

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: June 15, 2001
 TO: Orlando District Office (Charleston Winston)
 FROM: Denise N. Vandiver; Division of Regulatory Oversight *W*
 RE: Docket No. 010772-WS; CWS Communities LP in Highlands; Audit Request:
 perform a staff assisted rate case; Audit Control No. 01-166-3-1

Attached is a new audit service request. The analyst's requested due date is August 20, 2001. In order to meet the due date, the audit work papers should be delivered to my office two days before the stated due date.

I also request that Charleston Winston be added to the CASR distribution list.

Attachments

cc: Public Counsel
 Division of Regulatory Oversight (Halbert, File Folder)
 Division of Records and Reporting (Moses)

- APP _____
- CAF _____
- CMP _____
- COM _____
- CTR _____
- EGR _____
- LEG _____
- CPC _____
- PAI _____
- SRGO _____
- SEC
- SER _____
- OTH _____

DOCUMENT NUMBER-DATE
 07595 JUN 19 2001
 PRSC-RECORDS/REPORTING

STATE OF FLORIDA

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BRAULIO L. BAEZ
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DIVISION OF REGULATORY OVERSIGHT
DANIEL M. HOPPE, DIRECTOR
(850) 413-6480

Public Service Commission

June 15, 2001

Ms. Gena Larison
CWS Communities LP in Highlands
533 Crystal Lake Drive
Avon Park, Florida 33825

**Re: Docket No. 010772-WS; CWS Communities LP in Highlands;
Audit Request: perform a staff assisted rate case; Audit Control No. 01-166-3-1**

Dear Ms. Larison:

The Florida Public Service Commission will perform a staff assisted rate case, in accordance with Commission audit procedures. Access will be requested to documents and records of the utility and, if necessary, supporting records for affiliate company transactions that affect regulated operations. Staff auditors may also request to review the utility's external audit working papers for the most recent independent audit. Charleston Winston, (407) 245-0846, the district office supervisor, will coordinate this audit. Questions regarding the audit or audit staff should be directed to the district supervisor or myself. My phone number is (850) 413-6487.

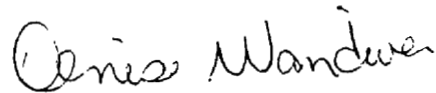
The Audit Access to Records rule for each industry states:

In those instances where the utility disagrees with the auditor's assessment of a reasonable response time to the audit request, the utility shall first attempt to discuss the disagreement with the auditor and reach an acceptable revised date. If agreement cannot be reached, the utility shall discuss the issue with successive levels of supervisors at the Commission until an agreement is reached.

Ms. Gena Larison
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A formal report is expected to be issued for internal Commission use on August 20, 2001. A copy of the final report will be mailed to the company liaison listed in the Commission Mailing Directory.

Sincerely,



Denise N. Vandiver
Bureau Chief of Auditing Services

cc: Division of Regulatory Oversight (Orlando District Office Supervisor, File Folder)
Division of Records and Reporting
Division of Legal Services
Office of the Public Counsel

AUDIT SERVICE REQUEST

JUNE 19, 2000

(AFA Control #)

TO: DIVISION OF REGULATORY OVERSIGHT, DENISE VANDIVER
FROM: DIVISION OF ECONOMIC REGULATION, CHARLES WALKER (850)413-6968
RE: REQUEST FOR AUDIT OF: CWS COMMUNITIES LP IN HIGHLANDS COUNTY DOCKET NO: 010772-WS

AUDIT PURPOSE: For staff assisted rate case, prepare schedules of rate base, capital structure and net operating income using a test year (consult with assigned analyst, but usually most recent 12-month period available) and show all averaging adjustments. Base working capital allowance on 1/8 of operations and maintenance expenses.

LIST AUDIT OBJECTIVES AND OTHER INFORMATION ON BACK.

ADMINISTRATIVE DETAILS:

COMPANY CONTACT: Gena Larison
Phone: (863) 385-7727
MAILING ADDRESS: 533 Crystal Lake Drive
Avon Park, Fl 33825
ACCOUNTING CONTACT: Ms. Paulina Marvan
Phone: (813)-788-2155
MAILING ADDRESS: 533 East Crystal Lake Drive
Avon Park, FL 33825
LOCATION OF RECORDS: Zephyrhills, FL
AUDIT DUE DATE: August 20, 2001

COORDINATING DETAILS:

Accounting Analysts: Charles Walker
Staff Engineer: Gerald Edwards
Repression Analyst: Jenny Lingo

REFERENCES:

- 2001 Annual Report, CWS Communities
- Order No. PSC-94-0243-FOF-WS
- Order No. PSC-01-0428-PAA-WS

BACKGROUND INFORMATION

CWS Communities (CWS or utility) is a Class "C" water and wastewater utility located in Highlands County. The utility was granted a Commission certificate in 1989 in Order No. 22300. By Order PSC-01-0428-PAA-WS, issued on February 22, 2001, the utility was transferred from Crystal Lake Club to CWS Communities, LP.

The utility's service area is located in the rural area of Avon Park, Florida, in Highlands County. According to the utility's 2000 annual report, the utility had gross revenue of \$63,928 and \$52,957 for water and wastewater respectively. The utility provides service for 457 customers who are users of both the water and wastewater systems. The service area is primarily a trailer park known as Crystal Lake Club. The utility last applied for a staff assisted rate case in June 9, 1993 and Docket No. 930572-WS was established. Rates were last set in Order No. PSC-94-0243-FOF-WS, issued March 4, 1994, in Docket No. 930572-WS.

Rate base was established by Order No. PSC-94-0243-FOF-WS, issued March 4, 1994, in Docket No. 930572-WS.

ITEM #	AUDIT OBJECTIVE OR QUESTION	WORK PRIORITY
1.	Review prior Work papers, orders, etc. (See References)	H
2.	Agree company books with annual report (If Appropriate, have company reconcile differences).	H
3.	Confirm utility made adjustments to rate base as ordered by Order No. PSC-94-0243-FOF-WS.	H
4.	Review warranty deed or other evidence of utility land ownership for any purchase, sale, or transactions which may have occurred since ratebase was last established March 4, 1994.	H
5.	Test additions and retirements to plant since rate base was last established, at 3-04-94. Describe major additions, retirements or adjustments.	H
6.	Test the annual accruals to accumulated depreciation based on adjusted plant, using last authorized depreciation rate(s) up to the beginning of the test year and the rates prescribed by Rule 25-30.140, F.A.C., for the test year.	H
7.	Test CIAC additions and adjustments since rate base was last established at 3-04-94 Test by estimation using service availability policy in effect during period and number of customers.	H
8.	Test the annual accruals to accumulated amortization of CIAC, applying annual composite depreciation rates derived in No. 6.	H
9.	Test to determine the appropriate test year depreciation and amortization rates have been used.	H
10.	Review appropriate documentation to ensure that the utility owns all assets associated with the provision of service to its customers. It is not necessary for the utility to own the land if it has an executed lease agreement (see item 4 above).	H

ITEM #	AUDIT OBJECTIVE OR QUESTION	WORK PRIORITY
11.	Review the allocation methodology used by the utility. Determine whether the original amounts to be allocated and the methodology are reasonable. Check the basis for accuracy and consistent application. Contact accounting analyst if any difficulties arise from the company with respect to reviewing these allocations.	H
12.	For proforma items, review all bases of projection for reasonableness and provide detail of analysis in work papers. This should correspond to all rate base, capital structure, and operating income aspects of the case. Include copies of contracts or cost estimates in the working papers.	H
13.	Audit the test year operation and maintenance expense. If any problems arise, contact accounting analyst. Examine the expense for the proper period, amount, classification, support documentation and whether non-utility related, non-recurring, unreasonable or imprudent.	H
14.	If the utility uses contracted services for accounting, billing, testing, operating, and managing, review signed contracts associated with these services, and submit a copy in the audit work papers.	H
15.	Provide the number of hours per month employees and/ or contracted vendors spend on operating, billing, testing, maintenance, and general management activities.	H
16.	Follow the standard audit program for taxes other than income and the capital structure.	H
17.	Review and compile both the parent's capital structure components and cost rates, if applicable.	H
18.	Test revenue transactions with tariffed rates and perform simple calculation estimation to determine what test year revenues should be.	H
19.	Perform all specific requests as reflected on the audit services request on a per system basis.	H

ITEM #	AUDIT OBJECTIVE OR QUESTION	WORK PRIORITY
20.	Note all related party relationships and transactions.	H
21.	Interview utility owner or appropriate person regarding utility's plans for interconnections, major plant retirement, new or expanded plant, etc., and provide summary of interview.	H
22.	Note expense areas where the utility has no costs assigned, but where benefits to utility operations are evident, i.e., business affairs conducted from home or office of another enterprise but no recognition is being given to office space, telephone use, etc.	H
23.	Perform billing analysis. (Format attached)	H
24.	Request copies of all the utility's tax returns for each year covered by the audit review, especially years with major plant additions. If request is granted, provide audit coordinator with copies of tax returns along with the copies of checks to IRS, if taxes were due and paid.	H
25.	Prepare a working trial balance and other procedures relating to this area.	M
26.	Obtain or review the minutes of the board of director meetings.	M
27.	Unless it is obviously inadequate, do not spend a lot of time on compliance with NARUC uniform chart of accounts unless it makes a material difference in the revenue requirement.	M
28.	Review any outside auditors report or work papers.	M