



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: September 17, 2003
TO: Division of Economic Regulation (Fletcher)
FROM: Division of Auditing and Safety (Vandiver) *W*
RE: **Docket No.** 010503-WU; **Company Name:** Aloha Utilities, Inc.;
Audit Purpose: Billing Analysis Audit for the Fifteen Months Ended July 31, 2003;
Audit Control No. 03-240-2-2

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 Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

ALOHA UTILITIES, INC.

BILLING ANALYSIS AUDIT

FOR THE FIFTEEN MONTHS ENDED JULY 31, 2003

Docket No. 010503-WU

AFA Control # 03-240-2-2

A handwritten signature in black ink, appearing to read "J.W. Rohrbacher".

Joseph W. Rohrbacher, Tampa District Supervisor

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**DIVISION OF AUDITING AND SAFETY
AUDIT REPORT**

SEPTEMBER 9, 2003

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the utility's billing analysis for its Seven Springs Water System for the historical fifteen month period ended July 31, 2003, for Aloha Utilities, Inc. These schedules were prepared by the utility as part of Docket No. 010503-WU. 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.

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:

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

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

OTHER: Developed a program to verify electronic data provided by Aloha. Reconciled utility billing analysis to its customer billing registers.

DISCLOSURES

Disclosure No. 1

Subject: Billing Analysis

Statement of Fact: The Commission approved an interim rate increase, subject to refund with interest, for Aloha Utilities, Inc. Seven Springs Water System by Order No. PSC-01-2199-FOF-WU, issued November 13, 2001. The Commission issued its final order, Order No. PSC-02-0593-FOF-WU on April 30, 2002 which, among other things, required a 4.87% interim refund.

Subsequently, Aloha provided staff with a billing analysis which indicated that the interim revenues were only 4.09% greater than the revenues it would have collected under the approved final rate structure from May 15, 2002 to July 31, 2003.

Conclusion: We reviewed the Aloha - Seven Springs Water system billing analysis for the number of bills, dollars billed and gallonage for the period May 15, 2002 through July 31, 2003. We reconciled the total gallons and dollars billed that were reported in the utility's billing analysis with the billing registers for the period.

In addition, we requested that the utility provide the electronic billing data used to produce the billing analysis report filed with the Commission. Using this data, we developed a program to create a billing analysis which agreed with the company filing. Our audit matched the utility filing for:

- total record count
- total number of bills
- total gallons
- number of bills for each usage increment level by service type and meter size
- number of gallons for each usage increment level by service type and meter size

Aloha Utilities, Inc.

**Revenue Collected Under Interim Rates VS. Revenue That Could Have Been Collected Under Final Rates
For The Period May 15, 2002 Through The End of The Refund Period - July 31, 2003
Recalculation of Each Bill**

	<u>Count</u>	<u>Orig Base</u>	<u>Gal Chrg</u>	<u>Orig Water Chrg</u>	<u>New Base</u>	<u>Gal Chrg 10000<=</u>	<u>Gal Chrg 10000></u>	<u>New Water Chrg</u>
May 2002	9967	\$89,094.11	\$100,526.41	\$189,620.52	\$43,482.33	\$93,116.35	\$49,810.21	\$186,408.89
June 2002	9994	88,995.09	119,251.92	208,247.01	43,596.90	97,590.98	65,876.71	207,064.59
July 2002	9993	88,948.41	76,248.84	165,197.25	43,631.07	84,545.11	30,459.72	158,635.90
August 2002	10044	89,941.79	56,377.17	146,318.96	44,137.59	76,470.40	16,905.15	137,513.14
September 2002	10085	90,361.74	56,596.45	146,958.19	44,330.55	76,700.49	17,036.35	138,067.39
October 2002	10148	90,924.36	56,005.77	146,930.13	44,555.67	76,356.92	16,804.04	137,716.63
November 2002	10186	91,513.64	78,389.74	169,903.38	44,742.60	87,158.90	31,552.97	163,454.47
December 2002	10254	92,394.33	73,657.55	166,051.88	45,112.44	85,422.00	28,535.72	159,070.16
January 2003	10269	92,409.91	50,466.18	142,876.09	45,088.32	75,327.58	13,295.98	133,711.88
February 2003	10283	92,885.10	68,785.50	161,670.60	45,285.30	85,812.06	23,207.52	154,304.88
March 2003	10288	92,824.38	54,796.96	147,621.34	45,249.12	78,217.47	15,617.07	139,083.66
April 2003	10322	93,080.07	61,828.17	154,908.24	45,379.77	82,987.88	19,184.39	147,552.04
May 2003	10386	93,617.74	85,738.07	179,355.81	45,729.51	92,613.44	34,783.31	173,126.26
June 2003	10471	94,317.98	110,133.95	204,451.93	46,129.50	101,487.02	53,412.01	201,028.53
July 2003	10484	95,423.56	66,750.15	162,173.71	46,149.60	84,105.57	21,279.20	151,534.37
Totals:	153174	\$1,376,732.21	\$1,115,552.63	\$2,492,285.04	\$672,600.27	\$1,277,912.17	\$437,760.35	\$2,388,272.79

Summary

Total Revenue Billed Under Interim Rates (1)	<u>\$2,492,285</u>
Total That Could Have Been Billed Under Final Rates	<u>(2,388,273)</u>
Add back interim increase for July (2)	<u>(2,091)</u>
	<u>\$(2,390,364)</u>
Excess Revenue From Interim Rates Over Final Rates	<u>\$101,921</u>
Excess Revenue Percentage	<u>4.09%</u>
Actual Refund Made For Same Period	<u>\$121,006</u>
Actual Refund Percentage	<u>4.87%</u>
Excess of Actual Refund Made Over Calculated Refund	<u>\$19,085</u>

Notes: (1) The Interim And Final Revenues Shown Above Do Not Include Cumulative Adjustments Which Are Immaterial For These Calculations.

(2) July 2003 Interim Revenue Includes The Indexed Increase, While The Calculated Final Rates Revenue For July Does Not. Added Back Index Percentage To Calculated Revenues.