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TAMIAMI VILLAGE UTILITY, INC.

DOCKET NO. 950015-WU

TESTIMONY OF KATHY L. WELCH

ON BEHALF OF THE STAFF OF THE FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND FINANCIAL ANALYSIS

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OTW _____

FILED: JUNE 19, 1995

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

DIRECT TESTIMONY OF KATHY L. WELCH

- 1
- 2 Q. Please state your name and business address.
- 3 A. My name is Kathy L. Welch and my business address is 3625 NW 82nd Ave,
4 Suite 400, Miami, Florida.
- 5 Q. By whom are you presently employed and in what capacity?
- 6 A. I am employed by the Florida Public Service Commission as a Regulatory
7 Analyst Supervisor in the Division of Auditing and Financial Analysis.
- 8 Q. How long have you been employed by the Commission?
- 9 A. I have been employed by the Florida Public Service Commission for 16
10 years.
- 11 Q. Briefly review your educational and professional background.
- 12 A. I have a Bachelor of Arts degree in Accounting from Florida Atlantic
13 University. I was hired as a Public Utilities Auditor I by the Florida
14 Public Service Commission June 1, 1979 and became the Regulatory Analyst
15 Supervisor of the Miami Office in January, 1989. I am also a Certified
16 Public Accountant licensed in the State of Florida.
- 17 Q. Please describe your current responsibilities.
- 18 A. Currently, I am a Regulatory Analyst Supervisor with the
19 responsibilities of administering the district office and reviewing work
20 load and allocating resources to complete field work and issue audit
21 reports when due. I also supervise, plan, and conduct utility audits
22 of manual and automated accounting systems for historical and forecasted
23 financial statements and exhibits.
- 24 Q. Have you presented expert testimony before this Commission or any other
25 regulatory agency?

1 | A. Yes.

2 | Q. What is the purpose of your testimony today?

3 | A. The purpose of my testimony is to sponsor the staff audit report of
4 | Tamiami Village Utility, Inc., Docket No. 950015-WU. The audit report
5 | is filed with my testimony and is identified as K LW-1.

6 | Q. Was this audit report prepared by you?

7 | A. Yes, I was the audit manager in charge of this audit.

8 | Q. Please review the audit report and the audit work you performed.

9 | A. I examined rate base and reconciled the beginning balances to the last
10 | order. I also traced additions since the last order to the supporting
11 | documentation. I recomputed the 1993 depreciation and amortization.
12 | Finally, I traced CIAC to the deposit slips and reviewed the deposits
13 | and tax returns for unrecorded CIAC. Based on my audit work I believe
14 | that the schedule attached to the audit report represents the utility's
15 | books and records maintained in substantial compliance with Commission
16 | directives.

17 | Q. Does this conclude your testimony?

18 | A. Yes, it does.

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AUDIT REPORT
ANALYSIS DIV.

AS OF DECEMBER 31, 1994

FIELD WORK COMPLETED

MARCH 23, 1995

TAMIAMI VILLAGE UTILITY, INC.

FORT MYERS, FLORIDA

LEE COUNTY

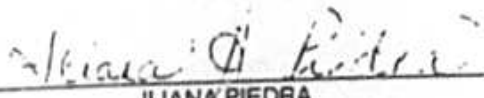
TRANSFER OF CERTIFICATE AUDIT

DOCKET NO. 950015-WU

AUDIT CONTROL NO. 95-059-4-1



KATHY L. WELCH
AUDIT MANAGER



ILIANA PIEDRA
REGULATORY ANALYST

I. EXECUTIVE SUMMARY

Audit Purpose: We have applied the procedures described in Section II of this report to audit the schedule of Rate Base for the period ending December 31, 1994 prepared by staff for Tamiami Village Utility, Inc. for their petition for transfer of certificate, FPSC Docket 940963-WS.

Scope Limitation: The audit exit conference was held on March 27, 1995.

Disclaim Public Use: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must 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.

Opinion: The staff prepared schedule of Rate Base for the period ended December 31, 1994, represents Tamiami Village Utility, Inc.'s books and records maintained in substantial compliance with Commission Directives; The expressed opinions extend only to the scope of work described in Section II of this report.

II. AUDIT SCOPE

The opinions contained in this report are based on the audit work described below. When used in this report COMPILED and EXAMINED means that audit work includes:

COMPILED—Means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and except as otherwise noted performed no other audit work.

EXAMINED—Means that the audit staff reconciled exhibit amounts with the general ledger; traced general ledger account balances to subsidiary ledgers; applied selective analytical review procedures; tested account balances to the extent further described; and disclosed any error, irregularity, or inconsistency observed.

RATE BASE: Examined Rate Base. Reconciled beginning balances to last order. Traced additions since then to supporting documentation. Recomputed 1993 depreciation and amortization in accordance with rule 25-30.140. Traced CIAC to deposit slips. Reviewed for unrecorded CIAC through deposits and tax returns.

III. AUDIT DISCLOSURES

AUDIT DISCLOSURE NO. 1

SUBJECT: ESTABLISHMENT OF RATE BASE

STATEMENT OF FACT: According to the sales agreement between Tamiami Village Utility, Inc. and Tamiami Village Water Co. (John Ustica) of November, 1994, Tamiami Village is selling the water assets, water and wastewater office equipment, golf cart and lawn mower for \$24,000.

According to the company ledger, the plant balances for the assets being transferred is \$61,235.82. (See attached rate base schedule for detail by account)

The company has used an amortization rate for CIAC of 4.1%. This rate should have been changed yearly based on current depreciation expense to plant. The depreciation expense net of office equipment and general plant is \$6,867. Plant net of office equipment and general plant is \$207,177.83. The composite rate would be 3.31%. CIAC amortization has been computed as follows:

ACCUMULATED AMORTIZATION AT 7/31/91 PSC-92-0807-FOF-WS		50,738.00
ADJUSTMENTS PER ORDER		(1,159.00)
		<u>(19.00)</u>
		49,560.00
BALANCE 7/91 AS ADJUSTED		
ADJUSTED CIAC BALANCE	103,763.00	
AMORTIZATION RATE	3.31%	
AMORTIZATION PER YEAR	<u>3,434.56</u>	
AMORT. FOR 3 YEARS 5 MONTHS	11,734.75	11,734.75
AMORTIZATION PER STAFF		<u>61,294.75</u>
PER COMPANY GENERAL LEDGER		64,736.00
DIFFERENCE ADJUSTED BY STAFF		<u>(3,441.25)</u>

The company filing did not include the golf cart or the lawn mower which was included on the property list in the sales agreement.

COMPANY: TAMiami VILLAGE UTILITY
 TITLE: RATE BASE
 TEST YEAR: DECEMBER 31, 1994
 AUDITOR: KATHY WELCH
 DATE: MARCH 27, 1995

WATER:	PER COMPANY BOOKS	STAFF ADJUSTMENTS	STAFF ADJ. BALANCE
PLANT IN SERVICE	216,505.32		216,505.32
ACCUMULATED DEPRECIATION	(116,292.50)		(116,292.50)
CIAC	(103,713.00)		(103,713.00)
ACCUMULATED AMORTIZ. CIAC	64,736.00	(3,441.25)	61,294.75
NET RATE BASE	<u>61,235.82</u>	<u>(3,441.25)</u>	<u>57,794.57</u>

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for transfer) DOCKET NO. 950015-WU
of Certificate No. 368-W in Lee)
County from Tamiami Village) FILED: June 19, 1995
Utility, Inc.; and for a limited)
proceeding to increase rates to)
recover increased operation and)
maintenance expenses as a result)
of pending transfer by Tamiami)
Village Water Company, Inc.)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Prefiled Direct Testimony of KATHY L. WELCH, with attached exhibit KLW-1, filed in this proceeding on behalf of the Staff of the Florida Public Service Commission on this date, has been furnished by U.S. Mail, this 19th day of June, 1995, to the following:

Sanford Martin, Esq.
2500 Airport Road, S. #315
Naples, FL 33962

Tamiami Village Utility, Inc.
P. O. Box 4458
North Ft. Myers, FL 33918-4458

Tamiami Village Community
Association
Willard Cookerly
9247 Caloosa Drive
N. Ft. Myers, FL 33903

Tamiami Village Lot Owners
Association
William Collison
251 Citron Way
N. Ft. Myers, FL 33903

Tamiami Village Lot
Owners Association
9063 Flamingo Circle
N. Ft. Myers, FL 33903

Tamiami Village Water
Mr. John J. Ustica
13281 McGregor Blvd.
Ft. Myers, FL 33919-5935


ROSANNE G. CAPELESS, ESQUIRE

FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
(904) 413-6224