

State of Florida



Public Service Commission

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

DATE: November 19, 2001
TO: Division of Regulatory Oversight (Brady)
FROM: Division of Regulatory Oversight (Vandiver) *W*
RE: Docket No. 010801-WS ; Bieber Enterprises d/b/a Breeze Hill Utilities; Audit
Purpose: Certificate of Transfer; Audit Control No. 01-190-3-1

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services
Division of Legal Services

Mr. Terry W. Hartigh, President
Breeze Hill Utilities
152 Breeze Hill
Lake Wales, FL 33853-7300

DOCUMENT NUMBER-DATE

14807 NOV 20 01

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

Orlando District Office

**BIEBER ENTERPRISES
d/b/a BREEZE HILL UTILITIES, INC.**

ESTABLISH RATE BASE AT TRANSFER

AS OF DECEMBER 31, 2000

**DOCKET NO. 010801-WS
AUDIT CONTROL NO. 01-190-3-1**

A handwritten signature in black ink, appearing to read "Charleston J. Winston".

Charleston J. Winston, Audit Manager

A handwritten signature in black ink, appearing to read "Intesar Terkawi".

Intesar Terkawi, Audit Staff

A handwritten signature in black ink, appearing to read "Jeffery A. Small".

Jeffery A. Small, Professional Accountant Specialist

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**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT**

October 11, 2001

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the financial records as of December 31, 2000, for Bieber Enterprises, d/b/a Breeze Hill Utilities, Inc. The attached rate base schedules were prepared by the audit staff as part of our work in the utility's application for a Certificate of Transfer in Docket No. 010801-WS.

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.

SUMMARY OF SIGNIFICANT FINDING

The utility did not reconcile rate base to the prior Commission Order No. PSC- 99-2394-FOF-WS, issued December 7, 1999.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. 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.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Verify - The item was tested for accuracy and compared to the substantiating documentation.

RATE BASE: Compiled account balances for utility-plant-in-service (UPIS), contributions-in-aid-of-construction (CIAC), accumulated depreciation, and accumulated amortization of CIAC from December 31, 1998. Reconciled rate base balances authorized in Commission Order No. PSC- 99-2394-FOF-WS to December 31, 1998, beginning balances. Verified 1999 and 2000 plant additions for the proper amount, classification and period. Scanned the company's records for CIAC additions. Tested additions to accumulated depreciation and accumulated amortization for proper rates and calculations.

Exception No. 1

Subject: Adjustment to Prior Commission Order

Statement of Fact: Commission Order No. PSC-99-2394-FOF-WS, issued December 7, 1999, established the company's rate base balances as of December 31, 1998. The following are the differences between the company and Order as of December 31, 1998.

Water as of December 31, 1998:

DESCRIPTION	PER UTILITY	ADJUSTMENT	PER ORDER
PLANT IN SERVICE	\$11,308	\$71,142	\$82,450
LAND	0	2,997	2,997
CONTRIBUTIONS-IN-AID OF CONSTRUCTION (CIAC)	0	(31,433)	(31,433)
ACCUMULATED DEPRECIATION	(982)	(44,490)	(45,472)
ACCUMULATED AMORTIZATION OF CIAC	<u>0</u>	<u>19,604</u>	<u>19,604</u>
TOTAL RATE BASE	<u>\$10,326</u>	<u>\$17,820</u>	<u>\$28,146</u>

Wastewater as of December 31, 1998:

DESCRIPTION	PER UTILITY	ADJUSTMENT	PER ORDER
PLANT IN SERVICE	\$6,414	\$242,945	\$249,359
LAND	0	18,519	18,519
CONTRIBUTIONS-IN-AID OF CONSTRUCTION (CIAC)	0	(117,903)	(117,903)
ACCUMULATED DEPRECIATION	(328)	(194,124)	(194,452)
ACCUMULATED AMORTIZATION OF CIAC	<u>0</u>	<u>93,730</u>	<u>93,730</u>
TOTAL RATE BASE	<u>\$6,086</u>	<u>\$43,167</u>	<u>\$49,253</u>

Recommendation: The Commission should require the company to adjust its balances as of December 31, 1998, to the above Order amounts.

The audit staff established the associated balances for CIAC accumulated amortization water of \$21,729 and wastewater of \$104,070 as of December 31, 2000, using the composite rates.

Exception No. 2

Subject: Plant-in-Service, Land and Accumulated Depreciation

Statement of Fact: The company acquired a vehicle in 1999 that was recorded to Account No. 341, Transportation Equipment for \$169 and Account No. 391, Transportation Equipment for \$168.

The company recorded \$475 to Account No. 353, Land and Land Rights for a land survey in conjunction with the transfer of the utility.

For accumulated depreciation, the differences between the company rates and Commission Rule 25-30.140, Florida Administrative Code, rates are shown below for the accounts indicated.

<u>Account No. and Name</u>	<u>Company Rates (years)</u>	<u>Commission Rates (years)</u>
Acct. No. 330-Distribution Reservoirs & Standpipes	22	33
Acct.No. 339-Other Plant and Miscellaneous Equipment	10	20
Acct. No. 371-Pumping Equipment	11	18
Acct.No. 389-Other Plant and Miscellaneous Equipment	12	15

Recommendation: The above vehicle should be removed from plant-in-service, because it did not transfer with the utility. The following journal entry should be recorded.

Water:	Accumulated Depreciation	\$169	
	Transportation Equipment		\$169
Wastewater:	Accumulated Depreciation	\$168	
	Transportation Equipment		\$168

The above land survey of \$475 should be removed from Land since it was in conjunction with the transfer of the utility and provides no benefits to the present or future customers.

The company should be required to use the Commission depreciation rates as shown above. The accumulated depreciation balances are \$52,494 and \$216,279 for water and wastewater, respectively, as of December 31, 2000. These balances also include the adjustments shown in Exception No. 1.

EXHIBIT I

**BIEBER ENTERPRISES
d/b/a BREEZE HILL UTILITIES, INC.
WATER RATE BASE
DOCKET NO. 010801-WS
ESTABLISH RATE BASE AT TRANSFER
AS OF DECEMBER 31, 2000**

DESCRIPTION	PER UTILITY(1)	AUDIT EXCEPTION(1)	REFER TO(2&3)	PER AUDIT(1)
UTILITY PLANT-IN-SERVICE	\$56,058	\$70,973	Note A	\$127,031
LAND & LAND RIGHTS	0	2,997	E1	2,997
CONTRIBUTIONS-IN-AID- OF- CONSTRUCTION (CIAC)	0	(31,433)	E1	(31,433)
ACCUMULATED DEPRECIATION	(3,810)	(48,684)	E2	(52,494)
ACCUMULATED AMORTIZATION OF CIAC	<u>0</u>	<u>21,729</u>	E1	<u>21,729</u>
TOTAL	\$52,248	\$15,582		\$67,830

FOOTNOTES:

- 1) Small differences can be attributed to rounding errors.
- 2) Audit adjustments do not include audit disclosures.
- 3) Adjustments calculated as displayed below.

<u>Audit Exception</u>	<u>Note A</u>
No. 1	\$71,142
No. 2	<u>(169)</u>
Total Adjustment	<u>\$70,973</u>

EXHIBIT II

**BIEBER ENTERPRISES
d/b/a BREEZE HILL UTILITIES, INC.
WASTEWATER RATE BASE
DOCKET NO. 010801-WS
ESTABLISH RATE BASE AT TRANSFER
AS OF DECEMBER 31, 2000**

DESCRIPTION	PER UTILITY(1)	AUDIT EXCEPTION(1)	REFER TO(2&3)	PER AUDIT(1)
UTILITY PLANT-IN-SERVICE	\$9,032	\$242,777	Note A	\$251,809
LAND & LAND RIGHTS	475	18,044	Note B	18,519
CONTRIBUTIONS-IN-AID- OF- CONSTRUCTION (CIAC)	0	(117,903)	E1	(117,903)
ACCUMULATED DEPRECIATION	1,301	(217,580)	E2	(216,279)
ACCUMULATED AMORTIZATION OF CIAC	<u>0</u>	<u>104,070</u>	E1	<u>104,070</u>
TOTAL	\$10,808	\$29,408		\$40,216

FOOTNOTES:

- 1) Small differences can be attributed to rounding errors.
- 2) Audit adjustments do not include audit disclosures.
- 3) Adjustments calculated as displayed below.

<u>Audit Exception</u>	<u>Note A</u>	<u>Note B</u>
No. 1	\$242,945	\$18,519
No. 2	<u>(168)</u>	<u>(475)</u>
Total Adjustment	<u>\$242,777</u>	<u>\$18,044</u>