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October 31, 1997

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida

Re: Radnor/Plantation Corporation; Joint Application for Authority
to Transfer Facilities; Docket No. 970429-WS
Our File No. 25067.01

Dear Ms. Bayo:

Attached is a copy of Plantation Utilities' Response to the Public Service Commission's Staff Audit Report as promised in my recent correspondence. We take exception to several of the audit exceptions and one of the audit disclosures. We request that the Staff review these in detail and the supporting documentation provided and let us know if there are any other questions concerning the areas that we believe need adjustment or any other information needed.

ACK _____ Should you have any questions in this regard, please let me
AFA 1 know as soon as possible.

APP _____

CAF _____

CMU _____

CTR _____

EAG _____

LEG 1

LIN 5

OPC _____

RCN _____

SEC 1

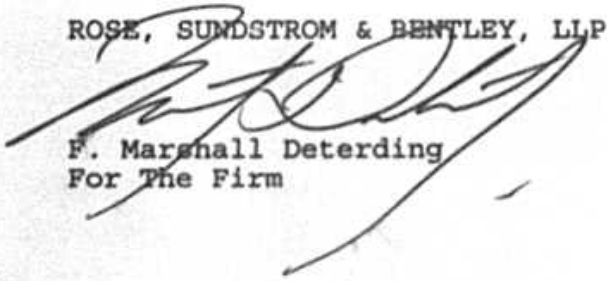
WAS 1

OTD _____

cc: Ms. Martha Golden
Richard Redemann, P.E.
Rosanne Gervasi, Esquire
Mr. Bill Dean
Bruce May, Esquire
Matthew Comisky, Esquire
Robert C. Nixon, CPA

Sincerely,

ROSE, SUNDBSTROM & BENTLEY, LLP


F. Marshall Deterding
For The Firm

DOCUMENT NUMBER-DATE

11245 OCT 31 5

FPSC-RECORDS/REPORTING

ORIGINAL

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ERIC M. DOAN, C.P.A.
ROBERT H. JACKSON, C.P.A.
BRENDA W. McBARRON, C.P.A.
ROBERT C. NIXON, C.P.A.
TRACY A. RIZZO, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 33765-4419
(813) 791-4020
FACSIMILE
(813) 797-3602

October 30, 1997

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 970429-WS - Plantation Utilities
Certificate Transfer Audit

Dear Ms. Bayo:

On behalf of our client, Plantation Utilities, this letter is a response to the Certificate Transfer Audit dated September 12, 1997. This response does not include comments on those audit exceptions or disclosures with which the Company either agrees or believes that no response is necessary.

Audit Exception No. 1

In this exception, \$1,642 of Water Utility Plant was misclassified to Water - Land. Thus, Land was overstated and Utility Plant understated, with no effect on rate base.

The Utility will make the appropriate adjustment on its books.

Audit Exception No. 2

This exception deals with \$711 in capitalized repairs for the water plant, ostensibly for legal expense, equipment repairs, and engineering.

The Company believes this is an immaterial adjustment and although the auditor was requested to provide the Company with information to support this exception, none was made available to Plantation.

This adjustment should be rejected on materiality alone.

DOCUMENT NUMBER-DATE

11245 OCT 31 5

FPSC-RECORDS/REPORTING

Audit Exception No. 3

This exception recommends that \$80 of water plant and \$9 of wastewater plant be disallowed for discounts not taken.

This exception should be rejected on materiality alone. For the record, we note that no materiality standards were established for this audit. The amounts are so minor that they could not conceivably have an impact on the cost of service.

Audit Exception No. 4

This exception notes that the Utility did not record the retirement of \$5,813 and \$3,457 of water and wastewater plant, respectively, at December 31, 1996.

Plantation Utilities agrees that these retirement entries should be made. Failure to record the retirement by the Company's part-time bookkeeper was simply an oversight and does not rise to the level of a willful violation, as implied in the language of Audit Exception No. 4.

Audit Exception No. 5

This exception deals with plant additions of \$8,548 and \$928 for water and sewer, respectively, related to a pump used for irrigation of a golf course. The auditor recommends that this is non-utility property and should be removed from the Company's plant accounts.

The Utility disagrees. These expenditures were related to a pump used for delivery of reuse water from the wastewater treatment plant to the storage facilities at the golf course. Thus, the expenditures are Utility property and should not be eliminated. The \$8,548 water addition should be reclassified as sewer plant.

Audit Exception No. 6

In this exception, the auditor believes that capital additions of \$56,883 and \$6,927 for water and wastewater plant, respectively, were not supported by credible documentation.

This exception includes a schedule which details various plant items which, allegedly, were unsupported. Plantation disagrees, in part, and the specific items from the auditor's schedule with which the Company disagrees are set forth below.

1. The first adjustment to water plant relates to an "unclassified" plant addition at

December 31, 1996. The Company had no such unclassified utility plant on its general ledger or the Annual Report and does not believe such an item exists. Plantation has been unsuccessful in obtaining additional information about this item from the auditor.

2. An April, 1986, addition for \$5,053 was disallowed. The Utility has researched this item further and found a supporting invoice for this amount from Kimley-Horn & Associates, Inc., the engineers who designed the water and wastewater treatment plant expansions in 1986. Certain common construction costs, such as engineering, the utility operations building, and other common costs, were allocated 50 percent to water and 50 percent to sewer. This methodology was accepted in Plantation's last rate case. The invoice is attached.
3. December, 1987, additions to the water plant amounting to \$2,869 were disallowed. These additions related to several invoices from George Dietz Electric Company for construction of the water plant and utility operations building. Plantation has found partial support for these additions totalling \$399.50. The invoice is attached.
4. The July, 1987, water plant addition attributed to Rio Construction, Inc. in the amount of \$7,000 was eliminated as a double recorded amount. This is not correct. Further investigation revealed that this addition was from W. N. Maddox Construction, Inc. and represented 50 percent of a progress billing for construction of the water and sewer utility operations building. A copy of the invoice is attached.
5. An August, 1987, water addition of \$4,800 was eliminated for no support. This amount represented 50 percent of the final payment to W. N. Maddox Construction, Inc. for construction of the water and sewer operations building. A copy of the invoice and a schedule showing the final payment and allocation between water and sewer is attached. These costs were reviewed in the Company's last sewer rate case and 50 percent

of the total contract was included in plant in service approved by the Commission.

Audit Exception No. 8

In this exception, the auditor recommends that a capitalized wastewater repair of \$1,756 should be disallowed on the basis that it is non-recurring.

The amount capitalized was for rewinding of a motor which the Utility believes is a betterment which extends the useful life of the asset. As a result, the Company's treatment to capitalize the rewinding of this motor was correct. The Company also takes exception to the auditor's finding that the rewinding of motors is a non-recurring event. These things happen all the time and are a normal part of utility operations.

Audit Disclosure No. 1

In this disclosure, the auditor expresses his concern with debit balances of certain plant accumulated depreciation accounts as a result of retirements. The debit balances range from \$571 to \$6,197.

Plantation Utilities believes these are immaterial debit balances which should correct themselves in a few years and no additional retirement treatment should be considered. Additionally, the Company would point out that accumulated depreciation and expense are considered in their entirety in the determination of cost of service.

Should you have questions concerning the Company's response or the attachments to this letter, please contact me.

Very truly yours,

CRONIN, JACKSON, NIXON & WILSON



Robert C. Nixon

RCN/apf

Enclosures

cc: T. Barnett (w/encl.)
B. Dean (w/encl.)
F. M. Deterding, Esq. (w/encl.)



Kimley-Horn and Associates, Inc.
 Raleigh, West Palm Beach, Tampa, Orlando, Palm City, Ft. Lauderdale, Nashville, Dallas

Hutcheon Engineers

RADNOR/PLANTATION CORP.
 660 N E OCEAN BLVD
 STUART, FL 33494
 ATTN: ANDREW H. BARR

PERIOD END: 03/31/86
 INVOICE # : 031211
 PROJECT # : 503403
 CLIENT REF: STP-RO

RADNOR STP & WTP EXPANSION

PLEASE REPLY TO
 4431 EMBARCADERO DRIVE
 WEST PALM BEACH, FL 33407

FOR PROFESSIONAL SERVICES
 RENDERED THROUGH 03/31/86

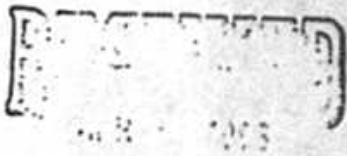
TOTAL FEE AUTHORIZED \$51,300.00
 PERCENT COMPLETE AS OF 03/31/86 40.00%

FEE EARNED TO DATE * \$20,520.00
 LESS PREVIOUS BILLINGS * 10,413.90
 AMOUNT DUE THIS INVOICE ** \$10,106.10

ORDER # 760
 COMPANY # _____
 ACCT. # _____

W 155-2500-5053.05
 155-400-5053.05
 MAY 5 1986

RO Plant Expansion
 See
 [Signature]
 4/1/86
 JB



By _____

117L
 12-31-85

GEORGE DIETZ ELECTRIC COMPANY

Commercial & Residential
Electrical Contractor
P.O. Box 2442
STUART, FLORIDA 33495

(305) 286-6553

3222

17227
12-21-86

Indian River Plantation
660 East Ocean Blvd.
Stuart, Florida 34996

DATE	December 14, 1987
CUSTOMER ORDER NO.	
SALESPEL/CLERK	
VA	Rick

Rick's plant expansion

TERMS: NET

QUANTITY	DESCRIPTION	PRICE	AMOUNT
1	PVS fixture and guard for chlorine detector. Additional dedicated circuit and spare 1 1/2" PVC cond. in Ricks office for future computer terminal.		57 00
1	Spare 480 volt voltage sensor	List 169.00	100 00
1	Heavy duty Racor Fuel Filter for UG diesel fuel		140 00
-	Well house lighting circuit, material only, 1500 ft. no 10 wire \$130.00 and 500 ft. No 12	\$30.00	169 00
3	500 feet 3/4" PVC conduit as future spare		160 00
1	sheets of 5/8" plywood		85 00
1	Triplexer automatic alternator for air blowers. List \$237.50		43 00
1	Control transformer for air blowers.		220 00
1	Set Auxillary contacts for 2 existing air blowers.		135 00
	Total		595 00
			10-00-1001
			61,144 00

7000 water
84.50 water

water
water

RIGINAL

Thank You!

20-1800 - 399.50 water
20-1900 744.50 Saver

APPLICATION AND CERTIFICATE FOR PAYMENT AIA DOCUMENT C702

17250
12-31-88

PROJECT: ADDITION TO WATER TREATMENT PLANT
 (name, address) INDIAN RIVER PLANTATION
 STUART, FLORIDA
 TO (Owner) RADNOR PLANTATION CORP.

ARCHITECT: HOON & WHITE
 ARCHITECT'S PROJECT NO:
 CONTRACTOR: W.N. MADDOX CONSTRUCTION, INC.
 CONTRACT FOR: CONSTRUCTION OF BUILDING
 APPLICATION DATE: 7/31/87 APPLICATION NO: 1
 PERIOD FROM: Beginning TO 7/31/87

ATTN:

CHANGE ORDER SUMMARY		ADDITIONS \$	DEDUCTIONS \$
Change Orders approved in previous months by Owner —			
TOTAL			
Subsequent Change Orders			
Number	Approved (date)		

TOTALS
 Net change by Change Orders \$

State of: FLORIDA County of: MARTIN

The undersigned Contractor certifies that the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by him for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that the current payment shown herein is now due.

Contractor: W.N. MADDOX CONSTRUCTION, INC.
 By: *W.N. Maddox* Date: 7/31/87

Application is made for Payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G702A, is attached.

The present status of the account for this Contract is as follows:

ORIGINAL CONTRACT SUM\$ 50,000.00
 Net change by Change Orders\$
 CONTRACT SUM TO DATE\$ 50,000.00
 TOTAL COMPLETED & STORED TO DATE\$ 14,000.00
 (Column G on G702A)
 RETAINAGE 10%\$ 1,400.00
 or as noted in Column I on G702A
 TOTAL EARNED LESS RETAINAGE\$ 12,600.00
 LESS PREVIOUS CERTIFICATES FOR PAYMENT\$
 CURRENT PAYMENT DUE\$ 12,600.00

Subscribed and sworn to before me this 31st day of July, 1987
 Notary Public: *Patricia A. Carr*
 My Commission expires: MAY 22, 1993
 BOARD: 1001 GENERAL REG. 1001

In accordance with the Contract and this Application for Payment the Contractor is entitled to payment in the amount shown above.

- OWNER
- ARCHITECT
- CONTRACTOR
-
-

Architect: *96*
 10-08-2001

August, 1987, construction cost booked for \$4,800. This cost relates to Maddox Construction for the water plant expansion. The Company determined upon review of two construction invoices how this cost was derived.

Draw	Expansion		Total
	Water	Sewer	
Maddox Construction - 07/87 (M250)	\$ 7,000	\$ 7,000	\$ 14,000
Maddox Construction - 09/87 (M165)	<u>5,950</u>	<u>5,950</u>	<u>11,900</u>
Total 07/87 and 09/87 invoices	<u>\$ 12,950</u>	<u>\$ 12,950</u>	<u>\$ 25,900</u>
Cumulative Certificated Application for payment at 09/87	<u>\$ 17,750</u>	<u>\$ 17,750</u>	<u>\$ 35,500</u>
08/87 Maddox construction cost	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 9,600</u>

APPLICATION AND CERTIFICATE FOR PAYMENT AIA DOCUMENT G702

1750
28-1-87
12-31-88

PROJECT: ADDITION TO WATER TREATMENT PLANT
(name, address)
 INDIAN RIVER PLANTATION
 STUART, FLORIDA
TO (Owner): RADNOR PLANTATION CORP.

ARCHITECT: HOON & WHITE
ARCHITECT'S PROJECT NO:
CONTRACTOR: W.N. MADDOX CONSTRUCTION, INC.
CONTRACT FOR: CONSTRUCTION OF BUILDING
APPLICATION DATE: 7/31/87 **APPLICATION NO:** 1
PERIOD FROM: Beginning **TO** 7/31/87

ATTN:

CHANGE ORDER SUMMARY		ADDITIONS \$	DEDUCTIONS \$
Change Orders approved in previous months by Owner —			
TOTAL			
Subsequent Change Orders			
Number	Approved (date)		

TOTALS
 Net change by Change Orders \$ _____

State of: **FLORIDA** County of: **MARTIN**

The undersigned Contractor certifies that the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by him for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that the current payment shown herein is now due.

Contractor: W.N. MADDOX CONSTRUCTION, INC.

W.N. Maddox Date: 7/31/87

Application is made for Payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G702A, is attached.
 The present status of the account for this Contract is as follows:

ORIGINAL CONTRACT SUM	\$ 50,000.00
Net change by Change Orders	\$ _____
CONTRACT SUM TO DATE	\$ 50,000.00
TOTAL COMPLETED & STORED TO DATE	\$ 14,000.00
<small>(Column G on G702A)</small>	
RETAINAGE <u>10</u> %	\$ 1,400.00
<small>or as noted in Column I on G702A</small>	
TOTAL EARNED LESS RETAINAGE	\$ 12,600.00
LESS PREVIOUS CERTIFICATES FOR PAYMENT	\$ ----
CURRENT PAYMENT DUE	\$ 12,600.00

Subscribed and sworn to before me this 31st day of July, 1987
 Notary Public: *Patricia A. Carr*
 My Commission expires: NOTARY PUBLIC STATE OF FLORIDA
 MY COMMISSION EXP. MAY 22, 1988
 BOUNDARY SURVEYING 187-240

In accordance with the Contract and this Application for Payment the Contractor is entitled to payment in the amount shown above.

Architect:

96
10-00-2001

- OWNER
- ARCHITECT
- CONTRACTOR
-
-

APPLICATION AND CERTIFICATE FOR PAYMENT

AIA DOCUMENT G702

PAGE ONE OF

1165
12-31-88

PROJECT: ADDITION TO WATER TREATMENT PLANT

(name, address)

INDIAN RIVER PLANTATION
STUART, FLORIDA

TO (Owner)

RADNOR PLANTATION CORP.

ARCHITECT: HOON & WHITE

ARCHITECT'S PROJECT NO:

CONTRACTOR: W.N. MADDOX CONSTRUCTION, INC.

CONTRACT FOR: CONSTRUCTION OF BUILDING

APPLICATION DATE: 10/7/87

APPLICATION NO: 3

PERIOD FROM: 9/1/87

TO 9/30/87

ATTN:

CHANGE ORDER SUMMARY

Change Orders approved in previous months by Owner		ADDITIONS \$	DEDUCTIONS \$
TOTAL			
Subsequent Change Orders			
Number	Approved (date)		
TOTALS			

Net change by Change Order \$

State of: FLORIDA

County of: MARTIN

The undersigned Contractor certifies that the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by him for Work for which previous Certificates for Payment were filed and payments received from the Owner, and that the current payment shown herein is now due.

Contractor: W.N. MADDOX CONSTRUCTION, INC.

By: *Donald Cornell* Date: 10/7/87

Application is made for Payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G702A, is attached.

The present status of the account for this Contract is as follows:

ORIGINAL CONTRACT SUM 50,000.00

Net change by Change Orders

CONTRACT SUM TO DATE 50,000.00

TOTAL COMPLETED & STORED TO DATE 35,500.00

(Column G on G702A)

RETAINAGE 10% 3,550.00

(as noted in Column I on G702A)

TOTAL EARNED LESS RETAINAGE 31,950.00

LESS PREVIOUS CERTIFICATES FOR PAYMENT 21,240.00

CURRENT PAYMENT DUE 10,710.00

Subscribed and sworn to before me this 7th day of October, 1987

Notary Public: *Patricia A. Carr*

My Commission expires: NOTARY PUBLIC STATE OF FLORIDA

MY COMMISSION EXP. MAY 22, 1988

COMPLETED THROUGH GENERAL 100-000

20-00-1200-5950.00

20-00-1400-5950.00

20-00-2160-(1,190.00)

- OWNER
- ARCHITECT
- CONTRACTOR
-

Architect:

By:

This Certificate is...