

Rayonier

Sunray Utilities - Nassau, Inc.
Sunray Utilities - St. Johns, Inc.

June 24, 1997

Subsidiaries of Rayonier

Ms. Blanca S. Bayo
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket Numbers ~~970209-WS~~/970210-WS -- Sunray Utilities
Rate Base Audit Report

Dear Ms. Bayo:

Our response to the Rate Base Audit Report, Audit Control # 97-076-1-2 is as follows:

Audit disclosure No. 1:

Due in part to the fact that the books and records of this entity have been maintained at several different locations during its ten year plus life, requiring multiple relocations of documents, we were unable to provide documentation to support \$26,860 of Water Plant and \$14,960 of Sewer Plant at Sunray Nassau. However, we believe these amounts to be properly included in our book basis for the assets involved and are immaterial relative to the supported plant accounts which are nearly \$4 million.

Audit disclosure No. 2:

We continue to anticipate the need for future expansion of the Nassau water plant, and believe the site purchased by Sunray in 1988 remains a reasonable location for some of the anticipated expansion to occur. By purchasing this site in 1988, Sunray secured an expansion site location and minimized the impact further development in the area may have on land price increases.

Audit disclosure No. 3:

The erroneous allocation of Invoice # 001827 for \$7,500.00 will be corrected in our plant accounts in fiscal June, 1997.

Audit disclosure No. 4:

The St. Johns County Water and Sewer Authority made a comprehensive revision to their Annual Report for the year ending 12/31/1995. There had been no requirement to provide an estimated "Nonused and Useful Plant" amount in previous year's reports. Requests for guidance from the St. Johns County Water and Sewer Authority staff provided no insight into the intent of this data request. The calculations used to produce the estimate provided were not based on engineering data. They were based on the number of active ERC's as a percentage of plant capacity ERC's. The estimate did not consider the committed capacity reserved for future customers who were not yet connected. As noted in this disclosure by the auditor, to the best of our knowledge, all plant and land assets (other than the \$36,000 Sunray Nassau

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Page Two
Blanca Bayo, FPSC
June 24, 1997

Land held for future Water use as noted in disclosure No. 2 above) are currently completely useful, are being used, and are fully operational at either the St. Johns or Nassau water or sewer utility plants. A copy of the response provided the auditor (and noted as being included with the Work Papers of the auditor) regarding this issue is attached.

Sincerely,



Kelli L. Adkins
Manager, Accounting

cc: David deNagy, United Water (w/o encl.)

Rayonier

Sunray Utilities - Nassau, Inc.
Sunray Utilities - St. Johns, Inc.

Subsidiaries of Rayonier

May 6, 1997

Mark Caruth
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: FPSC Memo #MC-05-NON

Dear Mark:

In response to your questions regarding nonused and nonuseful plant, water and sewer, for both Sunray - Nassau and Sunray - St. Johns, I am providing the following information.

1. Please provide the methodology or the estimation procedures used to determine the nonused and useful plant amounts contained in the 1995 Sunray - St. Johns Annual Report. Prior to the 1995 Annual Report, an estimation of the nonused and useful plant was not requested or required. When the revised report was issued by the St. Johns County Water and Sewer Authority, I contacted the Authority for some assistance as to how to calculate the nonused and useful plant, if any. No one could provide an answer other than to say, "just estimate it." Therefore I strongly believe that the amounts contained within the report should not be construed as precise or binding as I do not possess the qualifications necessary to determine nonused and useful plant. Accurate nonused & useful amounts, if any, are to be calculated by a qualified engineer.

The methodology used was as follows:

Water:

34 ERC's (customers)

457 Capacity ERC's = 7.4% used & useful or 92.6% nonused & useful

Water Treatment Equipment	\$324,828.55
	x 92.6%
	300,791.24
Hydrogeologic Study	<u>90,082.00</u>
	\$390,873.24

Sewer:

25 ERC's (customers)

254 Capacity ERC's = 9.87% used & useful or 90.2% nonused & useful

Reuse Mains	\$166,287.39
Treatment & Disposal Equipment	<u>527,509.17</u>
	693,796.56
	x 90.2%
	\$625,804.50

Page Two
Mark Caruth
May 6, 1997

2. Is United Water aware of this situation? After its completion, United Water was provided with a copy of the Sunray - St. Johns 1995 Annual Report as submitted to the St. Johns County Water and Sewer Authority. A copy of this letter will also be mailed to Dave deNagy of United Water.

3. Does nonused & nonuseful plant exist for Sunray - Nassau; and if so then please specify amounts for water and sewer. Also, please provide the methodology used to determine those amounts. As I have explained on the previous page, I do not hold the qualifications necessary to estimate the amounts you have requested. I am also unaware if nonused and useful plant exists for Sunray - Nassau.

4. Is United Water aware of this situation? Not applicable due to the answer to question #3.

I hope this letter sufficiently answers your questions. Please contact me if you need further information.

Sincerely,



Kelli L. Adkins
Manager, Accounting

cc: Dave deNagy, United Water

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