4% was determined to be appropriate.

In addition, depreciation expense has been reduced by amortization of CIAC. The utility has not been recording tap-in-fees as CIAC or amortizing the balance of CIAC. The adjustment for used and useful was also made.

ISSUE 15: Income Tax Expense

RECOMM.: That no income tax expense be allowed for the utility.

STAFF ANALYSIS:

The seller (a partnership) and the purchaser (Sub-Chapter S Corporation) are non-taxable entities. Therefore, there has been no calculation or provision made for income taxes, deferred taxes, or tax credits.

ISSUE 16: Test Period Net Operating Income

RECOMM.: That the test period net operating income be set at
\$10,074 for sewer.

STAFF ANALYSIS:

The utility's adjusted operating statement totalled \$10,074. The operating statement is reflected on Schedule No. (3). Adjustments to the operating statement are itemized on Schedule No. (4). A breakdown of the operation and maintenance expenses is reflected on Schedule No. (5).

Revenue Requirement

ISSUE 17: Revenue Requirement

RECOMM.: That final revenues be allowed at a level of \$56,096
for sewer.

STAFF ANALYSIS:

Based on the adjustments outlined (Schedule Nos. (2) and (4)), the utility should be allowed to increase sewer rates so as to generate \$56,096 in gross revenues. This represents an increase of 84.46% over adjusted test year revenues.

Rates

ISSUE 18: Rate Structure

RECOMM.: That flat rates be employed by the utility.

STAFF ANALYSIS:

Commission policy has been to set metered rates whenever possible. It is felt that metered rates give the customers greater control over their sewer bills, and would more equitably distribute the actual cost of providing service. However, the utility has requested that the rate structure (flat rate residential customers, metered rates for general service) remain the same.

There are several reasons justifying the continued use of flat rates for residential customers.

I. The sewer company is not related to the water company (Bonita Springs Water System). Therefore, some arrangement would have to be made to obtain water consumption on the customers; or obtain permission, find, and read the water meters themselves.

II. There are 74 single family homes, 204 multiple dwelling units (in 4 buildings with each building having a master meter), and the country club building. This would require a lot of time and expense on the utility to obtain monthly meter readings for this many customers.

III. The water company sends one bill for each of the multiple dwelling buildings to a designated individual. Since the sewer utility was certificated, it has sent bills to each single family home and each multiple dwelling unit.

IV. A request for monthly meter readings was made by staff. The water company would only provide annual totals. As a result, a billing analysis was not possible.

V. The amount of expense, if any, that would be incurred in obtaining metered data (receiving data or reading meters themselves), bill preparation etc., cannot be determined at this time.

VI. The water company, Bonita Springs Water System, is the water system for the unincorporated City of Bonita Springs. The water company's billing system is manual, and bills are not rendered at regular intervals. (i.e. every month, occasionally, every other month most of the time, and quarterly at other times).

For the above reasons, and the company's request to continue to use flat rates for residential customers, staff recommends that flat rates be established for all classes.

The amount of revenue applicable to each class of customer was based on the percentage of annual water consumption for each class over the total water consumption for all classes. The rates were then determined for each customer class by dividing revenue by annual ERC's. The following are the proposed rates along with the utility's current rates.

SEWER
MONTHLY BILLINGS

<u>Customer Class</u>	<u>Present Rates</u>	<u>Proposed Flat Rates</u>
General Service	\$1.20 per 1,000 gallons	\$ 63.08
Residential:		
Single Family	\$ 12.00	\$ 21.66
Multi-Family	8.00 per unit	14.44
Mobile Home	8.00 per unit	14.44

Service Availability Fees

ISSUE 19: Service Availability Charges

RECOMM.: That the utility's present service availability charges remain in effect.

STAFF ANALYSIS:

The utility currently is 43.92% contributed. Based on the additional investment, which is needed to upgrade the system to specifications, the current charges are adequate.

ORDER NO. 15549
DOCKET NO. 840050-SU
PAGE 24

The current charges are:

Plant Capacity Charge:

Per ERC \$ 400.00

Customer Connections Charge:

Service Lateral Actual Cost

SC/TD/BD/RA/gk

cc: Legal Department
AFAD
Engineering Section
Generalist Section
Accounting Section
Rate Section
SARC Engineering Section

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RONITA COUNTRY CLUB UTILITIES, INC. SCHEDULE NO. 1
 SCHEDULE OF SEWER RATE BASE DOCKET NO. 840050-SU
 TEST YEAR ENDED 12/31/83

	TEST YEAR PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$ 475000	\$ 73883	\$ 548883
LAND/NON-DEPRECIABLE ASSETS	0	60000	60000
PLANT HELD FOR FUTURE USE	0	-266302	-266302
ACQUISITION ADJUSTMENT	0	0	0
C.W.I.P.	0	22500	22500
C.I.A.C.	0	-256844	-256844
ACCUMULATED DEPRECIATION	0	-55410	-55410
AMORTIZATION OF ACQ. ADJ.	0	0	0
AMORTIZATION OF C.I.A.C.	0	13760	13760
WORKING CAPITAL ALLOWANCE	0	4608	4608
	-----	-----	-----
RATE BASE	\$ 475000	\$ -403805	\$ 71195
	=====	=====	=====

SCHEDULE NO. 2
 DOCKET NO. 840050-SU
 PAGE 1 OF 2

BONITA COUNTRY CLUB UTILITIES, INC.
 ADJUSTMENTS TO THE RATE BASE

	SEWER

A. UTILITY PLANT IN SERVICE	\$
1. REMOVE COMPANY'S RECORDED PURCHASE PRICE	-475000
2. REFLECT BALANCE PER ORDER 9544	436989
3. REFLECT COST OF LIFT STATIONS DONATED TO THE UTILITY	60406
4. ADDITIONS TO PLANT SINCE ORDER 9544	5063
5. REFLECT COST OF CUST. CONNECT. NOT RECORDED	48100
6. ADJUST TO AVERAGE BALANCES	-1675

TOTAL	\$ 73883
	=====
B. LAND/NON DEPRECIABLE ASSETS	\$
1. REFLECT LAND COST	60000

TOTAL	\$ 60000
	=====
C. PLANT HELD FOR FUTURE USE	\$
1. ADJUSTMENT TO REMOVE NON-USED AND USEFUL PROPERTY	
PLANT IN SERVICE	-320410
ACCUM. DEPR.	32352
CIAC	23846
ACCUM. AMORT. CIAC	-2087

TOTAL	\$ -266302
	=====
D. CONSTRUCTION WORK IN PROGRESS	\$
1. REFLECT COST OF THE FOLLOWING PROJECTS	
COST STUDY	2500
TEST WELL INSTALLATION	12000
TESTING EFFULENT	3500
STATIC WATER MONITORING	500
REPORT RESULTS	4000

TOTAL	\$ 22500
	=====

BONITA COUNTRY CLUB UTILITIES, INC.
 ADJUSTMENTS TO THE RATE BASE

	SEWER

E. CONTRIBUTIONS IN AID OF CONSTRUCTION	\$
1. REFLECT BALANCE PER ORDER 9544	-32200
2. COST OF LIFT STATIONS DONATED AND NOT RECORDED ON THE BOOKS	-36406
3. CUST. CONNECT. SINCE CERT.	-166500
4. REFLECT CIAC FOR MARGIN RESERVE	-22863
5. ADJUST TO AVERAGE BALANCES	1125

TOTAL	\$ -256844
	=====
F. ACCUMULATED DEPRECIATION - PIS	\$
1. REFLECT BALANCE PER ORDER 9544	-10201
2. ADDITIONS SINCE CERTIFICATION	-52070
3. ADJUST TO AVERAGE BALANCES	6861

TOTAL	\$ -55410
	=====
G. ACCUMULATED AMORTIZATION - CIAC	\$
1. REFLECT BALANCE PER ORDER 9544	388
2. ADDITIONS SINCE CERTIFICATION	16296
3. ADJUST TO AVERAGE BALANCES	-2924

TOTAL	\$ 13760
	=====
H. WORKING CAPITAL ALLOWANCE	\$
1. REFLECT WORKING CAPITAL ALLOWANCE USING THE BALANCE SHEET APPROACH	4608

TOTAL	\$ 4608
	=====

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BONITA COUNTRY CLUB UTILITIES, INC.
 SCHEDULE OF SEWER OPERATING STATEMENT
 TEST YEAR ENDED 12/31/83

SCHEDULE NO. 3
 DOCKET NO. 840050-SU

	TEST YEAR PER UTILITY	STAFF ADJUST. TO UTIL. BAL.	STAFF ADJUST. TEST YEAR	STAFF ADJUST. FOR INCREASE	BALANCE PER STAFF
OPERATING REVENUES	\$ 29762	\$ 649 A	\$ 30411	\$ 25685 E	\$ 56096
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	41640	-1333 B	40307	0	40307
DEPRECIATION	17952	-17399 C	553	0	553
TAXES OTHER THAN INCOME	1720	2800 D	4520	642 F	5162
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 61312	\$ -15932	\$ 45380	\$ 642	\$ 46022
OPERATING INCOME/(LOSS)	\$ -31550	\$ 16581	\$ -14969	\$ 25043	\$ 10074
RATE BASE	\$ 475000		\$ 71195		\$ 71195
RATE OF RETURN	-6.64%		-21.03%		14.15%

SCHEDULE NO. 4
DOCKET NO. 840050-SU
PAGE 1 OF 2

BONITA COUNTRY CLUB UTILITIES, INC.
ADJUSTMENTS TO THE OPERATING STATEMENT

	SEWER

A. OPERATING REVENUE	\$
1. ADJUST TO BILLING ANALYSIS	3649
2. REMOVE CIAC SHOWN AS REVENUE	-3000

TOTAL	\$ 649
	=====
B. OPERATION AND MAINTENANCE EXPENSES	\$
1. REFLECT SALARIES AT NEW RATE NET OF TAXES (NEW WAGE AND 1/2 TIME)	-483
2. ADJUSTMENT FOR INFILTRATION	-1219
3. REFLECT POWER NOT RECORDED PER BOOKS	1489
4. RECLASSIFY REGULATORY ASSESSMENT FEES	-365
5. REFLECT 1/5 OF RATE CASE FEE AND CERT TRANS. FILING FEES	360
6. REMOVE POWER COSTS ALREADY REFLECTED	-457
7. REMOVE EXCESS PHONE EXPENSE ALLOCATED TO THE UTILITY	-658

TOTAL	\$ -1333
	=====
C. DEPRECIATION EXPENSE	\$
1. ADJUSTMENT TO REFLECT DEPR. ON USED AND USEFUL PIS AT 4% (NEW RULE) NET OF CIAC AMORTIZATION	-17399

TOTAL	\$ -17399
	=====
D. TAXES OTHER THAN INCOME	\$
1. REFLECT REGULATORY ASSESSMENT FEES RECLASSIFIED FROM O&M EXPENSES	365
2. REGULATORY ASSESSMENT FEES IMPUTED FOR REVENUE ADJUSTMENT	395
3. PAYROLL TAXES RECLASSIFIED FROM O&M EXPENSES	2040

TOTAL	\$ 2800
	=====

BONITA COUNTRY CLUB UTILITIES, INC.
ADJUSTMENTS TO THE OPERATING STATEMENT

	SEWER

E. OPERATING REVENUE	\$
1. ADJUSTMENT TO REFLECT INCREASE IN REVENUE REQUIRED	25685

TOTAL	\$ 25685
	=====
F. TAXES OTHER THAN INCOME	\$
1. REFLECT REGULATORY ASSESSMENT FEES ON INCREASED REVENUE	642

TOTAL	\$ 642
	=====

SCHEDULE NO. 5
 DOCKET NO. 840050-SU
 PAGE 1 OF 1

ANALYSIS OF O&M EXPENSES
 SEWER

	TEST YEAR	ADJUST	STAFF BALANCE
LABOR AND EXPENSES	\$ 6865	\$ -860	\$ 6005
PURCHASED POWER	11052	355	11407
CHEMICALS	0	0	0
MISC. SUPPLIES AND EXPENSES	24	0	24
MAINT. OF PLANT	1565	0	1565
A & G SALARIES	7928	377	8305
OFFICE SUPPLIES	425	0	425
OUTSIDE SERVICES NOTE 1	10279	265	10544
REGULATORY COMMISSION EXPENSE	715	-255	460
MISC. GENERAL EXPENSES NOTE 2	2787	-1115	1672
	-----	-----	-----
TOTAL	\$ 41640	\$ -1200	\$ 40440
	=====	=====	=====

NOTE 1: INCLUDES \$158 IN CHEMICAL EXPENSE.
 ADJUSTMENT FOR INFILTRATION 4-85.

NOTE 2: THIS ACCOUNT INCLUDES:

POSTAGE	68.87	
OFFICE RENTAL	1200.00	
PHONE EXPENSE	958.45	25% OF TOTAL COMPANY
ELECTRICITY	450.69	10% OF TOTAL COMPANY
AUTO EXPENSE	102.51	

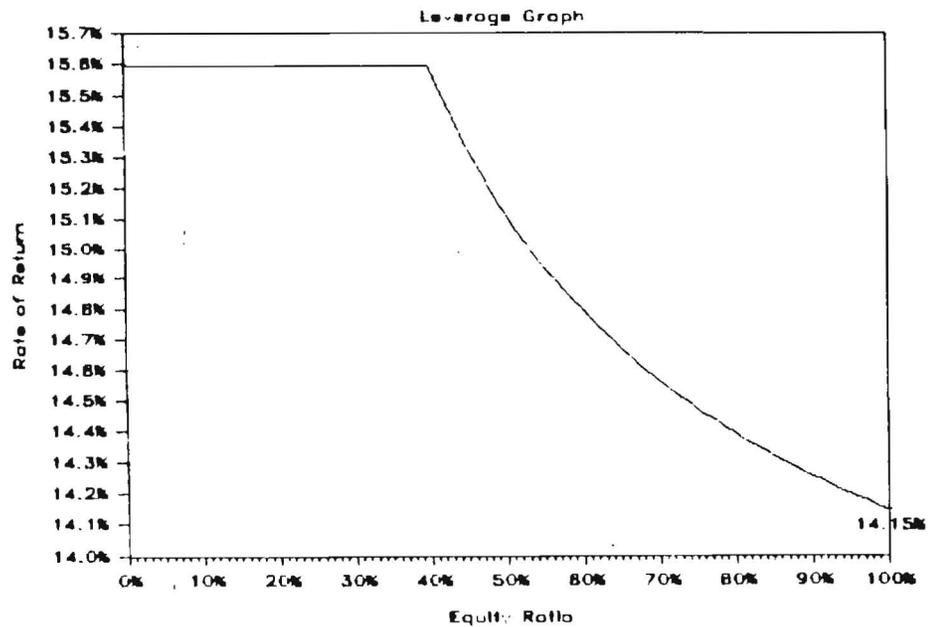
TOTAL	2786.52	
	=====	

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MONITA COUNTRY CLUB UTILITIES, I.C.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED 12/31/83

SCHEDULE NO. 6
 DOCKET NO. 840050-SU

		STAFF ADJUST. TO UTIL. BAL.	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG TERM DEBT	\$ 0	\$ 0	\$ 0			
SHORT TERM DEBT	0	0	0			
PREFERRED EQUITY	0	0	0			
CUSTOMER DEPOSITS	0	0	0			
COMMON EQUITY	475000	-403805 A	71195	100.00%	14.15%	14.15%
INVESTMENT TAX CREDITS	0	0	0			
DEFERRED TAXES	0	0	0			
OTHER	0	0	0			
TOTAL	\$ 475000	\$ -403805	\$ 71195	100.00%		14.15%



SEWER TREATMENT PLANT

USED AND USEFUL DATA

Docket No. 840050-SU Utility Bonita Springs Golf & Country Club Date 4-10-85

- 1) Capacity of Plant 300,000 gallons per day
- 2) Maximum Daily Flow 197,000 gallons per day
- 3) Average Daily Flow 183,565 gallons per day
- 4) Fire Flow Requirements NOT APPLICABLE gallons per day
- 5) Margin Reserve 15,680 gallons per day
 *Not to exceed 20% of present customers
 - a) Test Year Customers in ERC's - Begin 275 End 279 Av. 277
 - b) Average Yearly Customers Growth in ERC's for Most Recent 5 Years Including Test Year *56 ERC's
 - c) Construction Time for Additional Capacity 1 Years
 (183,565 - 106,005)

$$\frac{56}{277} \times \frac{1}{1} \times \left[\frac{3}{(a)} \right] = \underline{15,680} \text{ gallons per day}$$
- 6) Excessive Infiltration 87,005 gallons per day
 - a) Total Amount @ 106,005 gallons per day 57.7 % of Av. Daily Flow
 - b) Reasonable Amount 19,000 gallons per day 10.35 % of Av. Daily Flow
 - c) Excessive Amount 87,005 gallons per day 47.4 % of Av. Daily Flow

@ Based on design criteria and the proportional difference between water and sewer flows equaling the subtractor from the average daily flows.

PERCENT USED AND USEFUL FORMULA

$$\frac{\boxed{183,565} + \boxed{15,680}}{300,000} - \frac{87,005}{6} = \underline{37.4} \text{ % Used and Useful}$$

*Utility started in 1978/1979 with "0" customers at the beginning of 1979.

Ted Davis Engineer

SEWAGE COLLECTION SYSTEM

Schedule No. 7
Docket No. 840050-SU
Page 2 of 3
Club

Docket No. 840050-SU Utility Bonita Springs Golf and Country Club Date 4-10-85

- 1) Capacity 965 ERC's (Number of potential customers without expansion)
- 2) Number of Test Year Connections 277 ERC's
- a) Begin Test Year 275 ERC's
- b) End Test Year 279 ERC's
- c) Average Test Year 277 ERC's
- 3) Margin Reserve 56 ERC's
*Not to exceed 20% of present customers
- a) Average Yearly Customer Growth in ERC's for Most Recent 5 years Including Test Year 56 ERC'S
- b) Construction Time for Additional Capacity 1 Years
- 56 1
- (a) x (b) = 56 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{277 + 56}{965} = 34.5\% \text{ Used and Useful}$$

Ted Davis

Engineer

USED AND USEFUL ADJUSTMENTS
 TO SEWER UTILITY PLANT ACCOUNTS

Schedule No. 7
 Docket No. 840050-SU
 Page 3 of 3
 Date 4-10-85

Docket No. 840050-SU Utility

Bonita Springs Golf & Country Club

Account	Plant Per Books \$	Used and Useful %	Used and U Plant \$
<u>Collection Plant</u>			
350. Land and Land Rights		34.5%	
351. Structures and Improvements		34.5%	
352. Collection Sewers		34.5%	
352.1 Collection Sewers-Force		34.5%	
352.2 Collection Sewers-Gravity		34.5%	
352.3 Special Collecting Structures		34.5%	
353. Services to Customers		100%	
354. Flow Measuring Devices		34.5%	
355. Flow Measuring Installations		34.5%	
356. Other Collection Plant Facilities		34.5%	
<u>Pumping Plant</u>			
360. Land and Land Rights		34.5%	
361. Structures and Improvements		34.5%	
362. Receiving Wells		34.5%	
363. Electric Pumping Equipment		34.5%	
364. Diesel Pumping Equipment		34.5%	
365. Other Pumping Equipment		34.5%	
<u>Treatment and Disposal Plant</u>			
370. Land and Land Rights		37.4%	
370.1 Oxidation Lagoon Land		37.4%	
371. Structures and Improvements		37.4%	
372. Treatment and Disposal Equipment		37.4%	
373. Plant Sewers		37.4%	
374. Outfall Sewer Lines		37.4%	
375. Other Treatment and Disposal Plant Equipment		37.4%	
<u>General Plant</u>			
389. Land and Land Rights			
390. Structures and Improvements			
391. Office Furniture and Equipment			
392. Transportation Equipment			
399. Other Tangible Property			

Ted Davis

Engineer

RECOMMENDATIONS FOR AGENDA CONFERENCE
 RATE CASE DATA SUMMARY

Docket No. 840050-SU County Lee Water Sewer X
 Utility Name Bonita Springs Utilities, Inc.
 General Area Served Bonita Springs Golf & Country Club
 Proposed OR As Directed in Order No. Staff Assisted X
 Regular

DATE: Case Filed 4/5/84 Last Hearing NA 8 Month Deadline NA
 Commission Agenda 5/21/85 Prior Case Rate Increase NA

	Utility	Staff	Department
Rate Base	\$ 475,000	\$ 71,195	\$ 71,195
Operating Inc.	(31,550)	10,074	10,074
Rate of Return	(6.64%)	14.15%	14.15%

	Original	Interim	Requested	Department	Increase%
Gross Annual Revenue	\$ 29,762	NA	NA	\$ 56,096	80.48%
Increased Revenues		NA	NA	25,685	
Average Monthly Bill: Flat Rates					
--Residential	\$ 12.00	NA	NA	\$ 21.66	80.50%
--Gen. Service	See Below			63.08	271.06%
--Multi-Family	\$ 8.00			14.44	80.50%

RESIDENTIAL

Typical Bills

	Original	Interim	Requested	Department	Increase%
Flat Rates: Residential	\$ 12.00	NA	NA	\$ 21.66	80.50%
Multi-Family	8.00			14.44	80.50%

Rate Structure

Flat Rates

General Service:					
BFC	None	NA	NA	\$ 63.08	(See Staff
Gallonage Charge	\$ 1.20				Recomm.
Residential Rates:					for Full
Flat Single Family	\$ 12.00			21.66	Rate
Rates Multi-Family	8.00			14.44	Details)

No. Customers: Residential 253 General Service 2

Remarks: The General Service Customers are the utility's related company (Bonita Springs Golf & Country Club). They are not billed by the utility; however, an average bill is \$17.00. Revenue was imputed for the Country Club.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of) DOCKET NO. 840050-SU
Certificate No. 281-S from Bonita)
Springs Golf & Country Club to Bonita) ORDER NO. 14441
Country Club Util., Inc. and for staff)
assistance on a rate case to customers) ISSUED: 6-5-85
in Lee County.)

The following Commissioners participated in the disposition of this matter:

JOHN R. MARKS, III, CHAIRMAN
JOSEPH P. CRESSE
GERALD L. GUNTER
KATIE NICHOLS

ORDER APPROVING TRANSFER OF CERTIFICATE,
AND INCREASED RATES ON AN INTERIM BASIS
AND SETTING HEARING

BY THE COMMISSION:

On September 16, 1980, in Docket No. 790915-S, Bonita Springs Golf and Country Club (Utility) received Sewer Certificate No. 281-S. On February 2, 1983, Mr. Michael Micelli purchased the utility from the partnership of Marvella Associates, Inc. and Blossom, Inc.. In April of 1983, Mr. Micelli formed Bonita Country Club Utilities, Inc. (Utility). On February 9, 1984, the utility requested a rate increase and submitted an application for staff assistance. The utility applied for a certificate transfer on April 5, 1984. The certificate was requested to be transferred from Bonita Springs Golf and Country Club to Bonita Country Club Utilities, Inc.. An informal Customer Meeting was held on January 10, 1985 in the utility's service area.

The Commission staff submitted its recommendation on the certificate transfer and rate case, as proposed agency action, for our consideration at the May 21, 1985 Agenda Conference. The following persons spoke at this conference. Mr. Phillip Singer, representing the Bonita Springs Country Club Civic Association (customers of the utility), Mr. Mark Ellis, representing a neighboring subdivision which has tapped into the utility's sewer system, but which is not presently being served by the utility, members of the Commission staff, and Mr. Micelli, for the utility.

Each presented some information which touched upon additional important issues which we feel need to be heard. Therefore, based upon our own motion, we will schedule a hearing on this staff-assisted rate case, in the Utility's service area. Until such time as we enter our final vote after a hearing in this matter, we hereby approve the increased rates contained in Staff's recommendation, as outlined below, subject to refund. We will not consider this matter as a proposed agency action.

Upon review of the application and of the Staff's recommendation, we find that until our vote after a formal hearing in this docket, the interim increase of \$56,096 for sewer service, subject to refund, is warranted.

Rates designed to produce the interim revenues approved in this order, subject to refund, are as follows:

RECORDED PER DATE

1985 JUN -4 PM

1985

The interim rates listed hereunder will generate the interim revenue requirement of \$56,096.

<u>SEWER</u> <u>Monthly Billings</u>		
<u>Customer Class</u>	<u>Present Rates</u>	<u>Interim Flat Rates</u>
General Service	\$1.20 per 1,000 gals.	\$63.08
Residential:		
Single Family	\$12.00	\$21.66
Multi-Family	\$ 8.00 Per Unit	\$14.44
Mobile Home	\$ 8.00 Per Unit	\$14.44

The Utility's current service availability charges are to remain in effect. We further find that these rates shall be effective beginning in June 1985 for the billing quarter consisting of the months, June, July, and August.

In view of the foregoing, it is

ORDERED that Certificate No. 281-S is hereby transferred from Bonita Springs Golf and Country Club to Bonita Country Club Utilities. It is further

ORDERED that interim increases be granted and that the utility is directed to file revised tariff sheets containing the rates indicated in this order. These rates are designed to produce a revenue increase of \$56,096 for the Bonita Country Club Utilities, Inc. It is further

ORDERED that the utility shall notify each customer of the interim sewer rate increase authorized herein and explain the reasons for the increase. A letter of explanation should be submitted to the Commission for prior approval. It is further

ORDERED that the utility shall keep an accurate account of all monies received by virtue of the interim increase in the sewer rates, specifying by whom and whose behalf such amounts were paid. It is further

ORDERED that the utility shall file a report no later than the twentieth day of each month when the interim sewer rates are in effect, showing the amount of revenue collected as a result of the interim rates and the amount of revenue that would have been collected under the old rates. It is further

ORDERED that the sewer service rates granted by this order shall become effective for the billing quarter beginning June 1985. It is further

ORDERED that any party adversely affected by the Commission's final action regarding the transfer of this certificate is entitled to request: 1) reconsideration of the decision by filing a motion for reconsideration with the Commission Clerk within 15 days of the issuance of this order in the form prescribed by Rule 25-22.60, Florida Administrative Code, or 2) judicial review by the First District Court of Appeal by the filing of a notice of appeal with the Commission Clerk and the filing of a copy of the notice and the filing fee with the District Court of Appeal. This filing must be completed within 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. It is further

DOCKET NO. 840050-SU
ORDER NO. 14441
Page 3

ORDERED that the Commission will schedule a formal final hearing regarding the utility's request and provide the proper notice of such hearing. During this time the interim rates as outlined herein shall be in effect subject to refund.

By ORDER of the Florida Public Service Commission, this 5th day of JUNE, 1985.



STEVE TRIBBLE
Commission Clerk

(S E A L)

RRA