

STATE OF FLORIDA

ORIGINAL

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TIMOTHY DEVLIN, DIRECTOR
AUDITING & FINANCIAL ANALYSIS
(850) 413-6480

Public Service Commission

September 27, 1999

Mr. Macauly Whiting, Jr.
Sunrise Water Company, Inc.
P. O. Box 2397
Winter Park, FL 32790-2397

Re: Docket No. 990731-WU; Sunrise Water Company, Inc.
Audit Report; Establish Rate Base
Audit Control No. 99-166-3-2

Mr. Whiting:

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the Division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

Denise N. Vandiver
Bureau Chief - Auditing Services

DNV: sp

cc:

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- Division of Water and Wastewater (Clapp)
- Orlando District Office (Winston)
- Division of Legal Services
- Office of Public Counsel

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FLORIDA PUBLIC SERVICE COMMISSION

***DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING SERVICES***

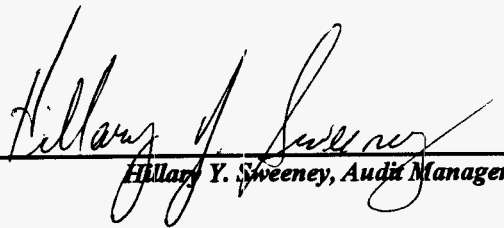
Orlando District Office

SUNRISE WATER COMPANY

ESTABLISH RATE BASE

AS OF MARCH 31, 1999

**DOCKET NO. 990731-WU,
AUDIT CONTROL NO. 99-166-3-2**



Hillary Y. Sweeney, Audit Manager



Charleston J. Winston, District Audit Supervisor

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

September 8, 1999

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to prepare the accompanying schedule for Rate Base at period ended March 31, 1999, for Sunrise Water Company (Sunrise or utility). This schedule was prepared by staff as part of the utility's application for a Certificate of Transfer in Docket No. 990731-WU. There is no confidential information associated with this audit.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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.

SUMMARY OF SIGNIFICANT FINDINGS

The utility's books are not in compliance with the NARUC Uniform System of Accounts (USofA).

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report.

Scanned - The documents or accounts were read quickly looking for obvious errors.

Verified - The items were tested for accuracy, and substantiating documentation was examined.

RATE BASE: Verified account balances for utility plant-in-service and accumulated depreciation. Reconciled rate base balances to the Annual Report and company General Ledger. Verified supporting documentation for sample plant additions selected using auditor judgment and calculated accumulated depreciation using Commission Rule rates.

Audit Exception No. 1

Subject: Seller's Books and Records

Statement of Facts: Sunrise Water Company was built in 1977. Since then, utility ownership has changed twice. In March 1999, Sunrise Water Company was sold to J. Ray Keen.

The utility does not use the account numbers prescribed by the NARUC Uniform System of Accounts (USofA). Sunrise does not maintain a separate general ledger for the utility. Also, utility plant-in-service is recorded in one account.

On May 14, 1996, Polk County transferred jurisdiction over utilities to the Florida Public Service Commission. On July 11, 1997, by Order No. PSC-97-0832-FOF-WU, the Commission granted Sunrise Water Company a Grandfather Certificate. The order does not address the issue of the maintenance of the utility's books and records.

Opinion/Recommendation: Commission Rule 25-30.115 (1), Florida Administrative Code (F.A.C.), requires all water and wastewater utilities to maintain their accounts and records in conformity with the NARUC. The utility does not maintain its books per the Commission Rule cited above. The utility should be required to bring its books into conformity with NARUC.

Audit Exception No. 2

Subject: Utility Plant-in-Service and Associated Accumulated Depreciation

Statement of Facts: The utility recorded \$84,433 in utility plant-in-service and \$22,111 in accumulated depreciation. As stated in Exception One, the utility does not maintain its records in accordance with the USofA.

Opinion/Recommendation: Plant-in-service should be adjusted to reflect plant classified in the proper accounts. The schedule below reflects Sunrise's plant-in-service by the proper accounts and balances.

**Utility Plant-in-Service
Period Ended March 31, 1999**

<u>Acct. No.</u>	<u>Account Description</u>	<u>Plant</u>	<u>Acc. Dep.</u>
304	Structures & Improvements	\$5,169	(\$1,646)
307	Wells & Springs	16,972	(7,409)
310	Power Generation Equipment	11,074	(4,834)
311	Pumping Equipment	3,000	(1,310)
320	Water Treatment Equipment	3,933	(1,717)
330	Distribution Reservoirs	21,485	(9,379)
331	Meters	7,932	(3,462)
334	Transmission & Distribution	12,393	(5,410)
347	Miscellaneous Equipment	<u>2,388</u>	<u>(1,042)</u>
		\$84,346	(\$36,209)

Utility plant-in-service should be adjusted by \$87 to correct an accounting error. Per the utility's records, plant is depreciated over 30 years. Using the utility's stated rate, the audit staff has recalculated accumulated depreciation of \$36,209. Accumulated depreciation should be increased by \$14,098.

Audit Exception No. 3

Subject: Land

Statement of Facts: The utility recorded land of \$2,000. Per the Polk County rate case in 1993, utility land is set at \$553. The utility has not acquired any additional land since the rate case in 1993.

Opinion/Recommendation: An adjustment should be made to reduce land by \$1,497.

EXHIBIT I**SUNRISE WATER COMPANY, INC.
DOCKET NO. 990731-WU
WATER RATE BASE
PERIOD ENDED 03/31/99**

(a) DESCRIPTION	(b) PER UTILITY 3/31/98	(c) AUDIT EXCEPTION	(d) REFER TO	(e) PER AUDIT 10/31/98
UTILITY PLANT-IN-SERVICE	\$84,433	(\$87)	E-2	\$84,346
LAND	2,000	(1,447)	E-3	553
ACCUMULATED DEPRECIATION	(22,111)	(14,098)	E-2	(36,209)
CIAC	0	0		0
ACCUMULATED AMORT. OF CIAC	0	0		0
 RATE BASE	 \$64,322	 (\$15,632)	 ‡	 \$48,690

MAILING AND LIAISON INFORMATION

AS OF 09/27/1999

Sunrise Water Company, Inc. (WU778)

Mailing name

Sunrise Water Company, Inc.

Company code

WU778

Mailing address

Sunrise Water Company, Inc.
P. O. Box 2397
Winter Park, FL 32790-2397

Company liaison(s)

Macaully Whiting, Jr., President, (407) 628-8900
Jon T. Pomerleau, Vice President, (407) 628-8900

COMPANY INFORMATION

AS OF 09/27/1999

Sunrise Water Company, Inc. (WU778)

Location address

Sunrise Water Company, Inc.

Counties of interest

53 Polk

Regulation date

05/14/1996

Certificate(s)

584W

Services provided

WAT

Class (Water And Wastewater)

C