



Public Service Commission

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

DATE: February 23, 2004
TO: Division of Economic Regulation (Brady)
FROM: Division of Auditing and Safety (Vandiver) W
RE: **Docket No.** 031042-WS; **Company Name:** Hunter Creek Utilities, LLC; **Audit Purpose:** Audit of rate base for transfer purposes; **Audit Control No.** 03-328-2-1

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 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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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

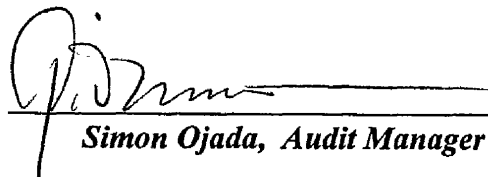
HUNTER CREEK UTILITIES, LLC

CERTIFICATE TRANSFER

AS OF NOVEMBER 30, 2002

DOCKET NO. 031042-WS

AUDIT CONTROL NO. 03-328-2-1



Simon Ojada, Audit Manager



Joseph W. Rohrbacher, Regulatory Analyst Supervisor

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

JANUARY 30, 2004

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report for Hunter Creek Utilities, LLC's petition for transfer of Certificates Nos. 611-W, and 527-S; FPSC Docket No. 031042-WS. 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 FINDINGS

Hunter Creek Utilities could not provide documentation to support rate base for its water and wastewater systems.

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 annual report, and accounts were scanned for error or inconsistency.

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

RATE BASE: We were unable to establish a rate base due to lack of documentation. The PSC engineer should perform an original cost study including a determination of accumulated depreciation. We looked at the Annual Reports for 1998 through 2002 and scheduled documented plant additions.

Disclosure No. 1

Subject: Utility Records

Statement of Fact: Hunter Creek Utilities, LLC's water and wastewater service plants were built in 1982. The utility became subject to Commission jurisdiction in September 1994 when Charlotte County became subject to Commission jurisdiction. However, the existing developer-owner claimed a non-profit exemption under the name of Rivers Edge Property Homeowners Association, Inc. Staff eventually required an application for water and wastewater certificates. Certificates Nos. 611-W and 527-S were granted in Docket No. 980731-WS, Order No. PSC-99-0756-FOF-WS, issued April 19, 1999.

The Commission has not established a rate base for the utility since its inception. The original costs of the systems are unknown. The utility 2002 annual report has \$222,203 for water plant and \$165,002 for wastewater with the corresponding accumulated depreciation of \$76,517 for water and \$61,840 for wastewater. The depreciation balance reflected an adjustment of (\$37,814) for water and (\$10,529) for wastewater. The utility recalculated depreciation using a flat rate of 2.5% for all plant balances from 1982 through 2002 and made the above adjustments.

The utility recorded plant additions of \$3,924 in 1998 and \$46,327 in the year 2000 with a corresponding retirement of \$15,000 for water plant. The utility did not have any record for CIAC except for \$35,895, the amount received from the state of Florida in the form of a grant for the retrofit to the water plant in 2000 for radon contamination.

Recommendation: The utility did not maintain proper records allowing staff to determine rate base. We were unable to obtain tax records and other supporting documentation from the current or previous owner to establish a rate base for the utility. An original cost study should be established by the PSC engineer to determine the proper value of plant-in-service.