

State of Florida



Public Service Commission

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

DATE: June 27, 2001
TO: Division of Regulatory Oversight (Stephanie Clapp)
FROM: Division of Regulatory Oversight (Vandiver) *W*
RE: Docket No. 990374-WS; The Woodlands of Lake Placid, L.P.; Audit rate base and rate utility; Audit Control No. 01-075-3-1

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)
 Division of Commission Clerk and Administrative Services
 Division of Legal Services

Mr. John H. Lovelette
 The Woodlands of Lake Placid, L.P.
 1525 U.S. Highway 27 South
 Lake Placid, Florida 33852

- APP _____
- CAF _____
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- RGO _____
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DOCUMENT NUMBER-DATE

08072 JUN 29 06

EPSC REGISTRATION PORTING

MEMORANDUM

Date June 22, 2001

TO : DENISE VANDIVER, CHIEF OF AUDITING SERVICES
DIV. OF REGULATORY OVERSIGHT, TALLAHASSEE
FROM : *CJW* CHARLESTON J. WINSTON, AUDIT SUPERVISOR, ORLANDO DISTRICT
RE : COMPLETED AUDIT SUMMARY REPORT

Originator Stephanie Clapp

Company The Woodlands of Lake Placid, L.P.

Control No. 01-075-3-1 Docket No. 990374-WS

Purpose of Audit To Establish Rate Base and Rates for Utility

Auditors Assigned _____	Audit Hrs. _____;	Audit Hrs. _____
Auditors Assigned _____	Audit Hrs. _____;	Audit Hrs. _____
Audit Manager <u>Robert Dodrill</u>	Audit Hrs. <u>625</u>	Audit Supervisor Hrs. <u>13</u>

Date Field Work Began March 19, 2001 Field Work Ended June 5, 2001

Estimated Hours 200 Total Hours 654

Estimated Travel Hours 12

FOR THE FOLLOWING ITEMS USE ADDITIONAL RECOMMENDATIONS FOR THE NEXT

Completed audit memo to RGO (Clapp)

ACE Form to Clapp - copy to file

FIC



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

Orlando District Office

**WOODLANDS OF LAKE PLACID, L.P.
ORIGINAL RATE BASE AND RATES**

PERIOD ENDED DECEMBER 31, 2000

**DOCKET NO. 990374-WS
AUDIT CONTROL NO. 01-075-3-1**

A handwritten signature in cursive script, reading "Robert F. Dodrill Sr.", positioned above a horizontal line.

Robert F. Dodrill Sr., Audit Manager

A handwritten signature in cursive script, reading "Charleston J. Winston", positioned above a horizontal line.

Charleston J. Winston, District Audit Supervisor

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**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT**

JUNE 5, 2001

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying schedules of Rate Base as of December 31, 2000, for The Woodlands of Lake Placid, L.P. The attached schedules were prepared by the auditor as part of our work in Docket No. 990374-WS.

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 Woodlands of Lake Placid, L.P. (Woodlands or utility) does not maintain its books and records according to the NARUC Uniform System of Accounts.

The utility did not establish amounts for plant-in-service, land, accumulated depreciation, contributions-in-aid-of-construction, (CIAC), and amortization of CIAC. The audit staff established these amounts for December 31, 2000, as shown below.

Plant-in-service was established at \$453,936 for water and \$377,807 for wastewater.

Land was established at \$20,598 for water and \$36,000 for wastewater.

Accumulated depreciation was established at \$103,212 for water and \$141,525 for wastewater.

CIAC was established at \$204,307 for water and \$65,600 for wastewater.

Accumulated amortization of CIAC was established at \$26,127 for water and \$11,192 for wastewater.

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 definition applies when used in this report.

Verified - The items were tested for accuracy, and compared to the substantiating documentation.

RATE BASE: Verified account balances for utility plant-in-service (UPIS), CIAC, accumulated depreciation, and accumulated amortization of CIAC from inception. Tested 100 percent of plant additions for the proper amount, classification, and period. Verified CIAC additions. Calculated accumulated depreciation and accumulated amortization per the Commission rule.

OTHER: Verified the existing rates, miscellaneous service charges, late charges, service availability charges, and customer deposits charged by the utility. Verified the number of residential and general service customers by service.

Exception No. 1

Subject: Noncompliance with the NARUC Uniform System of Accounts

Statement of Fact: The utility's general ledger is maintained on a cash basis and the account numbering system is not according to the NARUC Uniform System of Accounts (NARUC).

Rule 25-30.115 (1), F.A.C., requires all water and wastewater utilities to maintain their accounts and records in conformity with the 1996 NARUC Uniform System of Accounts (USOA).

NARUC, Class C, Accounting Instruction 2. A., requires all water and wastewater utilities to maintain their accounts on an accrual basis.

Recommendation: Because the utility's previous FPSC Order No. 20905, issued March 16, 1989, granted Camp Florida Resort Utility Association, The Woodlands' predecessor corporation, an exemption from FPSC regulation, the proper account structure was never maintained. Also, the plant accounting instructions, and the record retention instructions were never followed.

The Commission should require the utility to conform to the current USOA and Commission rules cited above.

Exception No. 2

Subject: Utility-Plant-in-Service

Statement of Fact: The utility was built in the 1989-1990 time period by Jack Clark, Sr., and was called Lake Florida Utilities Association. On September 15, 1995, the utility was sold to The Woodlands of Lake Placid, L.P. The utility's previous FPSC Order No. 20905, issued March 16, 1989, granted it an exemption from FPSC regulation, and no utility plant records were maintained from the original construction period.

Recommendation: The utility's general ledger opening asset balances are from a general journal entry. This entry represents a basket purchase of the utility company. The great majority of the asset activity since that journal entry has been nonutility in nature, such as the building of a residence and various R.V. Park amenities.

Based on the above nonutility nature of the utility's balance sheet accounts, the audit staff set both the water and wastewater balances at zero. Alternative audit procedures involving visits to construction and engineering companies in Sebring, Florida, yielded original utility costs for rate base purposes. Overhead costs were added by the FPSC engineering department, and these were used as beginning balances. One major water system extension was paid for in 1995 by the Florida Department of Environmental Protection.

<u>Depreciable Plant</u>	<u>Water</u>	<u>Wastewater</u>
Balances per Company	\$0	\$0
Balances per Audit	<u>453,936</u>	<u>377,807</u>
Total	\$453,936	\$377,807

Original land costs were documented by visits to the Highlands County Property Appraiser's office.

<u>Utility Land</u>	<u>Water</u>	<u>Wastewater</u>
Balances per Company	\$0	\$0
Balances per Audit	<u>20,598</u>	<u>36,000</u>
Total	\$20,598	\$36,000

The Commission should establish the December 31, 2000, water and wastewater depreciable plant costs at \$ 453,936 and \$ 377,807, respectively.

The Commission should also establish the water and wastewater land costs at \$ 20,598 and \$36,000, respectively.

Exception No. 3

Subject: Accumulated Depreciation

Statement of Fact: The 1996 Class C NARUC Uniform System of Accounts requires utilities to depreciate the original cost of utility plant in service assets.

Recommendation: There were no original cost utility assets on the utility's general ledger. The audit staff calculated the December 31, 2000, ending accumulated depreciation on the calculated depreciable plant-in-service balances.

The water and wastewater accumulated depreciation accounts were calculated to be \$103,212 and \$141,525, respectively.

<u>Accumulated Depreciation</u>	<u>Water</u>	<u>Wastewater</u>
Balances per Company	\$0	\$0
Balances per Audit	<u>103,212</u>	<u>141,525</u>
Total	\$103,212	\$141,525

The Commission should establish the December 31, 2000, water and wastewater accumulated depreciation balances to be \$103,212 and \$141,525, respectively.

Exception No. 4

Subject: Contributions-in-Aid-of-Construction (CIAC) and Amortization

Statement of Fact: Rule 25-30.140 8 (a), F.A.C., requires the utility to maintain adequate records to account for CIAC.

Recommendation: The utility obtained water and wastewater CIAC from hookup fees charged to purchasers of RV lots since 1990 at \$200 and \$400, respectively. The Woodlands has several other sources of water contributions in the form of 1995 hookup fees from off-site customers, property donated from the Florida Department of Environmental Protection financed main extension, and meter cost reimbursements from the current metering of the RV Park itself.

The wastewater CIAC is derived solely from the hookup of RV site purchasers at \$400 each.

<u>Year</u>	<u>RV Lot Water Hookups</u>	<u>Donated Plant</u>	<u>Off site customers</u>	<u>RV Lot Meter Reimbursement</u>	<u>Total Water CIAC</u>	<u>RV Lot Wastewater Hookups</u>
1990	\$2,600	\$0	\$0	\$0	\$2,600	\$5,200
1991	4,400	0	0	0	4,400	8,800
1992	9,800	0	0	0	9,800	19,600
1993	6,600	0	0	0	6,600	13,200
1994	4,000	0	0	0	4,000	8,000
1995	1,800	131,398	6,000	0	139,198	3,600
1996	1,800	0	750	0	2,550	3,600
1997	400	0	0	0	400	800
1998	200	0	0	0	200	400
1999	600	0	0	0	600	1,200
2000	600	0	0	33,359	33,959	1,200
Totals	\$32,800	\$131,398	\$6,750	\$33,359	\$204,307	\$65,600

The Commission should establish the water and wastewater CIAC per audit at \$204,307 and \$65,600, respectively. The associated accumulated amortization of CIAC for water is \$26,127 and wastewater is \$11,192.

Disclosure No. 1

Subject: Pro Forma Plant Addition

Statement of Fact: The utility is requesting the addition of a stand-by generator for its water system. This stand-by generator is required by The Department of Environmental Protection.

Recommendation: The following is a schedule of bids proposed by two vendors for the installation of the utility's stand-by generator.

<u>Company</u>	<u>Bid Total</u>
Tradewinds Power	\$12,541.00
Spitzer Industrial	15,680.00
Average	\$14,110.50

The Commission should include the stand-by generator in the investment of The Woodlands of Lake Placid, LP.

EXHIBIT I

**THE WOODLANDS OF LAKE PLACID, L.P.
DOCKET NO. 990374-WS
WATER RATE BASE
AS OF DECEMBER 31, 2000**

(a)	(b)	(c)	(d)	(e)
DESCRIPTION	PER COMPANY 12/31/00	AUDIT EXCEPTION(1)	REFER TO(2)	PER AUDIT 12/31/00
UTILITY-PLANT-IN-SERVICE	\$0	\$453,936	E-2	\$453,936
LAND	0	20,598	E-2	20,598
ACCUMULATED DEPRECIATION	0	(103,212)	E-3	(103,212)
CIAC	0	(204,307)	E-4	(204,307)
AMORTIZATION OF CIAC	0	26,127	E-4	26,127
	=====	=====		=====
TOTAL	\$0	\$193,142		\$193,142

REQUIRED FOOTNOTES:

- (1) Small differences are due to rounding.
- (2) Audit adjustments do not include audit disclosures.

EXHIBIT II

**THE WOODLANDS OF LAKE PLACID, L.P.
DOCKET NO. 990374-WS
WASTEWATER RATE BASE
AS OF DECEMBER 31, 2000**

(a)	(b)	(c)	(d)	(e)
DESCRIPTION	PER COMPANY 12/31/00	AUDIT EXCEPTION(1)	REFER TO(2)	PER AUDIT 12/31/00
UTILITY-PLANT-IN-SERVICE	\$0	\$377,807	E-2	\$377,807
LAND	0	36,000	E-2	36,000
ACCUMULATED DEPRECIATION	0	(141,525)	E-3	(141,525)
CIAC	0	(65,600)	E-4	(65,600)
AMORTIZATION OF CIAC	0	11,192	E-4	11,192
	=====	=====		=====
TOTAL	\$0	\$217,874		\$217,874

REQUIRED FOOTNOTES:

- (1) Small differences are due to rounding.
- (2) Audit adjustments do not include audit disclosures.