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MEMORANDUM

September 19, 1996

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*
RE: DOCKET NO. 960717-WU -- DEMETREE INDUSTRIES, INC.
CERTIFICATE OF TRANSFER AUDIT REPORT - PERIOD ENDED JULY 31, 1996
AUDIT CONTROL NO. 96-173-3-1

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit working papers are available for review on request. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Demetree Industries, Inc.
William C. Demetree
3348 Edgewater Drive
Orlando, FL 32804-3796

DNV/sp
Attachment

- cc: Chairman Clark
- Commissioner Deason
- Commissioner Johnson
- Commissioner Kiesling
- Commissioner Garcia
- Mary Andrews Bane, Deputy Executive Director/Technical Legal Services
- Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
- Division of Water and Wastewater (Tomlinson)
- Orlando District Office (Forbes)

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE
10095 SEP 23 96
FPSG-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

PERIOD ENDED JULY 31, 1996

DEMETREE INDUSTRIES, INC.

CRYSTAL RIVER, FLORIDA

CITRUS COUNTY

CERTIFICATE OF TRANSFER

DOCKET NO. 960717-WU

AUDIT CONTROL NO. 96-173-3-1



RICHARD F. BROWN
AUDIT MANAGER



IAN J. FORBES
REGULATORY ANALYST SUPERVISOR
ORLANDO DISTRICT OFFICE

DOCUMENT NUMBER-DATE

10095 SEP 23 88

FPSC-RECORDS/REPORTING

I. EXECUTIVE SUMMARY

Audit Purpose: We have applied the procedures described in Section II of this report to determine water rate base of Demetree Industries, Inc. at July 31, 1996.

Scope Limitation: There were no confidential documents associated with the audit. Field staff could not quantify rate base as the Utility could not provide any documentation to support its plant investment. (See Audit Exception No. One.)

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 books and records of the Utility were not 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.

Read prior Commission orders and annual reports applicable to Demetree Industries, Inc. (D.M.I.)

Perused D.M.I.'s Financial Statements as of May 31, 1996.

Obtained Letter of Representation from D.M.I. representative.

Read Purchase Agreement between D.M.I. and Crystal River Utilities, Inc.

AUDIT EXCEPTION NO. ONE

SUBJECT: RATE BASE

FACTS: Certificate No. 396-W was transferred to Demetree Industries, Inc. (D.M.I.) per FPSC Order No. 92-0025-FOF-WU issued March 10, 1992. Rate base has never been established by the Florida Public Service Commission.

The records of D.M.I., a developer, are commingled with those applicable to utility operations.

D.M.I. approximates its utility plant investment as \$29,205, based on estimates, however, cannot substantiate via documentation any portion of the assigned cost.

A Purchase Agreement between Seller D.M.I. and Crystal River Utilities, Inc. (C.R.I.) was executed on March 10, 1996. C.R.I. agreed to purchase the Utility for \$3,000 subject to conditions. The purchaser has the option of terminating the agreement should the FPSC value rate base at less than \$4,500.

OPINION/CONCLUSIONS: D.M.I. was unable to support plant-in-service, as aforementioned, and Utility representative, Mr. John Myrick, informed field staff that he is of the opinion that the entire investment in utility plant was written off to cost of sales. Field staff could not determine the value of rate base.

RECOMMENDATION: That plant investment be recognized as fully contributed, and rate base assigned at no cost.

State of Florida

Commissioners:
SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 413-6770

Public Service Commission

September 24, 1996

Mr. William C. Demetree
Demetree Industries, Inc.
3348 Edgewater Drive
Orlando, Florida 32804-3796

RE: Docket No. 960717-WU -- Demetree Industries, Inc.
Certificate of Transfer Audit Report - Period Ended July 31, 1996
Audit Control # 96-173-3-1

Dear Mr. Demetree:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn
Chief, Bureau of Records

KF/cl
Enclosure
cc: Public Counsel
Crystal Rivers Utilities, Inc.