

M E M O R A N D U M

DECEMBER 6, 1999

TO: DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF LEGAL SERVICES (FUDGE) *RF*

RE: DOCKET NO. 991056-SU - APPLICATION FOR TRANSFER OF
 CERTIFICATE NO. 456-S FROM DEL VERA LIMITED PARTNERSHIP
 TO COOLIDGE-FT. MYERS REALTY LP D/B/A HERON'S GLEN
 UTILITIES IN LEE COUNTY.

Please place the attached letter dated December 3, 1999, in the docket file.

JKF/lw

Attachment

cc: Division of Water and Wastewater (Brady)

AFA _____
 APP _____
 CAF _____
 CMU _____
 CTR _____
 EAG _____
 LEG _____
 MAS _____
 OPC _____
 RRR _____
 SEC _____
 WAW _____
 CTR _____

DOCUMENT NUMBER-DATE
 14849 DEC-6 99
 FPSC-RECORDS/REPORTING

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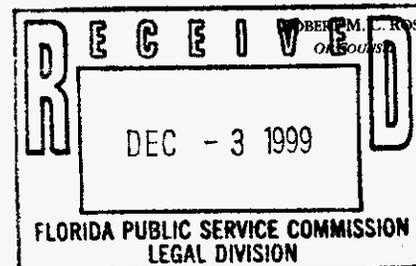
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JOHN L. WHARTON

December 3, 1999

VIA HAND DELIVERY



Rosanne Gervasi, Esquire
Legal Division
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0873

Re: Coolidge-Ft. Myers Realty, LP d/b/a Heron's Glen Utilities; PSC Docket No. 991056-SU
Application Transfer of Wastewater Certificate
Our File No. 34073.01

Dear Rosanne:

Attached is a copy of my November 2, 1999 letter to Pat Brady dealing with various questions she has raised concerning our application and the transfer of the Utility system to its current owners. Specifically, please note beginning in Paragraph 8 on Page 3 entitled "Books and Records" to the end where I described to Pat the situation and the reason why the Utility was not in a good position to obtain the original cost documents requested. I contacted the Chief Financial Officer for the current owner of the Utility and told him of the desire to get in touch with Renee Frasier. He said that no one in their office in a position of power knows Ms. Frasier, but that apparently Kathy Welch had obtained that name because one of the employees who formerly worked in the administrative offices thought that if anyone had the books and records, Renee Frasier would be that person. I believe there may have been some misunderstanding, as I am told that no one specifically told Kathy that that individual had those books and records, just that if anyone did, she would be the person to have them.

As requested, I have specifically called Ms. Frasier and talked to her at length, pleading with her to give me any information she has concerning the location of the old utility's original cost records. Ms. Frasier told me that she believed that they were in the possession of the current owners and were provided to the former Chief Financial Officer for the Coolidge group, Godfry Santini, or possibly Bob Peters, the CEO for the Coolidge organization. I have once again contacted my client, the current Chief Financial Officer, Doug Cordello, and have been told that Mr. Santini no longer works there and that in fact he was contacted by Kathy Welch and stated that he had no possession of such records and had no idea where they were. In addition, I am told that Bob Peters has also

Rosanne Gervasi, Esquire

December 3, 1999

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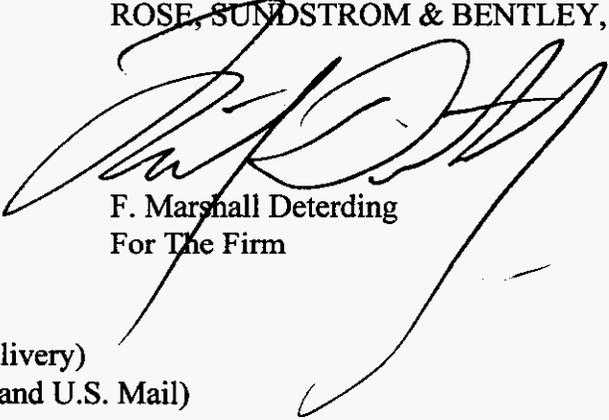
asked about any knowledge he had and he states that he has no knowledge of the current owner ever having received such records. While Ms. Frasier did state that she did have 9 warehouses full of old records, she did not believe any of them related to the Utility system. To the extent the Commission staff can get Ms. Frasier to have someone look for those records, we are certainly more than happy to have them, rather than go through the cost and trouble of an original cost analysis at some later date. However, based upon my conversation with Ms. Frasier, I seriously doubt those records still exist and that further delay in processing this Transfer Application is unwarranted under the circumstances. As I stated in my letter to Pat Brady, I believe the prior owners may be somewhat willing to assist the Commission staff, they are likely to be less than eager to assist the current owners, given the fact that the foreclosure and purchase of the Utility by the current owners forced that prior owner into bankruptcy.

I will let you know if I learn anything more, but I believe these facts present all the more reason that the Commission should move forward with approval of this case without audit as was originally intended, and as I was originally instructed to file the case, given the circumstances.

If somebody at the PSC is able to obtain this information, the current owners would love to have it. However, I do not believe that is adequate reason to further hold up this proceeding, as we have reached a dead end. We simply believe that it is very unlikely that we are going to be able to get cooperation from any of the former owners or their employees, even assuming they have the books and records. If you have any further questions, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD/tmg
Enclosure

cc: Ms. Pat Brady (Via Hand Delivery)
Kathy Welch (Via Telecopy and U.S. Mail)

herons\gervasi.ltr

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November 2, 1999

ROBERT M. C. ROSE
OF COUNSEL

VIA HAND DELIVERY

Ms. Pat Brady
Division of Water and Wastewater
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Coolidge-Ft. Myers Realty, LP d/b/a Heron's Glen Utilities
Application for Transfer of Wastewater Certificate
Our File No. 34073.01

Dear Pat:

I have outlined below my attempts at responding to your memo dated October 20, 1999 that we received on the 21st. Hopefully, this will give you all the information you need to avoid delaying further action on this case and moving forward with a Staff Recommendation without the benefit of a further audit investigation which would be wholly unproductive as noted below:

1. Tariffs - We have made the corrections to Tariff Sheet No. 23.0 to add a reference to the Table of Daily Flows (Tariff Sheet No. 25). I am attaching hereto a new Tariff Sheet No. 14.0 which is an effluent reuse rate. We have also attached revised Tariff Sheet No. 11.0 and all other tariff pages as previously filed reflecting the correct name.
2. Treated Effluent Tariff Schedule - See Item 1. above.
3. Treated Effluent Customer -
 - a. The only current reuse customer is the Herons Glen Recreation District, a District formed this year which owns all the amenities (including the Golf Course), in what used to be known as the Del Vera Development, now known as Herons Glen.

- b. Current name, see subparagraph a. above.
 - c. The golf course is currently receiving treated effluent.
 - d. As noted in subparagraph a. above, the golf course is owned by an unrelated homeowner created recreation district which is a quasi-governmental entity.
 - e. The Recreation District is the only treated effluent customer presently.
 - f. The Utility has not been charging for treated effluent because the previous owner had not been charging for that service and had not informed the Utility upon transfer of the facilities through bankruptcy sale on the courthouse steps that there was such a requirement and no tariff sheet was in effect.
4. Utility Name - The exact correct name of the Utility is Coolidge-Ft. Myers Realty, LP, d/b/a Heron's Glen Utilities. Corporate counsel is currently in the process of cleaning up the old corporate records and fictitious name filings to ensure that only that name is utilized for the Utility and that it is configured in exactly that manner.
5. Information on Ownership and Control -
- a. The general partner of Coolidge-Ft. Myers Realty, LP, is Coolidge-Valencia Realty Corp.
 - b. (1) Heron's Glen is a portion of what was originally developed as Del Vera Golf and Country Club. However, Phase II of the Del Vera Golf and Country Club is what is now known as Nantucket Village. That portion of the service area has yet to be developed. The Utility will service both the Nantucket Village and Heron's Glen developments, both of which are in its certificated service territory.
 - (2) Nantucket Village is a second phase of the former Del Vera Golf and Country Club Subdivision. Del Vera Utilities was simply retained as a fictitious name as part of the acquisition of the Utility on the courthouse steps by the current owners. However, there is no separate utility and both subdivisions will be served by what is now to be known as Heron's Glen Utilities.
 - (3) See above.

6. Purchase Price -The value that was placed on the Utility's facilities at auction was based upon the book value historical costs within the Annual Report dated 12/31/96. This was done based upon the acquiring entity's recognition that the utility system's value is relatively stable, whereas real estate values that were also acquired during this same transaction are much more fluid and fluctuate with market supply and demand. Therefore, the book value at the time of the acquisition in the beginning of 1997 was the value placed on the utility assets at that time.
7. Financing -The related entity, Coolidge-Valencia Equities, LP, acquired the former Del Vera Golf and Country Club through a bankruptcy purchased on the courthouse steps after acquiring a package of non-performing loans from the bank. The debt on what is now known as Heron's Glen was only one of several such loans acquired, and the new owners were trying to salvage the good ones and write off the bad ones. The note was bought at the time and held by the related entity and a note back from the Utility to the related party. The related party paid off the bank debt when acquiring all of the assets of the former development, including the Utility.
8. Books and Records - There is no source documentation currently available from the current owners. Because this property was acquired in a bankruptcy and a foreclosure of nonperforming bank notes, the former owners were not cooperative or helpful in transferring facilities. While the Court Order specifically required that the former owner turn over "all records necessary for transfer," this does not include source documentation necessary for an audit of rate base, or even the general ledgers and other books of the Utility Company. Specifically, what the Court Order is referring to is documents exhibiting transfer of ownership. Again, the bankrupt entity that formerly owned the Utility system was not at all cooperative, and the new owners who acquired the property on the courthouse steps were not aware of the need to seek out this information at the time, even if it were available.

The former owner is no longer in existence and the current owners do not know where to search for those source documents if they were even retained by anyone, which is highly unlikely. It is the current owners intent to do an engineering study to make up for the fact that the prior owners failed to retain or provide source documentation to support the original cost rate base for the Utility system. Based upon all of the facts discussed above, at this time, there is nothing that can be audited to support original cost rate base.

As for the retention of accounting personnel, these are simply the clerical personnel that were retained by the current owners. These individuals have nothing to do with

Ms. Pat Brady
November 2, 1999
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custody of the books and records, much less the source documentation and as such, they had no ability to acquire those records from the prior owner. Again, the prior owner was not at all cooperative in transfer of the system.

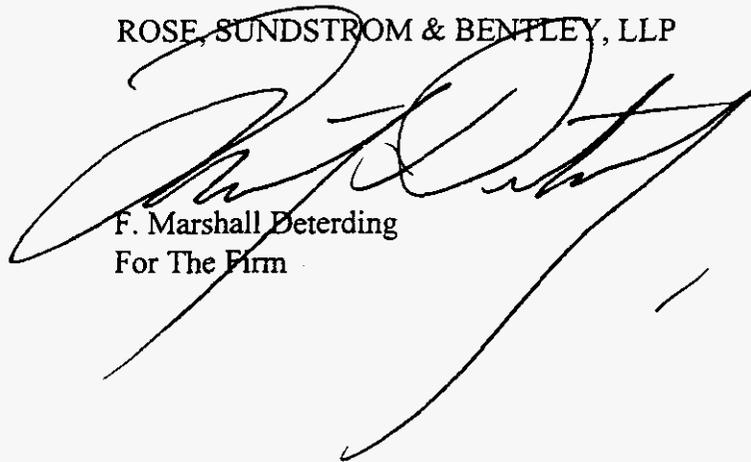
I trust that the above information fully responds to your inquiry. I believe that you will see from a review of this that there is nothing that the auditors can review in order to establish rate base at this time. That is the reason why we specifically requested that you not do so. The Utility will have to perform an original cost study in order to support its rate base at a future date.

If you have any questions in this regard, please let me know. Otherwise, if you still wish to send an auditor in, it will be only for the purposes of contact to discuss what records are available. Once the auditors recognize that there are no books and records, other than the most recent ones, based upon carrying the prior book values from the Annual Report forward, they will see that there is nothing to audit at this time.

Please let me know if you have any further questions.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD/tmg

Enclosures

cc: Jason Fudge, Esquire
Bill Kouwenhoven

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