

ORIGINAL
FILE COPY

MEMORANDUM

April 24, 1997

TO: Donna Cyrus-Williams, Division of Legal Services
FROM: Tim Devlin, Division of Auditing and Financial Analysis *TD*
SUBJECT: Docket No. 960235-WS; Econ Utilities Corporation

Attached is the testimony of Kathy L. Welch to be filed in the above-referenced docket.

ACK _____
AFA _____
APP _____
CAF _____
CMU _____
CTR _____
EAG _____
LEG _____
LIN *orig + 3*
OPC _____
RCH _____
SEC *1*
WAS _____
OTH _____

DOCUMENT NUMBER-DATE
04226 APR 25 97
FPSC-RECORDS/REPORTING

ORIGINAL
FILE COPY

DOCKET NO.: 960235-WS - [Econ Utilities Corporation]

WITNESS: Direct Testimony Of Kathy L. Welch. Appearing On Behalf Of Staff

DATE FILED: Apr 11 25, 1997

DOCUMENT NUMBER-DATE
04226 APR 25 97
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. 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
10 eighteen years and six months.

11 Q. Briefly review your educational and professional background.

12 A. I have a Bachelor of Business Administration degree with a major in
13 accounting from Florida Atlantic University. I have a Certified Public
14 Manager certificate from Florida State University. I am also a Certified
15 Public Accountant licensed in the State of Florida. I was hired as a Public
16 Utilities Analyst I by the Florida Public Service Commission in June of 1979.
17 I was promoted to Regulatory Analyst Supervisor on January 2, 1990.

18 Q. Please describe your current responsibilities.

19 A. Currently, I am a Regulatory Analyst Supervisor with the
20 responsibilities of administering the Miami District Office, reviewing
21 workload and allocating resources to complete field work and issue audit
22 reports. I also supervise, plan, and conduct utility audits of manual and
23 automated accounting systems for historical and forecasted financial
24 statements and exhibits.

25 Q. Have you testified before this Commission or any other regulatory

1 | agency?

2 | A. Yes. I have filed testimony in the following cases: Tamiami Village
3 | Utility, Inc. rate case, Docket No. 910560-WS; Tamiami Village Utility, Inc.
4 | transfer to North Fort Myers, Docket No. 940963-SU; and General Development
5 | Utilities, Inc. rate case, Docket No. 911030-WS.

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

7 | A. The purpose of my testimony is to sponsor the staff audit report of Econ
8 | Utilities Corporation, Docket No. 960235-WS. The audit report is filed with
9 | my testimony and is identified as K LW-1.

10 | Q. Were you responsible for this audit report?

11 | A. Yes. I was the audit manager for this report.

12 | Q. Did you prepare a water and wastewater rate base schedules as part of
13 | your audit?

14 | A. Yes, they are included in the audit report on page 6. These schedules
15 | reflect a water rate base of \$1,462,487 and a wastewater rate base of
16 | \$1,382,904.

17 | Q. Please review the audit exception in the audit report.

18 | A. Audit Exceptions disclose substantial non-compliance with the Uniform
19 | System of Accounts, a Commission rule or order, and formal company policy.
20 | Audit Exceptions also disclose company exhibits that do not represent company
21 | books and records and company failure to provide underlying records or
22 | documentation to support the general ledger or exhibits. Audit Exception
23 | No. 1 discusses severe water damage the utility incurred in 1994 which
24 | destroyed certain records from 1987 through 1989. Commission rule 25-
25 | 30.110(1)(a), Florida Administrative Code, requires that "Each utility shall

1 | preserve its records in accordance with the "Regulations to Govern the
2 | Preservation of Records of Electric, Gas and Water Utilities" as issued by the
3 | National Association of Regulatory Utility Commissions, as revised May 1985."
4 | These regulations require the utility to retain records related to plant for
5 | a minimum of 25 years. They further require:

6 | When any records are destroyed before the expiration of the
7 | prescribed period of retention, a certified statement listing, as
8 | far as may be determined, the records destroyed and describing the
9 | circumstances of accidental or other premature destruction shall
10 | be filed with the Commission within ninety (90) days from the date
11 | of discovery of such destruction. Discovery of loss of records
12 | is to be treated in the same manner as in the case of premature
13 | destruction.

14 | The utility did not notify the Commission of the loss of the records.

15 | Q. Does this conclude your testimony?

16 | A. Yes, it does.

17 |
18 |
19 |
20 |
21 |
22 |
23 |
24 |
25 |

FLORIDA PUBLIC SERVICE COMMISSION
AUDIT REPORT
AS OF DECEMBER 31, 1995

Field Work Completed

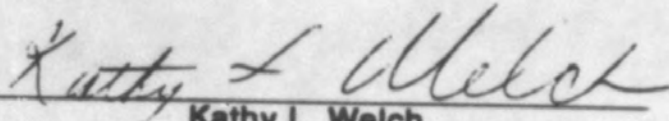
March 28, 1996

ECON UTILITIES CORPORATION

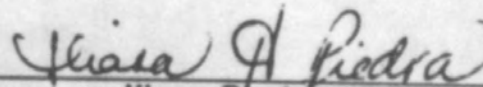
Orange County Florida

Transfer of Certificate
960235-WS

Audit Control No. 96-073-3-1



Kathy L. Welch
Audit Manager



Iliana Piedra
Regulatory Analyst

DOCUMENT NUMBER-DATE
04205 APR 11 8
FPSC-RECORDS/REPORTING

I. EXECUTIVE SUMMARY

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to prepare a proposed schedule of Rate Base for the twelve month period ending December 31, 1995 for Econ Utilities Corporation for a transfer of certificate.

SCOPE LIMITATION: The audit exit conference was waived.

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 schedule of Rate Base as of December 31, 1995, represents Econ Utilities Corporation 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 utility plant, construction in progress, and CIAC account balances from the prior audit of December 31, 1994. Reconciled prior balances, reviewed contracts, cancelled checks, and plant invoices for all large additions, and tested the computation of AFUDC. Recomputed CIAC based on tariff approvals. Reviewed for unrecorded CIAC by reviewing deposit slips, sales contracts, and tax returns. Recalculated Accumulated Depreciation and Amortization of CIAC.

III. AUDIT EXCEPTIONS**AUDIT EXCEPTION NO. 1****SUBJECT: DESTRUCTION OF RECORDS**

STATEMENT OF FACT: The utility had severe water damage to their old office on May 8, 1994. Some of the records for 1987, 1988, and 1989 could not be salvaged. The utility was able to find most major contracts for additions during this period in their Orlando office. Cancelled checks for 1989 forward were found. Major additions for which cancelled checks or contracts could not be found are as follows:

TRANSFER FROM AFFILIATE	11,630.22	1988	TRUCK PURCHASE
MCINTOSH	89,508.07	1987 & 88	GEN. CONTRACTOR FOR WATER TREATMENT PLANT CONSTRUCTION

	101,138.29		

Additions for which no contracts could be found but cancelled checks were located are:

ORANGE COUNTY PAVING	34,600.00	MAJOR REPAIRS TO LIFT STATION NO. 6
MCINTOSH	18,264.76	1989 INV. FOR GEN. CONTR. WORK ON WTP
TNT GOLF CARS	2,120.00	GOLF CART

	54,984.76	

According to the NARUC Regulations to Govern the Preservation of Records Of Electric, Gas and Water Utilities, April 1974, the company is required to notify the Commission within 90 days from the discovery of the destruction.

OPINION: The company should have notified the Commission according to the rule. The staff engineer was asked to determine if these contract amounts were reasonable and actually incurred during the overearnings investigation. The results of his findings need to be taken into consideration for this proceeding.

IV. STAFF PREPARED EXHIBIT

COMPANY: ECC UTILITIES
 TITLE: RATE BASE
 TEST YEAR: DECEMBER 31, 1995

	BALANCE PER CO 12/31/95	STAFF ADJUSTMENTS	STAFF ADJUSTED BALANCE
WATER:			
LAND	2,007.12		2,007.12
PLANT	2,615,949.41		2,615,949.41
CONSTRUCTION WORK IN PROCESS	0.00		0.00
ACCUMULATED DEPRECIATION	(727,428.36)		(727,428.36)
CIAC	(554,440.97)		(554,440.97)
ACCUMULATED AMORTIZATION CIAC	126,400.17		126,400.17
TOTAL	1,462,487.37	0.00	1,462,487.37
WASTEWATER:			
LAND	96,500.00		96,500.00
PLANT	3,997,598.92		3,997,598.92
CONSTRUCTION WORK IN PROCESS	330,893.48		330,893.48
ACCUMULATED DEPRECIATION	(1,926,905.00)		(1,926,905.00)
CIAC	(1,560,842.00)		(1,560,842.00)
ACCUMULATED AMORTIZATION CIAC	445,658.73		445,658.73
TOTAL	1,382,904.13	0.00	1,382,904.13

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for transfer) DOCKET NO. 960235-WS
of Certificates Nos. 404-W and)
341-S in Orange County from Econ) ISSUED:
Utilities Corporation to)
Wedgefield Utilities, Inc.)

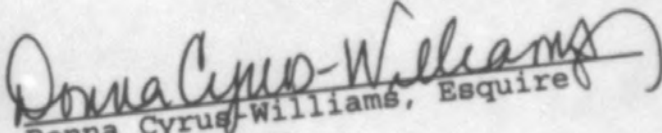
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the DIRECT TESTIMONY OF Kathy L. Welch, on behalf of the Staff of the Florida Public Service Commission, has been furnished by U.S. Mail, this 25th day of April, 1997, to the following:

Ben E. Girtman
1020 E. Lafayette Street
Suite 107
Tallahassee, FL 32301

Econ Utilities Corporation
664 South Military Trail
Deerfield Beach, FL 33442-3023

Charles Beck, Esquire
Office of Public Counsel
c/o The FL Legislature
111 W. Madison Street
Suite 812
Tallahassee, FL 32399-1400


Donna Cyrus-Williams, Esquire
Staff Attorney

FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
(904) 413-6199