

Rhema Business Services, Inc.

1544 Vickers Drive
Tallahassee, FL 32305-5041

(850) 502-0886
(850) 502-0887 FAX

May 22, 1998

Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 971670-WU, Application of VENTURE ASSOCIATES UTILITIES CORPORATION for Approval of Transfer of Part of Certificate No. 488-W in Marion County

Gentlemen:

On behalf of Venture Associates Utilities Corporation, I am filing this response to the Audit Report in the referenced docket. I shall address the audit exceptions in the order they appear in the report.

Audit Exception No. 1: Prior FPSC Audit Exceptions

This audit exception incorporates three audit exceptions and one audit disclosure proposed in the Audit Report dated March 12, 1993 (Audit Control Number 92-223-3-2). I'm enclosing a copy of our May 20, 1993 response to the previous audit report (excluding documentation of rate case expense), and the June 30, 1993 appraisal of well site #2.

As discussed in the May 20, 1993 response and June 30, 1996 appraisal, no adjustment is required for Audit Exception No. 1. The Utility does not contest the adjustments proposed by Audit Exceptions No. 2 and No. 3. The correct valuation of land is \$19,104 for well site #1 and \$28,366 for well site #2, resulting in a \$55,551 reduction in the cost of land.

- ACK _____
- AFA 1
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG 1
- LIN _____
- OPC _____
- RCH _____
- SEC _____
- WAS Johnson
- OTH _____

DOCUMENT NUMBER-DATE

65681 MAY 22 8

FPSC-RECORDS/REPORTING

Audit Exception No. 2: Accumulated Depreciation

This audit exception adjusts accumulated depreciation to that computed using the service lives used in the depreciation calculations in the previous audit. It states that the booked depreciation contains fluctuating rates, mathematical errors and non-reconcilable beginning and ending accounting period balances.

As of January 1, 1994, Venture Associates Utilities Corporation adjusted the service lives to those listed for Class A and Class B utilities pursuant to Rule 25-30.140(2), because it had become a Class B utility. This adjustment accounts for the change in depreciation rates the auditor characterized as fluctuating rates. We shall not address the issues of mathematical errors and non-reconcilable beginning and ending accounting period balances, because the recalculation of accumulated depreciation for the period January 1, 1993 through January 31, 1998 renders these issues moot.

The Commission has never established rate base for the Palm Cay water system. Nor has the Commission ever approved depreciation rates. Because Venture Associates Utilities Corporation is a Class B utility, and since the Commission has never approved depreciation rates for this Utility, the Commission should calculate accumulated depreciation from the inception of the Utility using the Class B service lives, rather than using the Class C service lives the auditor proposes.

An argument could be made to use the Class C depreciation rates because the Palm Cay Utilities, Inc. will be operating this water system separately. This argument would be without merit for two reasons. First, Rule 25-30.140, Florida Administrative Code, makes no provision or requirement to set different depreciation rates for separate water systems operated under the same certificate and located in the same county. Second, the Palm Cay water system by itself is generating gross revenue sufficient to be classified as a Class B utility. Palm Cay Utilities, Inc. will accordingly accrue depreciation expense as computed with the Class B service lives. The Class B revenue threshold, the gross revenue, and the three-year average gross revenue by year for the Palm Cay water system follow:

Year	Class B Threshold	Palm Cay Gross Revenue	Three-year Average Gross Revenue
1990	\$150,000	\$147,663	
1991	\$150,000	\$171,299	
1992	\$150,000	\$189,725	
1993	\$150,000	\$212,774	\$169,562
1994	\$150,000	\$196,985	\$191,266
1995	\$150,000	\$198,777	\$199,828
1996	\$150,000	\$202,462	\$202,845
1997	\$150,000	\$202,681	\$199,408
1998	\$200,000	N/A	\$201,307

The Commission should accordingly calculate accumulated depreciation as presented in Schedule No. 1. In this schedule, we have calculated accumulated depreciation by applying the Class B service life rates to the annual utility plant in service additions reflected in the Commission audit work papers. We have also debited accumulated depreciation for plant retirements pursuant to the Uniform System of Accounts for Class B Water Utilities 1996, Accounting Instruction 22. The auditor erroneously netted the retirements against the associated plant additions. The auditor's treatment would prohibit the Utility from recovering the full cost of the retired asset, thus depriving the Utility of its property without compensation. The treatment prescribed by the Uniform System of Accounts allows the Utility to recover its full investment over time. The adjusted accumulated depreciation as of January 31, 1998 is \$155,426.

Audit Exception No. 3: Accumulated Amortization of C.I.A.C.

This audit exception adjusts amortization of C.I.A.C. to reflect a weighted composite rate based on utility plant in service excepting general facilities. The auditor states the Utility did not maintain records adequately supporting the separation of C.I.A.C. from utility investments pursuant to Rule 25-30.140(8), and did not apply consistent amortization rates.

To the contrary, Venture Associates Utilities Corporation has adequately supported the separation of C.I.A.C. from utility investments. Venture Associates Utilities received no contributions in aid of construction in kind. Therefore no asset can be specifically identified as having been contributed to the Utility.

The Commission authorized Venture Associates Utilities Corporation three separate service availability charges, which relate to three separate functions: plant capacity charges, meter installation fees, and main extension charges. Venture Associates Utilities Corporation has specifically segregated all contributions in aid of construction by account to identify all contributions in aid of construction with the related plant function as follows:

Account Number	Account Title
01271.1	PC - CIAC-Plant Capacity Charges
01271.2	PC - CIAC-Meter Installation Fees
01271.3	PC - CIAC-Main Extension Charges

Rule 25-30.140(8)(a) states in part, "Where CIAC records are not kept by account, the depreciation rates shall be applied to the entire depreciable plant. The CIAC plant shall then be amortized either by account, function or bottom line depending on availability of supporting information. The amortization rate shall be that of the appropriate account or function where supporting documentation is available to identify the account or function of the related CIAC plant. Otherwise, the composite rate shall be used." Emphasis added.

According to this portion of Rule 25-30.140(8)(a), "The amortization rate shall be that of the appropriate account or function where supporting documentation is available to identify the account or function of the related CIAC plant." Venture Associates Utilities Corporation, by recording contributions in aid of construction segregated by type of charge and by providing satisfactory audit trails to source documents, has met this criteria. The only correct method of calculating the amortization of CIAC is to use the amortization rates determined by related plant function as Venture Associates Utilities has done.

Once again, Venture Associates Utilities Corporation adjusted the service lives to those listed for Class A and Class B utilities pursuant to Rule 25-30.140(2) as of January 1, 1994. This adjustment accounts for the change in amortization rates the auditor characterized as inconsistent between periods, with the exception of a spreadsheet error rendered moot by recalculating accumulated amortization.

Division of Records and Reporting
May 22, 1998
Page 5

Schedule No. 2 calculates the amortization rates using the weighted cost of related plant methodology. The correct amortization rates are 3.98% for plant capacity charges, 5.00% for meter installation fees, and 2.38% for main extension charges. Schedule No. 3 calculates accumulated amortization by applying these rates to the contributions in aid of construction additions reflected in the audit work papers. The correct accumulated amortization of C.I.A.C. is \$179,756.

Audit Exception No. 4: F.P.S.C. Filing Fees

The Utility's application does not include the filing fee in utility plant in service. Therefore, no adjustment is required.

Rate Base at Date of Transfer

Schedule No. 4 presents rate base as of January 31, 1998 after making the appropriate adjustments. Adjusted rate base as of January 31, 1998 is \$69,448.

Please call me at 562-9886 if you need additional information, or if you have any questions.

Sincerely,



Norman F. Mears
Senior Utility Consultant

Hand deliver
Enclosures
cc: Joseph C. Price
Jon M. Kurtz
Cheryl Johnson

VENTURE ASSOCIATES UTILITIES CORPORATION
 Schedule of Depreciable Utility Plant and Accumulated Depreciation
 For the Period January 1, 1987 through January 1, 1998

Schedule No. 1
 Sheet 1 of 12

<u>Acct. No.</u>	<u>Account Title</u>	<u>Utility Plant</u>	<u>Accumulated Depreciation</u>
301	Organization	65,218.95	19,374.74
304	Structures & Improvements	23,214.41	6,399.76
307	Wells & Springs	42,752.88	13,385.00
309	Supply Mains	12,327.72	798.40
310	Power Generation Equipment	21,117.07	9,082.72
311	Pumping Equipment	33,650.32	1,518.84
320	Water Treatment Equipment	10,695.51	4,507.15
330	Distrib. Reservoirs & Stndps.	22,525.10	5,685.35
331	Trans. & Distrib. Mains	334,389.06	66,606.24
333	Services	70,046.34	15,732.43
334	Meters & Meter Installations	27,134.56	12,355.52
339	Other Plant & Misc. Equip.	<u>0.00</u>	<u>0.00</u>
	Total per Schedule	<u>663,071.92</u>	<u>155,426.15</u>

VENTURE ASSOCIATES UTILITIES CORPORATION
 Schedule of Accumulated Depreciation
 For the Period January 1, 1987 through January 1, 1998

Schedule No. 1
 Sheet 2 of 12

Account: 301
 Service Life 34
 Rate: 0.0294

	<u>Utility Plant</u>	<u>Depreciation @ 2.94%</u>	<u>Depreciation @ 1.47%</u>	<u>Depreciation</u>
Balance 01/01/87	-			-
1987 Additions	<u>33,988.64</u>	-	499.63	<u>499.63</u>
Balance 12/31/87	<u>33,988.64</u>			<u>499.63</u>
1988 Additions	<u>31,230.31</u>	999.27	459.09	<u>1,458.36</u>
Balance 12/31/88	<u>65,218.95</u>			<u>1,957.99</u>
1989 Additions	<u>-</u>	1,917.44	-	<u>1,917.44</u>
Balance 12/31/89	<u>65,218.95</u>			<u>3,875.43</u>
1990 Additions	<u>-</u>	1,917.44	-	<u>1,917.44</u>
Balance 12/31/90	<u>65,218.95</u>			<u>5,792.87</u>
1991 Additions	<u>-</u>	1,917.44	-	<u>1,917.44</u>
Balance 12/31/91	<u>65,218.95</u>			<u>7,710.31</u>
1992 Additions	<u>-</u>	1,917.44	-	<u>1,917.44</u>
Balance 12/31/92	<u>65,218.95</u>			<u>9,627.75</u>
1993 Additions	<u>-</u>	1,917.44	-	<u>1,917.44</u>
Balance 12/31/93	<u>65,218.95</u>			<u>11,545.19</u>
1994 Additions	<u>-</u>	1,917.44	-	<u>1,917.44</u>
Balance 12/31/94	<u>65,218.95</u>			<u>13,462.63</u>
1995 Additions	<u>-</u>	1,917.44	-	<u>1,917.44</u>
Balance 12/31/95	<u>65,218.95</u>			<u>15,380.07</u>
1996 Additions	<u>-</u>	1,917.44	-	<u>1,917.44</u>
Balance 12/31/96	<u>65,218.95</u>			<u>17,297.51</u>
1997 Additions	<u>-</u>	1,917.44	-	<u>1,917.44</u>
Balance 12/31/97	<u>65,218.95</u>			<u>19,214.95</u>
1998 Additions	<u>-</u>	159.79	-	<u>159.79</u>
Balance 01/31/98	<u>65,218.95</u>			<u>19,374.74</u>

VENTURE ASSOCIATES UTILITIES CORPORATION
 Schedule of Accumulated Depreciation
 For the Period January 1, 1987 through January 1, 1998

Schedule No. 1
 Sheet 3 of 12

Account: 304
 Service Life: 33
 Rate: 0.0303

	Utility Plant	Depreciation @ 3.03%	Depreciation @ 1.52%	Depreciation
Balance 01/01/87	-			
1987 Additions	8,004.02	-	121.26	121.26
Balance 12/31/87	8,004.02			121.26
1988 Additions	180.00	242.52	2.73	245.25
Balance 12/31/88	8,184.02			366.51
1989 Additions	12,914.13	247.98	195.65	443.63
Balance 12/31/89	21,098.15			810.14
1990 Additions	-	639.27	-	639.27
Balance 12/31/90	21,068.15			1,449.41
1991 Additions	2,116.26	639.27	32.06	671.33
Balance 12/31/91	23,214.41			2,120.74
1992 Additions	-	703.40	-	703.40
Balance 12/31/92	23,214.41			2,824.14
1993 Additions	-	703.40	-	703.40
Balance 12/31/93	23,214.41			3,527.54
1994 Additions	-	703.40	-	703.40
Balance 12/31/94	23,214.41			4,230.94
1995 Additions	-	703.40	-	703.40
Balance 12/31/95	23,214.41			4,934.34
1996 Additions	-	703.40	-	703.40
Balance 12/31/96	23,214.41			5,637.74
1997 Additions	-	703.40	-	703.40
Balance 12/31/97	23,214.41			6,341.14
1998 Additions	-	58.62	-	58.62
Balance 01/31/98	23,214.41			6,399.76

VENTURE ASSOCIATES UTILITIES CORPORATION
 Schedule of Accumulated Depreciation
 For the Period January 1, 1987 through January 1, 1998

Schedule No. 1
 Sheet 4 of 12

Account: 307
 Service Life: 30
 Rate: 0.0333

	Utility Plant	Depreciation @ 3.33%	Depreciation @ 1.67%	Depreciation
Balance 01/01/87	-			-
1987 Additions	17,494.85	-	291.29	291.29
Balance 12/31/87	17,494.85			291.29
1988 Additions	-	582.58	-	582.58
Balance 12/31/88	17,494.85			873.87
1989 Additions	25,258.03	582.58	420.55	1,003.13
Balance 12/31/89	42,752.88			1,877.00
1990 Additions	-	1,423.67	-	1,423.67
Balance 12/31/90	42,752.88			3,300.67
1991 Additions	-	1,423.67	-	1,423.67
Balance 12/31/91	42,752.88			4,724.34
1992 Additions	-	1,423.67	-	1,423.67
Balance 12/31/92	42,752.88			6,148.01
1993 Additions	-	1,423.67	-	1,423.67
Balance 12/31/93	42,752.88			7,571.68
1994 Additions	-	1,423.67	-	1,423.67
Balance 12/31/94	42,752.88			8,995.35
1995 Additions	-	1,423.67	-	1,423.67
Balance 12/31/95	42,752.88			10,419.02
1996 Additions	-	1,423.67	-	1,423.67
Balance 12/31/96	42,752.88			11,842.69
1997 Additions	-	1,423.67	-	1,423.67
Balance 12/31/97	42,752.88			13,266.36
1998 Additions	-	118.64	-	118.64
Balance 01/31/98	42,752.88			13,385.00

VENTURE ASSOCIATES UTILITIES CORPORATION
 Schedule of Accumulated Depreciation
 For the Period January 1, 1987 through January 1, 1998

Schedule No. 1
 Sheet 5 of 12

Account: 309
 Service Life: 35
 Rate: 0.0286

	Utility Plant	Depreciation @ 2.86%	Depreciation @ 1.43%	Depreciation
Balance 01/01/87	-			-
1987 Additions	-	-	-	-
Balance 12/31/87	-			-
1988 Additions	-	-	-	-
Balance 12/31/88	-			-
1989 Additions	6,996.78	-	100.05	100.05
Balance 12/31/89	6,996.78			100.05
1990 Additions	-	200.11	-	200.11
Balance 12/31/90	6,996.78			300.16
1991 Additions	-	200.11	-	200.11
Balance 12/31/91	6,996.78			500.27
1992 Additions	-	200.11	-	200.11
Balance 12/31/92	6,996.78			700.38
1993 Additions	-	200.11	-	200.11
Balance 12/31/93	6,996.78			900.49
1994 Additions	2,000.00	200.11	28.60	228.71
1994 Retirements	(1,275.00)			(1,275.00)
Balance 12/31/94	8,996.78			(145.80)
1995 Additions	-	257.31	-	257.31
Balance 12/31/95	8,996.78			111.51
1996 Additions	3,330.94	257.31	47.83	304.94
Balance 12/31/96	12,327.72			416.45
1997 Additions	-	352.57	-	352.57
Balance 12/31/97	12,327.72			769.02
1998 Additions	-	29.38	-	29.38
Balance 01/31/98	12,327.72			798.40

NOTE: The entries for retirements are made pursuant to the Uniform System of Accounts for Class B Water Utilities 1996, Accounting Instruction 22. The net plant additions and ending plant balance are equal to those in the audit work papers.

VENTURE ASSOCIATES UTILITIES CORPORATION
 Schedule of Accumulated Depreciation
 For the Period January 1, 1987 through January 1, 1998

Schedule No. 1
 Sheet 6 of 12

Account: 310
 Service Life: 20
 Rate: 0.05

	<u>Utility Plant</u>	<u>Depreciation @ 5.00%</u>	<u>Depreciation @ 2.50%</u>	<u>Depreciation</u>
Balance 01/01/87	-			-
1987 Additions	-	-	-	-
Balance 12/31/87	-			-
1988 Additions	-	-	-	-
Balance 12/31/88	-			-
1989 Additions	<u>21,117.07</u>	-	527.93	<u>527.93</u>
Balance 12/31/89	<u>21,117.07</u>			<u>527.93</u>
1990 Additions	-	1,055.85	-	<u>1,055.85</u>
Balance 12/31/90	<u>21,117.07</u>			<u>1,583.78</u>
1991 Additions	-	1,055.85	-	<u>1,055.85</u>
Balance 12/31/91	<u>21,117.07</u>			<u>2,639.63</u>
1992 Additions	-	1,055.85	-	<u>1,055.85</u>
Balance 12/31/92	<u>21,117.07</u>			<u>3,695.48</u>
1993 Additions	-	1,055.85	-	<u>1,055.85</u>
Balance 12/31/93	<u>21,117.07</u>			<u>4,751.33</u>
1994 Additions	-	1,055.85	-	<u>1,055.85</u>
Balance 12/31/94	<u>21,117.07</u>			<u>5,807.18</u>
1995 Additions	-	1,055.85	-	<u>1,055.85</u>
Balance 12/31/95	<u>21,117.07</u>			<u>6,863.03</u>
1996 Additions	-	1,055.85	-	<u>1,055.85</u>
Balance 12/31/96	<u>21,117.07</u>			<u>7,918.88</u>
1997 Additions	-	1,055.85	-	<u>1,055.85</u>
Balance 12/31/97	<u>21,117.07</u>			<u>8,974.73</u>
1998 Additions	-	87.99	-	<u>87.99</u>
Balance 01/31/98	<u>21,117.07</u>			<u>9,062.72</u>

VENTURE ASSOCIATES UTILITIES CORPORATION
 Schedule of Accumulated Depreciation
 For the Period January 1, 1987 through January 1, 1998

Schedule No. 1
 Sheet 7 of 12

Account: 311
 Service Life: 20
 Rate: 0.05

	<u>Utility Plant</u>	<u>Depreciation @ 5.00%</u>	<u>Depreciation @ 2.50%</u>	<u>Depreciation</u>
Balance 01/01/87	-			-
1987 Additions	<u>9,791.26</u>	-	244.78	<u>244.78</u>
Balance 12/31/87	<u>9,791.26</u>			<u>244.78</u>
1988 Additions	<u>-</u>	489.56	-	<u>489.56</u>
Balance 12/31/88	<u>9,791.26</u>			<u>734.34</u>
1989 Additions	<u>16,373.55</u>	489.56	409.34	<u>898.90</u>
Balance 12/31/89	<u>26,164.81</u>			<u>1,633.24</u>
1990 Additions	<u>-</u>	1,308.24	-	<u>1,308.24</u>
Balance 12/31/90	<u>26,164.81</u>			<u>2,941.48</u>
1991 Additions	<u>-</u>	1,308.24	-	<u>1,308.24</u>
Balance 12/31/91	<u>26,164.81</u>			<u>4,249.72</u>
1992 Additions	6,151.40	1,308.24	153.79	1,462.03
1992 Retirements	<u>(3,699.60)</u>			<u>(3,699.60)</u>
Balance 12/31/92	<u>28,616.61</u>			<u>2,012.15</u>
1993 Additions	6,559.79	1,430.83	163.99	1,594.82
1993 Retirements	<u>(6,798.75)</u>			<u>(6,798.75)</u>
Balance 12/31/93	<u>28,377.65</u>			<u>(3,191.76)</u>
1994 Additions	<u>4,242.33</u>	1,418.88	106.06	<u>1,524.94</u>
Balance 12/31/94	<u>32,619.98</u>			<u>(1,666.84)</u>
1995 Additions	3,057.34	1,631.00	76.43	1,707.43
1995 Retirements	<u>(2,027.00)</u>			<u>(2,027.00)</u>
Balance 12/31/95	<u>33,650.32</u>			<u>(1,986.41)</u>
1996 Additions	<u>-</u>	1,682.52	-	<u>1,682.52</u>
Balance 12/31/96	<u>33,650.32</u>			<u>(303.89)</u>
1997 Additions	<u>-</u>	1,682.52	-	<u>1,682.52</u>
Balance 12/31/97	<u>33,650.32</u>			<u>1,378.63</u>
1998 Additions	<u>-</u>	140.21	-	<u>140.21</u>
Balance 01/31/98	<u>33,650.32</u>			<u>1,518.84</u>

NOTE: The entries for retirements are made pursuant to the Uniform System of Accounts for Class B Water Utilities 1996, Accounting Instruction 22. The net plant additions and ending plant balance are equal to those in the audit work papers.

VENTURE ASSOCIATES UTILITIES CORPORATION
 Schedule of Accumulated Depreciation
 For the Period January 1, 1987 through January 1, 1998

Schedule No. 1
 Sheet 8 of 12

Account: 320
 Service Life: 22
 Rate: 0.0455

	<u>Utility Plant</u>	<u>Depreciation @ 4.55%</u>	<u>Depreciation @ 2.275%</u>	<u>Depreciation</u>
Balance 01/01/87	-			-
1987 Additions	<u>3,627.24</u>	-	82.52	<u>82.52</u>
Balance 12/31/87	<u>3,627.24</u>			<u>82.52</u>
1988 Additions	<u>-</u>	165.04	-	<u>165.04</u>
Balance 12/31/88	<u>3,627.24</u>			<u>247.56</u>
1989 Additions	<u>7,068.27</u>	165.04	160.80	<u>325.84</u>
Balance 12/31/89	<u>10,695.51</u>			<u>573.40</u>
1990 Additions	<u>-</u>	486.65	-	<u>486.65</u>
Balance 12/31/90	<u>10,695.51</u>			<u>1,060.05</u>
1991 Additions	<u>-</u>	486.65	-	<u>486.65</u>
Balance 12/31/91	<u>10,695.51</u>			<u>1,546.70</u>
1992 Additions	<u>-</u>	486.65	-	<u>486.65</u>
Balance 12/31/92	<u>10,695.51</u>			<u>2,033.35</u>
1993 Additions	<u>-</u>	486.65	-	<u>486.65</u>
Balance 12/31/93	<u>10,695.51</u>			<u>2,520.00</u>
1994 Additions	<u>-</u>	486.65	-	<u>486.65</u>
Balance 12/31/94	<u>10,695.51</u>			<u>3,006.65</u>
1995 Additions	<u>-</u>	486.65	-	<u>486.65</u>
Balance 12/31/95	<u>10,695.51</u>			<u>3,493.30</u>
1996 Additions	<u>-</u>	486.65	-	<u>486.65</u>
Balance 12/31/96	<u>10,695.51</u>			<u>3,979.95</u>
1997 Additions	<u>-</u>	486.65	-	<u>486.65</u>
Balance 12/31/97	<u>10,695.51</u>			<u>4,466.60</u>
1998 Additions	<u>-</u>	40.55	-	<u>40.55</u>
Balance 01/31/98	<u>10,695.51</u>			<u>4,507.15</u>

VENTURE ASSOCIATES UTILITIES CORPORATION
 Schedule of Accumulated Depreciation
 For the Period January 1, 1987 through January 1, 1998

Schedule No. 1
 Sheet 9 of 12

Account: 330
 Service Life: 37
 Rate: 0.027

	<u>Utility Plant</u>	<u>Depreciation @ 2.70%</u>	<u>Depreciation @ 1.35%</u>	<u>Depre'iation</u>
Balance 01/01/87	-			-
1987 Additions	<u>8,613.80</u>	-	116.29	<u>116.29</u>
Balance 12/31/87	<u>8,613.80</u>			<u>116.29</u>
1988 Additions	<u>-</u>	232.57	-	<u>232.57</u>
Balance 12/31/88	<u>8,613.80</u>			<u>348.86</u>
1989 Additions	<u>13,911.30</u>	232.57	187.80	<u>420.37</u>
Balance 12/31/89	<u>22,525.10</u>			<u>769.23</u>
1990 Additions	<u>-</u>	608.18	-	<u>608.18</u>
Balance 12/31/90	<u>22,525.10</u>			<u>1,377.41</u>
1991 Additions	<u>-</u>	608.18	-	<u>608.18</u>
Balance 12/31/91	<u>22,525.10</u>			<u>1,985.59</u>
1992 Additions	<u>-</u>	608.18	-	<u>608.18</u>
Balance 12/31/92	<u>22,525.10</u>			<u>2,593.77</u>
1993 Additions	<u>-</u>	608.18	-	<u>608.18</u>
Balance 12/31/93	<u>22,525.10</u>			<u>3,201.95</u>
1994 Additions	<u>-</u>	608.18	-	<u>608.18</u>
Balance 12/31/94	<u>22,525.10</u>			<u>3,810.13</u>
1995 Additions	<u>-</u>	608.18	-	<u>608.18</u>
Balance 12/31/95	<u>22,525.10</u>			<u>4,418.31</u>
1996 Additions	<u>-</u>	608.18	-	<u>608.18</u>
Balance 12/31/96	<u>22,525.10</u>			<u>5,026.49</u>
1997 Additions	<u>-</u>	608.18	-	<u>608.18</u>
Balance 12/31/97	<u>22,525.10</u>			<u>5,634.67</u>
1998 Additions	<u>-</u>	50.68	-	<u>50.68</u>
Balance 01/31/98	<u>22,525.10</u>			<u>5,685.35</u>

VENTURE ASSOCIATES UTILITIES CORPORATION
 Schedule of Accumulated Depreciation
 For the Period January 1, 1987 through January 1, 1998

Schedule No. 1
 Sheet 10 of 12

Account: 331
 Service Life: 43
 Rate: 0.0233

	Utility Plant	Depreciation @ 2.33%	Depreciation @ 1.17%	Depreciation
Balance 01/01/87	-			-
1987 Additions	<u>56,566.93</u>	-	659.00	<u>659.00</u>
Balance 12/31/87	<u>56,566.93</u>			<u>659.00</u>
1988 Additions	<u>-</u>	1,318.01	-	<u>1,318.01</u>
Balance 12/31/88	<u>56,566.93</u>			<u>1,977.01</u>
1989 Additions	<u>215,479.57</u>	1,318.01	2,510.42	<u>3,828.43</u>
Balance 12/31/89	<u>272,053.50</u>			<u>5,805.44</u>
1990 Additions	<u>-</u>	6,338.85	-	<u>6,338.85</u>
Balance 12/31/90	<u>272,053.50</u>			<u>12,144.29</u>
1991 Additions	<u>62,335.56</u>	6,338.85	726.21	<u>7,065.06</u>
Balance 12/31/91	<u>334,389.06</u>			<u>19,209.35</u>
1992 Additions	<u>-</u>	7,791.27	-	<u>7,791.27</u>
Balance 12/31/92	<u>334,389.06</u>			<u>27,000.62</u>
1993 Additions	<u>-</u>	7,791.27	-	<u>7,791.27</u>
Balance 12/31/93	<u>334,389.06</u>			<u>34,791.89</u>
1994 Additions	<u>-</u>	7,791.27	-	<u>7,791.27</u>
Balance 12/31/94	<u>334,389.06</u>			<u>42,583.16</u>
1995 Additions	<u>-</u>	7,791.27	-	<u>7,791.27</u>
Balance 12/31/95	<u>334,389.06</u>			<u>50,374.43</u>
1996 Additions	<u>-</u>	7,791.27	-	<u>7,791.27</u>
Balance 12/31/96	<u>334,389.06</u>			<u>58,165.70</u>
1997 Additions	<u>-</u>	7,791.27	-	<u>7,791.27</u>
Balance 12/31/97	<u>334,389.06</u>			<u>65,956.97</u>
1998 Additions	<u>-</u>	649.27	-	<u>649.27</u>
Balance 01/31/98	<u>334,389.06</u>			<u>66,606.24</u>

VENTURE ASSOCIATES UTILITIES CORPORATION
 Schedule of Accumulated Depreciation
 For the Period January 1, 1987 through January 1, 1998

Schedule No. 1
 Sheet 11 of 12

Account: 333
 Service Life: 40
 Rate: 0.025

	Utility Plant	Depreciation @ 2.50%	Depreciation @ 1.25%	Depreciation
Balance 01/01/87	-			-
1987 Additions	<u>25,410.50</u>	-	317.63	<u>317.63</u>
Balance 12/31/87	25,410.50			317.63
1988 Additions	<u>-</u>	635.26	-	<u>635.26</u>
Balance 12/31/88	25,410.50			952.89
1989 Additions	<u>33,258.17</u>	635.26	415.73	<u>1,050.99</u>
Balance 12/31/89	58,668.67			2,003.88
1990 Additions	<u>-</u>	1,466.72	-	<u>1,466.72</u>
Balance 12/31/90	58,668.67			3,470.60
1991 Additions	<u>11,377.67</u>	1,466.72	142.22	<u>1,608.94</u>
Balance 12/31/91	70,046.34			5,079.54
1992 Additions	<u>-</u>	1,751.16	-	<u>1,751.16</u>
Balance 12/31/92	70,046.34			6,830.70
1993 Additions	<u>-</u>	1,751.16	-	<u>1,751.16</u>
Balance 12/31/93	70,046.34			8,581.86
1994 Additions	<u>-</u>	1,751.16	-	<u>1,751.16</u>
Balance 12/31/94	70,046.34			10,333.02
1995 Additions	<u>-</u>	1,751.16	-	<u>1,751.16</u>
Balance 12/31/95	70,046.34			12,084.18
1996 Additions	<u>-</u>	1,751.16	-	<u>1,751.16</u>
Balance 12/31/96	70,046.34			13,835.34
1997 Additions	<u>-</u>	1,751.16	-	<u>1,751.16</u>
Balance 12/31/97	70,046.34			15,586.50
1998 Additions	<u>-</u>	145.93	-	<u>145.93</u>
Balance 01/31/98	70,046.34			15,732.43

VENTURE ASSOCIATES UTILITIES CORPORATION
 Schedule of Accumulated Depreciation
 For the Period January 1, 1987 through January 1, 1998

Schedule No. 1
 Sheet 12 of 12

Account: 334
 Service Life: 20
 Rate: 0.05

	Utility Plant	Depreciation @ 5.00%	Depreciation @ 2.50%	Depreciation
Balance 01/01/87	-			-
1987 Additions	5,024.00	-	125.60	125.60
Balance 12/31/87	5,024.00			125.60
1988 Additions	6,275.00	251.20	156.88	408.08
Balance 12/31/88	11,299.00			533.68
1989 Additions	15,429.56	564.95	385.74	950.69
Balance 12/31/89	26,728.56			1,484.37
1990 Additions	-	1,336.43	-	1,336.43
Balance 12/31/90	26,728.56			2,820.80
1991 Additions	-	1,336.43	-	1,336.43
Balance 12/31/91	26,728.56			4,157.23
1992 Additions	106.00	1,336.43	2.65	1,339.08
Balance 12/31/92	26,834.56			5,496.31
1993 Additions	-	1,341.73	-	1,341.73
Balance 12/31/93	26,834.56			6,838.04
1994 Additions	-	1,341.73	-	1,341.73
Balance 12/31/94	26,834.56			8,179.77
1995 Additions	300.00	1,341.73	7.50	1,349.23
Balance 12/31/95	27,134.56			9,529.00
1996 Additions	-	1,356.73	-	1,356.73
Balance 12/31/96	27,134.56			10,885.73
1997 Additions	-	1,356.73	-	1,356.73
Balance 12/31/97	27,134.56			12,242.46
1998 Additions	-	113.06	-	113.06
Balance 01/31/98	27,134.56			12,355.52

VENTURE ASSOCIATES UTILITIES CORPORATION
 Calculation of Amortization Rates for Contributions in Aid of Construction
 For Account No. 01271, Plant Capacity Charges

Schedule No. 2
 Sheet 1 of 1

<u>Plant Account Number</u>	<u>Plant Account Title</u>	<u>Balance 01/31/98</u>	<u>Weight</u>	<u>Service Life</u>	<u>Amort. Rate</u>	<u>Weighted Amort. Rate</u>
Plant Capacity Charges, Acct. No. 01271.1:						
304	Structures & Improvements	23,215	0.16293	33	0.0303	0.004937
307	Wells & Springs	42,753	0.30005	30	0.0333	0.009992
309	Supply Mains	11,053	0.07757	35	0.0286	0.002219
310	Power Generation Equipment	21,117	0.14821	20	0.0500	0.007411
311	Pumping Equipment	33,650	0.23617	20	0.0500	0.011809
320	Water Treatment Equipment	<u>10,696</u>	<u>0.07507</u>	22	0.0455	<u>0.003416</u>
	Total	<u>142,484</u>	<u>1.0000</u>			<u>0.0398</u>
Meter Installation Fees, Acct. No. 0271.2:						
334	Meters & Meter Installations	<u>27,135</u>	<u>1</u>	20	0.05	<u>0.05</u>
Main Extension Fees, Acct. No. 01271.3:						
330	Distrib. Reservoirs & Stndps	22,525	0.05184	37	0.0270	0.001400
331	Trans. & Distrib. Mains	341,972	0.78697	43	0.0233	0.018336
333	Services	70,048	0.16119	40	0.0250	0.004030
339	Other Plant & Misc. Equip	<u>-</u>	<u>0</u>	25	0.0400	<u>0</u>
	Total	<u>434,543</u>	<u>1.00000</u>			<u>0.0238</u>

VENTURE ASSOCIATES UTILITIES CORPORATION
Schedule of C.I.A.C. and Accumulated Amortization
For the Period January 1, 1987 through January 31, 1998

Schedule No. 3
Sheet 1 of 4

<u>Acct. No.</u>	<u>Account Title</u>	<u>C.I.A.C.</u>	<u>Accumulated Amortization</u>
01271.1	PC - CIAC-Plant Capacity Charges	255,300.00	84,987.94
01271.2	PC - CIAC-Meter Installation Fees	61,905.00	25,828.84
01271.3	PC - CIAC-Main Extension Charges	<u>346,944.00</u>	<u>68,939.61</u>
	Total per Schedule	<u>664,149.00</u>	<u>179,756.39</u>

VENTURE ASSOCIATES UTILITIES CORPORATION
 Calculation of Accumulated Amortization of C.I.A.C.
 For Account No. 01271.1, Plant Capacity Charges
 For the Period January 1, 1987 through January 31, 1998

Schedule No. 3
 Sheet 2 of 4

Account: 01271.1
 Rate: 0.0398

	<u>C.I.A.C.</u>	<u>Amortization @ 3.98%</u>	<u>Amortization @ 1.99%</u>	<u>Amortization</u>
Balance 01/01/87	-			
1987 Additions	<u>76,875.00</u>	-	1,529.81	<u>1,529.81</u>
Balance 12/31/87	<u>76,875.00</u>			<u>1,529.81</u>
1988 Additions	<u>5,025.00</u>	3,059.63	100.00	<u>3,159.63</u>
Balance 12/31/88	<u>81,900.00</u>			<u>4,689.44</u>
1989 Additions	<u>68,700.00</u>	3,259.62	1,367.13	<u>4,626.75</u>
Balance 12/31/89	<u>150,600.00</u>			<u>9,316.19</u>
1990 Additions	<u>38,700.00</u>	5,993.88	770.13	<u>6,764.01</u>
Balance 12/31/90	<u>189,300.00</u>			<u>16,080.20</u>
1991 Additions	<u>31,275.00</u>	7,534.14	622.37	<u>8,156.51</u>
Balance 12/31/91	<u>220,575.00</u>			<u>24,236.71</u>
1992 Additions	<u>25,425.00</u>	8,778.89	505.96	<u>9,284.85</u>
Balance 12/31/92	<u>246,000.00</u>			<u>33,521.56</u>
1993 Additions	<u>9,300.00</u>	9,790.80	185.07	<u>9,975.87</u>
Balance 12/31/93	<u>255,300.00</u>			<u>43,497.43</u>
1994 Additions	<u>-</u>	10,160.94	-	<u>10,160.94</u>
Balance 12/31/94	<u>255,300.00</u>			<u>53,658.37</u>
1995 Additions	<u>-</u>	10,160.94	-	<u>10,160.94</u>
Balance 12/31/95	<u>255,300.00</u>			<u>63,819.31</u>
1996 Additions	<u>-</u>	10,160.94	-	<u>10,160.94</u>
Balance 12/31/96	<u>255,300.00</u>			<u>73,980.25</u>
1997 Additions	<u>-</u>	10,160.94	-	<u>10,160.94</u>
Balance 12/31/97	<u>255,300.00</u>			<u>84,141.19</u>
1998 Additions	<u>-</u>	846.75	-	<u>846.75</u>
Balance 12/31/98	<u>255,300.00</u>			<u>84,987.94</u>

VENTURE ASSOCIATES UTILITIES CORPORATION
 Calculation of Accumulated Amortization of C.I.A.C.
 For Account No. 01271.2, Meter Installation Fees
 For the Period January 1, 1987 through January 31, 1998

Schedule No. 3
 Sheet 3 of 4

Account: 01271.2
 Rate: 0.0500

	<u>C.I.A.C.</u>	<u>Amortization @ 3.98%</u>	<u>Amortization @ 1.99%</u>	<u>Amortization</u>
Balance 01/01/87	-			
1987 Additions	<u>19,125.00</u>	-	478.13	<u>478.13</u>
Balance 12/31/87	<u>19,125.00</u>			<u>478.13</u>
1988 Additions	<u>750.00</u>	956.25	18.75	<u>975.00</u>
Balance 12/31/88	<u>19,875.00</u>			<u>1,453.13</u>
1989 Additions	<u>15,855.00</u>	993.75	396.38	<u>1,390.13</u>
Balance 12/31/89	<u>35,730.00</u>			<u>2,843.26</u>
1990 Additions	<u>9,675.00</u>	1,786.50	241.88	<u>2,028.38</u>
Balance 12/31/90	<u>45,405.00</u>			<u>4,871.64</u>
1991 Additions	<u>7,725.00</u>	2,270.25	193.13	<u>2,463.38</u>
Balance 12/31/91	<u>53,130.00</u>			<u>7,335.02</u>
1992 Additions	<u>6,450.00</u>	2,656.50	161.25	<u>2,817.75</u>
Balance 12/31/92	<u>59,580.00</u>			<u>10,152.77</u>
1993 Additions	<u>2,325.00</u>	2,979.00	58.13	<u>3,037.13</u>
Balance 12/31/93	<u>61,905.00</u>			<u>13,189.90</u>
1994 Additions	<u>-</u>	3,095.25	-	<u>3,095.25</u>
Balance 12/31/94	<u>61,905.00</u>			<u>16,285.15</u>
1995 Additions	<u>-</u>	3,095.25	-	<u>3,095.25</u>
Balance 12/31/95	<u>61,905.00</u>			<u>19,380.40</u>
1996 Additions	<u>-</u>	3,095.25	-	<u>3,095.25</u>
Balance 12/31/96	<u>61,905.00</u>			<u>22,475.65</u>
1997 Additions	<u>-</u>	3,095.25	-	<u>3,095.25</u>
Balance 12/31/97	<u>61,905.00</u>			<u>25,570.90</u>
1998 Additions	<u>-</u>	257.94	-	<u>257.94</u>
Balance 12/31/98	<u>61,905.00</u>			<u>25,828.84</u>

VENTURE ASSOCIATES UTILITIES CORPORATION
 Calculation of Accumulated Amortization of C.I.A.C.
 For Account No. 01271.3, Main Extension Charges
 For the Period January 1, 1987 through January 31, 1998

Schedule No. 3
 Sheet 4 of 4

Account: 01271.3
 Rate: 0.0238

	<u>C.I.A.C.</u>	<u>Amortization @ 3.98%</u>	<u>Amortization @ 1.99%</u>	<u>Amortization</u>
Balance 01/01/87	-			
1987 Additions	<u>92,157.00</u>	-	1,096.67	<u>1,096.67</u>
Balance 12/31/87	<u>92,157.00</u>			<u>1,096.67</u>
1988 Additions	<u>21,684.00</u>	2,193.34	258.04	<u>2,451.38</u>
Balance 12/31/88	<u>113,841.00</u>			<u>3,548.05</u>
1989 Additions	<u>90,906.00</u>	2,709.42	1,081.78	<u>3,791.20</u>
Balance 12/31/89	<u>204,747.00</u>			<u>7,339.25</u>
1990 Additions	<u>54,627.00</u>	4,872.90	650.06	<u>5,523.04</u>
Balance 12/31/90	<u>259,374.00</u>			<u>12,862.29</u>
1991 Additions	<u>38,364.00</u>	6,173.10	456.53	<u>6,629.63</u>
Balance 12/31/91	<u>297,738.00</u>			<u>19,491.92</u>
1992 Additions	<u>40,866.00</u>	7,066.16	486.31	<u>7,572.47</u>
Balance 12/31/92	<u>338,604.00</u>			<u>27,064.39</u>
1993 Additions	<u>8,340.00</u>	8,058.78	99.25	<u>8,158.03</u>
Balance 12/31/93	<u>346,944.00</u>			<u>35,222.42</u>
1994 Additions	<u>-</u>	8,257.27	-	<u>8,257.27</u>
Balance 12/31/94	<u>346,944.00</u>			<u>43,479.69</u>
1995 Additions	<u>-</u>	8,257.27	-	<u>8,257.27</u>
Balance 12/31/95	<u>346,944.00</u>			<u>51,736.96</u>
1996 Additions	<u>-</u>	8,257.27	-	<u>8,257.27</u>
Balance 12/31/96	<u>346,944.00</u>			<u>59,994.23</u>
1997 Additions	<u>-</u>	8,257.27	-	<u>8,257.27</u>
Balance 12/31/97	<u>346,944.00</u>			<u>68,251.50</u>
1998 Additions	<u>-</u>	688.11	-	<u>688.11</u>
Balance 12/31/98	<u>346,944.00</u>			<u>68,939.61</u>

VENTURE ASSOCIATES UTILITIES CORPORATION
Palm Cay Water System
Schedule of Rate Base for Transfer
January 31, 1998

Schedule No. 4

<u>Description</u>	<u>Utility Application</u>	<u>Reference</u>	<u>Adjustment</u>	<u>Adjusted Balance</u>
Depreciable Utility Plant in Service	671,480	(1) (2) (3)	(2,100) (7,583) -	661,797
Land	103,021	(4)	(55,551)	47,470
Accumulated Depreciation	(170,951)	(5)	15,525	(155,426)
C.I.A.C.	(664,149)			(664,149)
Accum. Amort. Of C.I.A.C.	<u>193,862</u>	(6)	<u>(14,106)</u>	<u>179,756</u>
Rate Base	<u>133,263</u>		<u>(63,815)</u>	<u>69,448</u>

Reference:

- (1) Remove unsupported plant pursuant to Audit Exception No. 1.
- (2) Remove capitalized interest pursuant to Audit Exception No. 1.
- (3) The filing fee noted in Audit Exception No. 4 was not included in utility plant in the application.
- (4) Adjust land to appraisal cost pursuant to Audit Exception No. 1, Response to Audit Report dated May 20, 1993, and Appraisal of Well Site #2 submitted on June 30, 1993.
- (5) Adjust accumulated depreciation to Class B service lives pursuant to Schedule No. 1.
- (6) Adjust accumulated amortization to Class B weighted service lives pursuant to Schedules No. 2 and No. 3.

Rhema Business Services, Inc.

P.O. Box 13705
Tallahassee, FL 32317

(904) 222-1192

May 20, 1993

Ms. Cissy Galloway
Division of Water and Wastewater
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399-0850

Re: Venture Associates Utilities Corporation
Audit for Possible Over-earnings

Dear Cissy:

I'm enclosing the Venture Associates Utilities response to the referenced audit report. As we discussed by telephone, Venture is having an appraisal made of Well Site #2, which we shall file within thirty days.

Please don't hesitate to call me at 222-1192 if you have any questions or need additional information.

Sincerely,



Norman F. Mears
Senior Utility Consultant

Hand deliver
cc: Joseph C. Price

VENTURE ASSOCIATES UTILITIES CORPORATION
Response to Audit Report

AUDIT EXCEPTION NO. 1 (EXPENDED ORGANIZATIONAL COSTS)

In its first year, the Utility correctly capitalized the organizational costs noted in this audit exception as required by the N.A.R.U.C. System of Accounts for Class C Water Utilities. In this year, the Utility's certified public accountant prepared the federal income tax return prior to the regulatory accountant's preparation of the general ledger. As a result, these costs were inadvertently capitalized for regulatory purposes but not for federal income tax purposes. This is a mistake for which the Commission does not normally penalize new utilities.

On the assumption that the Utility recovered these costs for federal income tax purposes, the auditor recommends the imputation of contributions in aid of construction to account for these organizational costs having already been recovered. The problem with this reasoning is that the auditor has failed to recognize the costs capitalized for federal income tax purposes which he recommends be disallowed for regulatory purposes.

To the extent other items capitalized for federal income tax purposes are disallowed, these capitalized organizational costs have not been recovered by federal income tax deduction. Therefore any imputation of C.I.A.C. should be an amount net of the accompanying disallowances. To not net these amounts would unduly penalize the utility, and would deprive Venture Associates Utilities Corporation of its property without compensation.

The calculation below demonstrates that if the auditor's recommended imputation were made, the costs capitalized for federal income tax purposes would exceed those capitalized for regulatory purposes by \$68,131.52. It is therefore clear that all allowed capitalized costs for regulatory purposes have corresponding capitalized costs for federal income tax purposes, and no imputation of C.I.A.C. is necessary.

Disallowance per Audit Exception #2	\$ 2,100.00
Disallowance per Audit Exception #3	7,582.95
Disallowance per Audit Disclosure #1	77,575.68
Disallowance per Audit Disclosure #2	14,408.64
Imputation per Audit Exception #1	<u>(33,535.75)</u>
 Plant Capitalized for Federal Income Tax Purposes above that Capitalized for Regulatory Purposes	 \$ 68,131.52 *****

AUDIT EXCEPTION NO. 2 (UNSUPPORTED PLANT ADDITION)

The Utility does not contest this adjustment.

AUDIT EXCEPTION NO. 3 (CAPITALIZED INTEREST)

The Utility does not contest this adjustment.

AUDIT DISCLOSURE NO. 1 (ALLOCATION OF LAND COSTS)

The auditor's valuation of Well Site #2 is understated for the following reasons. The original plan of the Utility, based on competent professional engineering advice, was that Well Site #1 would provide the well capacity for Palm Cay Unit I and Unit II. In approximately June 1988, the Utility discovered that Well Site #1 would not accommodate the additional well capacity required to provide service to Unit II. The Utility drilled the well at Well Site #2 in November 1988. Allowing sufficient time for permitting, the Utility estimates the time it first identified the location of Well Site #2 to be September 1988. Well Site #2 was transferred from Venture Associates Corporation to Venture Associates Utilities Corporation on July 1, 1989.

In Order No. 22843 in Docket No. 890277-WS, the Commission confirmed its statement made in Order No. 22166, Docket No. 881503-WS, of its preference for independent appraisals in the valuation of land. The Commission in Order No. 17600, Docket No. 850151-WS, stated its position that an appraisal should be for the value of the raw land, and not include the cost of improvements. In Order No. 24417, Docket No. 900598-WS, the Commission stated the valuation of land should be at the point that "the land is first identified for utility purposes."

The Utility has engaged an independent appraiser to value the raw land for Well Site #2 of September 1988, the date the land was first identified for utility purposes, and will file the appraisal within thirty (30) days.

The improvement costs which the auditor recommends be disallowed should be allowed for the following reasons. The Commission has adopted the policy that when a water utility disposes of land, the customers receive the benefit of the increase in value for the time the land was held by the utility. This valuation at time of sale includes the current market value, not only of the raw land, but also of those improvements recommended for disallowance such as the cost of roads, entrance improvements and signs.

Under current Commission policy, the Utility's rate base will accordingly be reduced by the fair market value of these roads, entrance improvements and signs at the time of sale. It is therefore not equitable to disallow the fairly allocated actual costs of these improvements in the valuation on which the Utility is allowed the opportunity to return a fair return.

The correct valuation of the two well sites, with improvement costs allocated on the basis of the number of lots, is therefore calculated as follows:

	<u>Well Site #1</u>	<u>Well Site #2</u>
Original Cost	\$ 10,160	
Appraised Value		\$
Entrance	447	
Signs	103	To be
Roads	5,727	supplied
Surveying	332	within
Engineering	636	30 days
Clearing	356	
Electric	535	
Miscellaneous	195	
Landscaping	<u>613</u>	
Total	\$ 19,104 =====	

AUDIT DISCLOSURE NO. 2 (COMPANY'S VEHICLE)

The Utility does not contest the adjustment removing sixty percent of the cost of the automobile. However, forty percent of the taxes associated with the purchase (\$517) should be capitalized.

AUDIT DISCLOSURE NO. 3 (PLANT HELD FOR FUTURE USE)

It is a well established principle of utility regulation that the capital costs of providing for reasonable growth are properly included in rate base. The Commission routinely follows this principle by allowing a margin reserve in its used and useful determinations. The well planned provision of service to customers requiring service in the reasonable future is a function required of utilities by its regulators, and is an ordinary and necessary part of the cost of providing water service to the public.

The auditor's statement that plant held for future use should be disallowed because it does not benefit present customers is not true. The present customers will benefit by the spreading of the costs of the utility office, office overhead, management and administration over a significant larger number of customers.

The Utility has been told, but has not confirmed, that the Commission has allowed plant held for future use in rate base in a similar situation in the Southern States Venetian Gardens (Lee County) rate case.

AUDIT DISCLOSURE NO. 4 (EXPENSES FOR SECURITY SERVICE)

The allocation of security service expense made by the auditor does not accurately reflect the scope of work encompassed by the security guards. The security guards visit each treatment plant twelve (12) times each twenty-four hours. A key is located at each well site to assure the visitation by the security guard. (Naturally the guards do not have a key at each residence.) Accordingly, the cost of the patrolling security guards is more accurately made on the basis of the number of keys. The cost of the guard at the front gate is appropriately allocated on the basis of lots.

Cost of Patrolling Security Guards	\$ 35,255.96
Total Number of Keys	<u>5</u>
Cost of Patrolling Security Guards per Key	\$ 7,051.19
Well Site Keys	<u>2</u>
Allocated Patrolling Security Guard Cost	\$ 14,102.38
Cost of Front and Back Gate Security Guards	\$ 80,880.70
Total Number of Lots	<u>791</u>
Cost per Lot	\$ 102.25
Utility Lots	<u>6.5</u>
Allocated Cost of Front Gate Security Guards	\$ 664.63
Total Allocated Security Guard Cost	\$ 14,767.01
	=====

AUDIT DISCLOSURE NO. 5 (PUBLIC RELATION EXPENSE)

The Utility does not contest this adjustment.

AUDIT DISCLOSURE NO. 6 (NONRECURRING EXPENSES)

The referenced tractor is used for the ordinary and necessary digging and back-filling work associated with a water utility. The utility no longer rents this particular tractor, but it has purchased a tractor to continue the same functions. If the rental is disallowed, the capital costs, operating and maintenance expenses, and depreciation expense for the new tractor should be included on a pro forma basis. The cost of the new tractor is \$21,730.00 as documented by the accompanying invoice. Annual operating and maintenance expenses are estimated to be \$2,100.00, and annual depreciation, using a ten year service life, is \$2,173.00.

AUDIT DISCLOSURE NO. 7 (FUTURE DEVELOPMENT EXPENSES)

The Utility's response this audit disclosure is the same as its response to Audit Disclosure No. 3.

AUDIT DISCLOSURE NO. 8 (AMORTIZATION OF RATE CASE EXPENSE)

In addition to the expenses noted by the auditor, the Utility incurred additional reasonable and necessary rate case expenses, and is likely to incur additional rate case expenses in the processing of this investigation. The accompanying Schedule of Rate Case Expense presents the rate case expense incurred to date, that unbilled, and that anticipated for completion of the case. The accompanying copies of invoices document the costs to date. These expenses should be amortized over four years, and the amortization included in operation and maintenance expenses.

Rhema Business Services, Inc.

P.O. Box 13705

Tallahassee, FL 32317

(904) 222-1192

June 30, 1993

Ms. Cissy Galloway
Division of Water and Wastewater
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399-0850

Re: Venture Associates Utilities Corporation
Audit for Possible Over-earnings

Dear Cissy:

I'm enclosing the appraisal of well site #2. The correct valuation of Well Site #2, with improvement costs allocated on the basis of the number of lots, is calculated as follows:

Appraised value of raw land	\$ 22,500
Revised improvement costs per audit ($\$321,067.40 * (3.5/503)$)	2,234
Allocation of road construction costs ($\$521,968.83 * (3.5/503)$)	<u>3,632</u>
Valuation of Well Site #2	\$ 28,366 =====

Please call me at 222-1192 if you have any questions or need additional information.

Sincerely,

Norman F. Mears

Norman F. Mears
Senior Utility Consultant

Hand deliver
Enclosure
cc: Joseph C. Price

LAND APPRAISAL REPORT

Census Tract 10 Map Reference CENSUS

Surveyor N/A
 Property Address **Southwest 79th Terrace**
 City **Ocala** County **Marion** State **Florida** Zip Code **34476**
 Legal Description **See Attached**
 Sale Price \$ **N/A** Date of Sale **N/A** Loan Term **N/A** yrs. Property Rights Appraised Fee Leasehold De Minors P&U
 Actual Real Estate Taxes \$ **127.35** (yr) Loan charges to be paid by seller \$ **N/A** Other sales concessions **N/A**
 Lender/Client Art Talk Address
 Occupant **N/A** Appraiser **Peek** Instructions to Appraiser **Fair Market Value**

Location	<input checked="" type="checkbox"/> Urban	<input checked="" type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Employment Stability <input type="checkbox"/> Good <input checked="" type="checkbox"/> Avg <input type="checkbox"/> Fair <input type="checkbox"/> Poor Convenience to Employment <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Convenience to Shopping <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Convenience to Schools <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Adequacy of Public Transportation <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Recreational Facilities <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Adequacy of Utilities <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Property Compatibility <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Protection from Detrimental Conditions <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Police and Fire Protection <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> General Appearance of Properties <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Appeal to Market <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>
Soil Use	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25% to 75%	<input type="checkbox"/> Under 25%	
Growth Rate <input type="checkbox"/> Fully Dev	<input type="checkbox"/> Rapid	<input checked="" type="checkbox"/> Steady	<input type="checkbox"/> Slow	
Property Values	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining	
Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Over Supply	
Marketing Time	<input type="checkbox"/> Under 3 mos	<input checked="" type="checkbox"/> 4-6 Mos	<input type="checkbox"/> Over 6 Mos	
Present Land Use	<input type="checkbox"/> 65 % 1 Family	<input checked="" type="checkbox"/> 2-4 Family	<input type="checkbox"/> % Apts	
	<input type="checkbox"/> 15 % Industrial	<input type="checkbox"/> 20 % Vacant	<input type="checkbox"/> % Condo	
Change in Present Land Use	<input checked="" type="checkbox"/> Not Likely	<input type="checkbox"/> Likely (*)	<input type="checkbox"/> Taking Place (*)	
	(*) From To			
Predominant Occupancy	<input checked="" type="checkbox"/> Owner	<input type="checkbox"/> Tenant	<input type="checkbox"/> % Vacant	
Single Family Price Range	\$ 29,000 to \$ 175,000		Predominant Value \$ 50-60	
Single Family Age	New yrs to 20 yrs		Predominant Age 1-3 yrs	

Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise) **No adverse market conditions were noted at effective date.**

Dimensions **Irregular** - **1.61+/- Acres** in P1 or Acres Corner Lot
 Zoning classification **R-3; Multi-Family** Present Improvements do do not conform to zoning regulations
 Highest and best use: Present use Other (specify)
 Type **Slightly Sloping**
 Size **Adequate**
 Shape **Irregular**
 View **Average**
 Drainage **Appears Adequate**
 Is the property located in a FEMA identified Special Flood Hazard Area? No Yes
 Comments (favorable or unfavorable including any apparent adverse easements, encroachments or other adverse conditions) **No adverse easements or encroachments were noted. Overhead powerline easement located along West boundary.**

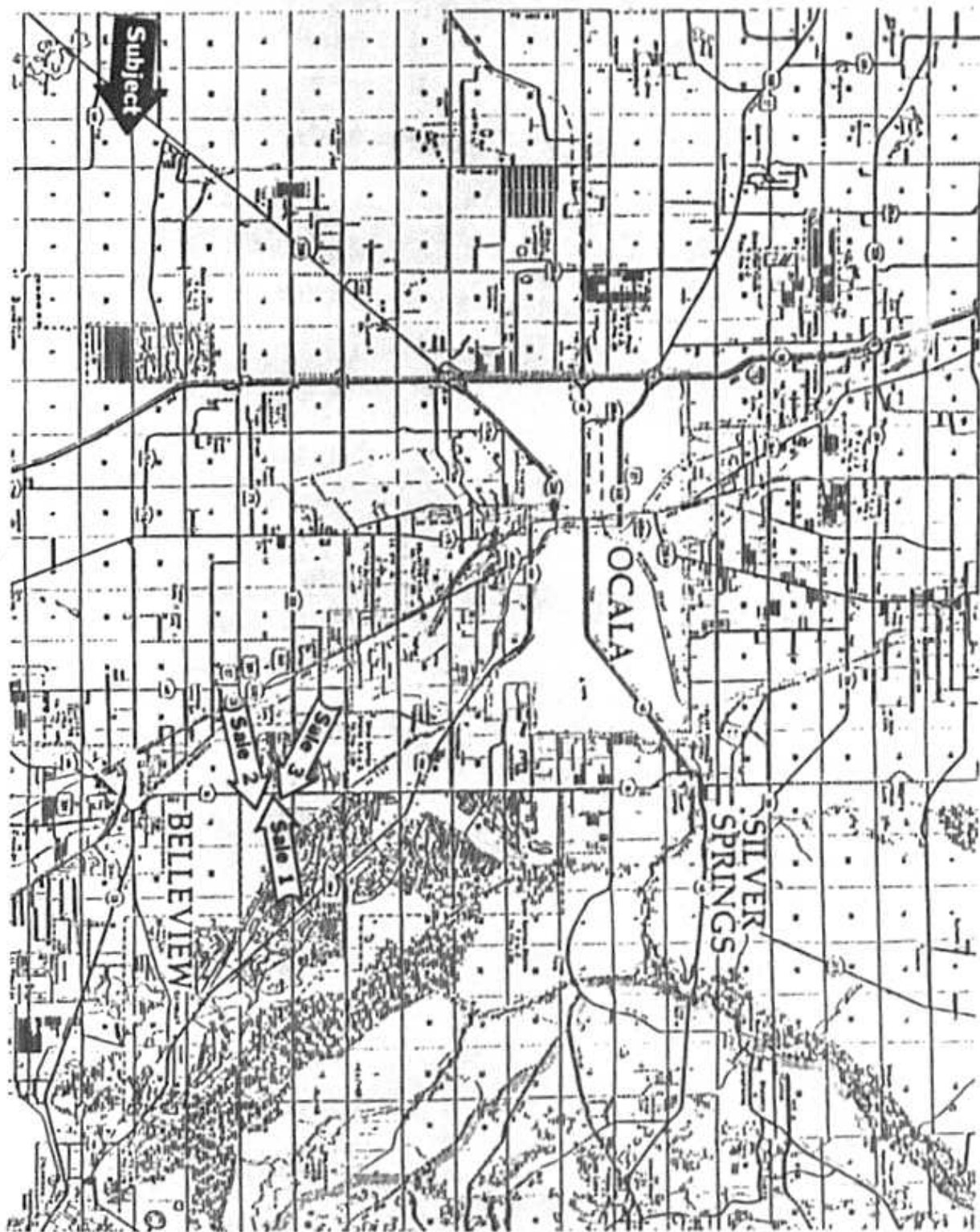
The undersigned has reviewed three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment, reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to, or more favorable than, the subject property, a minus (-) adjustment is made, thus reducing the indicated value of subject. If a significant item in the comparable is inferior to, or less favorable than, the subject property, a plus (+) adjustment is made, thus increasing the indicated value of the subject.

ITEM	Subject Property	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address	Palm Cay	OR 1701/1269 Silver Springs Ests	OR 1708/1890 Silver Springs Ests	OR 1670/828 Silver Springs Ests
Proximity to Subj		10 miles	10 miles	10 miles
Sales Price	N/A	\$ 14,000	\$ 15,000	\$ 10,000
Price		\$14,000/Ac	\$14,463/Ac	\$9,709/Ac
Date Source	Inspection	Public Records	Public Records	Public Records
Date of Sale and Time Adjustment	DESCRIPTION	DESCRIPTION	DESCRIPTION	DESCRIPTION
Location	Average	11/29/90	11/16/90	7/16/90
Site/View	Average	Average	Average	Average
Zoning	1.61+/- Acres	1.0 Acres	1.03 Acres	1.03 Acres
	R-3	R-1	R-1	R-1
Sales or Financing Concessions				
Net Adj (Total)		<input type="checkbox"/> Plus <input type="checkbox"/> Minus \$	<input type="checkbox"/> Plus <input type="checkbox"/> Minus \$	<input type="checkbox"/> Plus <input type="checkbox"/> Minus \$
Indicated Value of Subject		\$ 14,000/Ac	\$ 14,463/Ac	\$ 9,709/Ac

Comments on Market Data **All three sales were located in a competitive subdivision of one acre or larger homesites. The sales were more similar to the size of the subject than sales within the immediate neighborhood of the subject. The market approach supports an indicated value of \$14,000, per acre.**

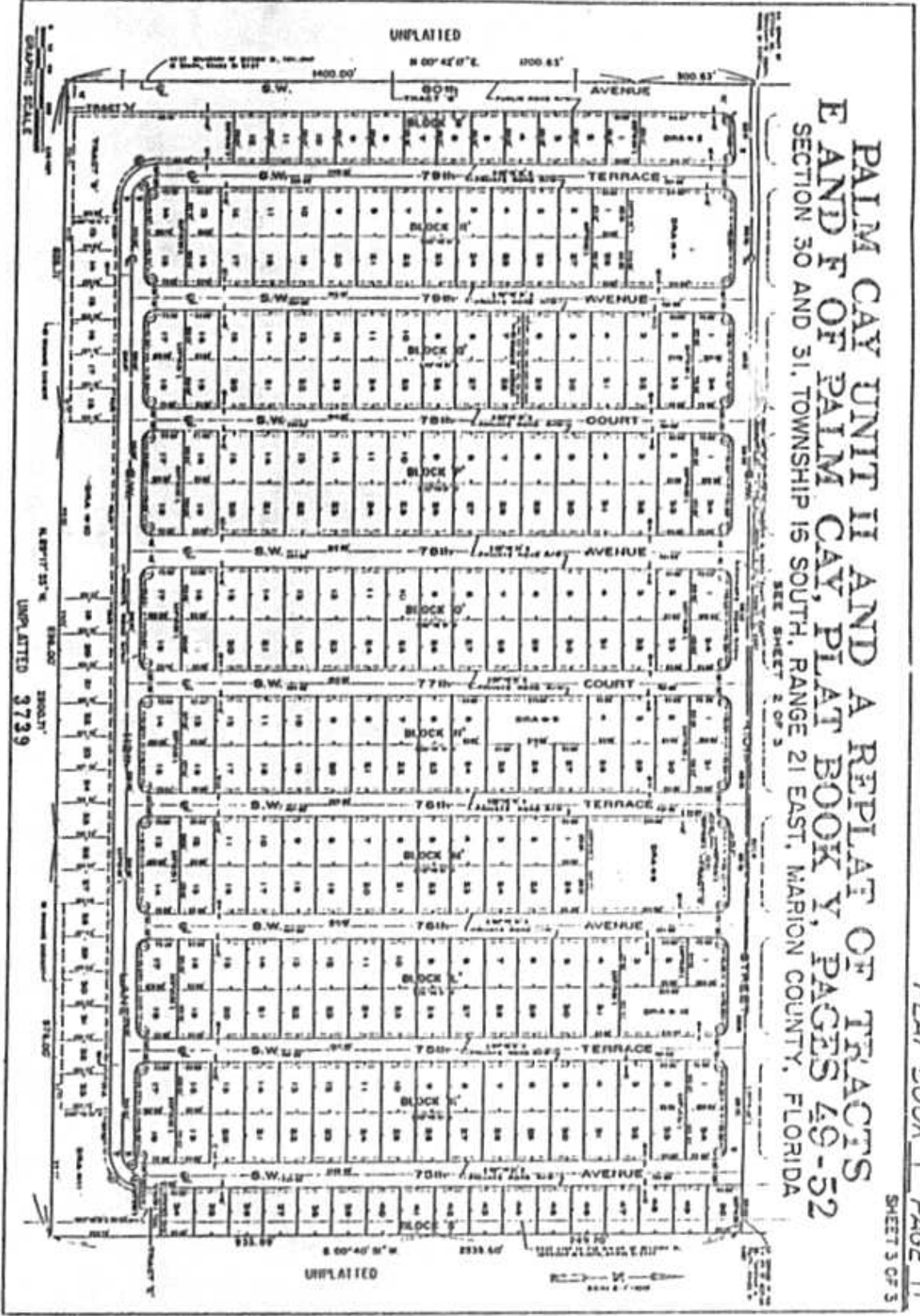
Final Reconciliation **Greatest weight is placed upon the market approach. The cost and income approaches were not considered applicable in this assignment. The final value estimate is calculated as follows: 1.61+/- Acres at 14,000/acre = \$22,540.**
 ESTIMATE THE MARKET VALUE, AS DEFINED, OF SUBJECT PROPERTY AS OF **July 1,** **19 89** to be \$ **22,500**

Appraiser(s) **Albert B. Peek, SRPA #E10000923** Review Appraiser (if applicable) Did Did Not Physically Inspect Property
 St. Cert. Gen. REA



PALM CAY UNIT II AND A REPLAT OF TRACTS E AND F OF PALM CAY, PLAT BOOK Y, PAGES 49-52 SECTION 30 AND 31, TOWNSHIP 16 SOUTH, RANGE 21 EAST, MARION COUNTY, FLORIDA

SEE SHEET 2 OF 3

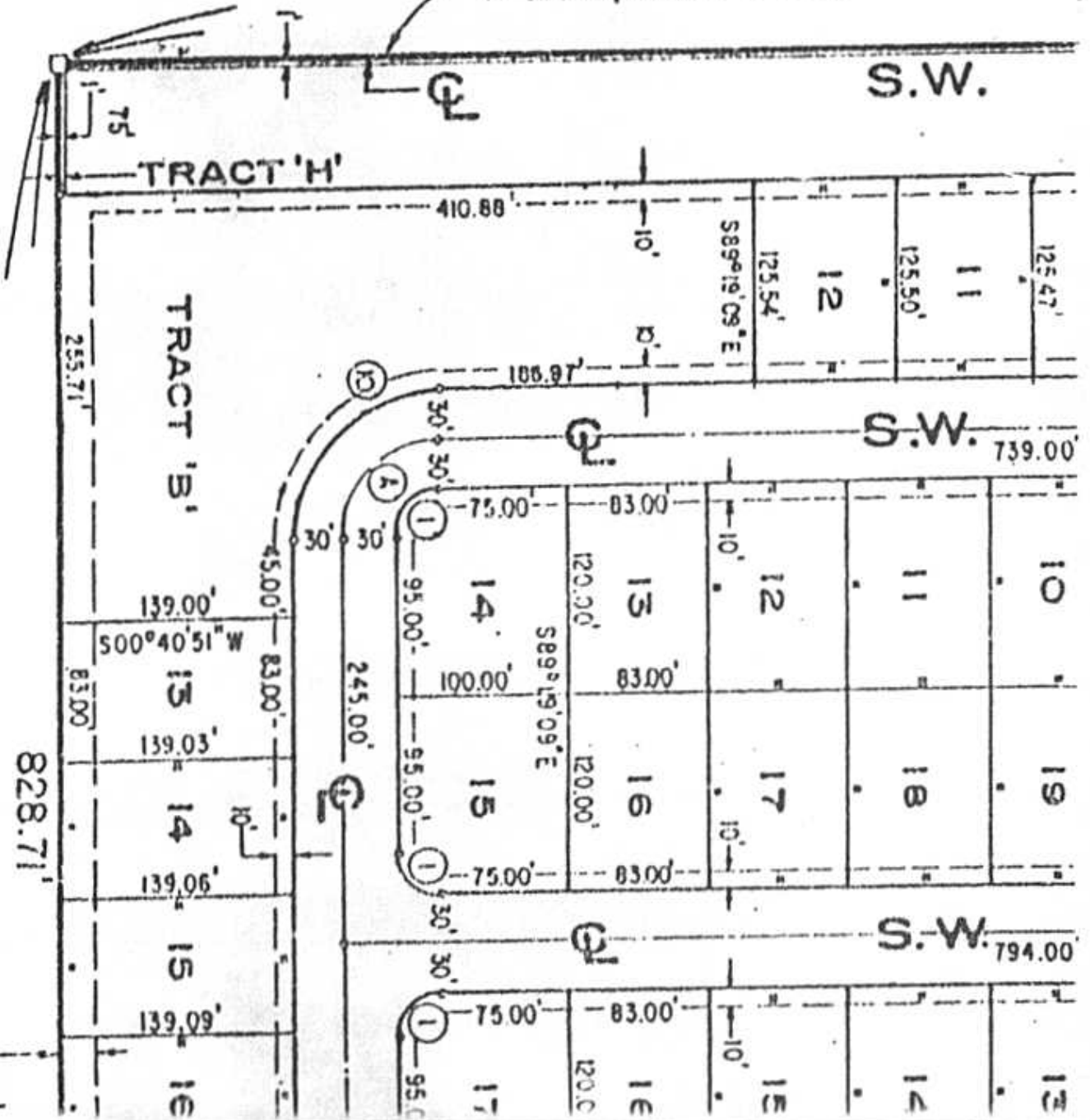


UNPLATTED 3739

GRAPHIC SCALE

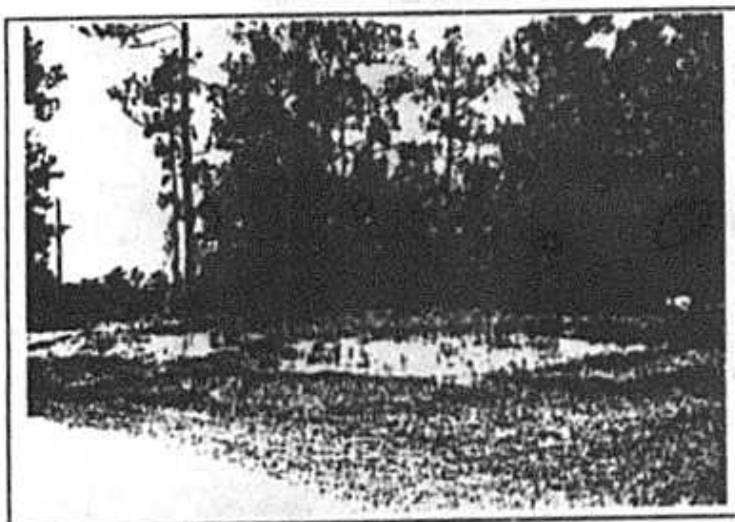
0
50
100
200
300 FEET

WEST BOUNDARY OF SECTION 31, TOWNSHIP 16 SOUTH, RANGE 21 EAST



PHOTOGRAPH ADDENDUM

Borrower/Client	N/A		
Property Address	Southwest 79th Terrace		
City	Ocala	County	Marion
State	Florida	Zip Code	34476
Lender	Art Tait		



FRONT OF SUBJECT
PROPERTY



INTERIOR VIEW OF
SUBJECT PROPERTY



INTERIOR VIEW OF
SUBJECT PROPERTY

STREET VIEW



ADDENDUM A

This appraisal assignment has utilized professional appraisal techniques and has employed skills and concepts currently held as most applicable to proper appraisal procedure. This appraisal meets the standards of professional practice anticipated of an expert in the real estate appraisal business.

Foremost in the mind of the appraiser within this assignment has been the task of researching the market for sales of properties which evidence the greatest degree of comparability to the subject property. Since location is typically deemed the most sensitive factor influencing the value of real estate, we have first relied upon a selection of comparable sales reflecting the least difference between the location of the sale and the subject.

We have attempted to investigate and utilize sales so comparable to the subject in all respects that adjustments would not be necessary. However, the market is imperfect, and properties are not often truly similar and never are they identical. Adjustments are necessary because property characteristics vary. This is why professional appraisers are employed, to extract from the market the best comparisons which should be made to formulate an informed opinion of value based upon the best market data available.

The best data available has been utilized in this report. We have dealt with the imperfections of the market and have considered location more important than date of sale (although the most recent transactions available have been utilized in order to obtain current and comparable data). In all cases, we have measured adjustment factors from the market to the extent possible. If the adjustments (in total or for a particular comparison) are in excess of client expectations, it is noted that this analysis has been carefully considered by the appraiser, and an alternate selection of comparable sales would not, in our opinion, reduce the amount of adjustments necessary.

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he considers his own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparison to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concession based on the appraiser's judgment.

CERTIFICATION AND STATEMENT OF LIMITING CONDITIONS

CERTIFICATION: The Appraiser certifies and agrees that:

1. The Appraiser has no present or contemplated future interest in the property appraised, and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property.
2. The Appraiser has no personal interest in or bias with respect to the subject matter of the appraisal report or the participants to the sale. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
3. The Appraiser has personally inspected the property, both inside and out, and has made an exterior inspection of all comparable sales listed in the report. To the best of the Appraiser's knowledge and belief, all statements and information in this report are true and correct, and the Appraiser has not knowingly withheld any significant information.
4. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions, and conclusions contained in the report).
5. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the appraisal organizations with which the Appraiser is affiliated.
6. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraiser whose signature appears on the appraisal report, unless indicated as "Review Appraiser." No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.

CONTINGENT AND LIMITING CONDITIONS: The certification of the Appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraiser in the report.

1. The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraiser has made no survey of the property.
3. The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therein.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the Appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the Appraiser can be assumed by the Appraiser.
7. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the Appraiser is affiliated.
8. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the Appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if appraisal fee paid by bank, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the Appraiser.
9. On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.

Albert B. Peek, SRA
#R20000923
St. Cert. Gen. REA

June 28, 1993

Date: Appraiser(s)

LIMITING CONDITIONS - cont.

Contingent and Limiting Conditions - cont.

10. My analyses, opinions, or conclusions were developed and this report has been prepared in conformity with requirements of the State of Florida for Certified Appraisers.
11. The use of this report is subject to the requirements of the State of Florida relating to review by the Florida Real Estate Commission.
12. We further certify that our fee is in no way contingent upon the value findings of this appraisal report, and the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
13. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

ALBERT PEEK

REALTY AND INVESTMENT CORPORATION

QUALIFICATIONS - ALBERT B. PEEK

Personal Background

Bachelor of Science in Business Administration,
University of Florida
Major: Real Estate Finance and Urban Planning, 1974
Fee Appraiser, Vice President, Campbell Realty, 1977
Fee Appraiser, President, Albright, Peek and Arline
Realty and Investment Corporation, 1977 - 1981
Fee Appraiser, President, Arline and Peek Realty and
Investment Corporation, 1981 - 1983
Fee Appraiser, President, Albert Peek Realty and
Investment Corporation, 1983 - present

Real Estate Education and Experience

Real Estate Principles and Practices, R. E. 350
Real Estate Property Valuation, R. E. 390
Real Estate Law, R. E. 450
Real Estate & Investment Principles and Practices, R.E. 460
Urban Growth, Land Use and Regional Planning, R. E. 470
Real Estate Financing, R. E. 480
Residential Property Appraisal Exam, SREA 101
Income Property Appraisal Exam, SREA 201
Residential Narrative Report Seminar and Exam, R-2 Exam
Mortgage/Equity Analysis Seminar, Gainesville, Florida
Instructor of Real Estate Appraisal Techniques, ADE 174
at Central Florida Community College, Ocala, Florida
Federal National Mortgage Association (FNMA), Appraiser
#1156042
Expert Witness in the field of Real Estate Appraising -
Fourth, Fifth, Eighth and Eleventh Judicial Circuit Court,
U.S. Bankruptcy Court for the District of Connecticut and
Middle District of U.S. Federal Court

Field Experience

Active in appraising, sales, feasibility analysis since 1974
Appraisal field experience includes: residential,
commercial, acreage, industrial, condemnation and estate
appraisals.

Professional Affiliation and Designations

Society of Real Estate Appraisers Univ. Chapter #207
Senior Real Property Appraiser (SRPA), Society of Real
Estate Appraisers
Ocala Board of Realtors, Board of Directors
Florida Association of Realtors
National Association of Realtors
Licensed Real Estate Broker, Florida
State Certified General Appraiser, Florida,
Certificate #RZ 0000923

Designations, Offices and Committees

Member of Public Relations Committee of Ocala Board of
Realtors
Member of Legislative Committee of Ocala Board of Realtors
Member of Economic Development Council, Ocala, Florida
President of Board of Directors of Ocala Multiple Listing
Corporation