

State of Florida



Public Service Commission

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

DATE: December 31, 2001
TO: Division of Economic Regulation (Greene)
FROM: Division of Regulatory Oversight (Vandiver) *W*
RE: Docket No. 010492-WS ; Zellwood Station Co-op, Inc.; Audit Purpose: Rate Case Audit; Audit Control No.01-087-3-1

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

DNV/jcp
Attachment

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

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FLORIDA PUBLIC SERVICE COMMISSION

***DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES***

Orlando District Office

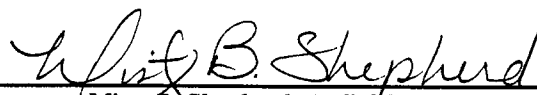
ZELLWOOD STATION CO-OP, INC.

FILE AND SUSPEND RATE CASE PROCEEDING

HISTORICAL PERIOD ENDED DECEMBER 31, 2000

SUPPLEMENTAL AUDIT REPORT


**DOCKET NO. 010492-WS
AUDIT CONTROL NO. 01-087-3-1**



Misty B. Shepherd, Audit Manager



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

December 14, 2001

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the adjustments to revenues for the historical 12-month period ended December 31, 2000, and the revenues for the 9-month period ended September 30, 2001, for Zellwood Station Co-op, Inc. This supplemental audit was performed as part of the utility's petition for rate relief in Docket No. 010492-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 utility's revenues are overstated by \$146,711 for water and understated by \$1,158 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 utility. 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.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

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

Company - The combined business operations of Zellwood Station Co-op, Inc. including its utility operations

Utility - The regulated utility operations of Zellwood Station Co-op, Inc.

Revenues: Compiled utility revenues for the 9-month period ended September 30, 2001. Verified a judgmental sample of customer bills and recalculated using FPSC-approved rates. Scanned utility's billing registers. Chose a judgmental sample of customer meter readings and traced to the billing registers. Verified the utility's adjustments to the Minimum Filing Requirements (MFRs) revenues for the 12-month period ended December 31, 2000.

Exception No. 1

Subject: Revenues-2001

Statement of Fact: The utility recorded revenues of \$342,017 for water and \$193,292 for wastewater in its General Ledger for the 9-month period ended September 30, 2001.

Per Commission Order No.11241-A, issued November 15, 1982, "We find the practice of providing free water to be discriminatory, and we hereby require the utility to perform meter readings and charge these customers, consistent with this opinion, for all water consumption."

Per NARUC, Account No. 271, Contribution in Aid of Construction, this account shall include:

Any amount or item of money, services or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public.

Recommendation: The utility's revenues should be decreased by \$146,711 for water and should be increased by \$1,158 for wastewater for the 9-month period ended September 30, 2001. The details of these amounts are shown on the Water Revenue Adjustments and Wastewater Revenue Adjustments Schedules on pages 4 and 5.

Water revenues balance should be \$195,306 (\$342,017-\$146,711) for the 9-month period ended September 30, 2001.

Wastewater revenues balance should be \$194,450 (\$193,292 + \$1,158) for the 9-month period ended September 30, 2001.

As shown on the Water Revenue Adjustment Schedule, a reduction of \$9,437 should be recorded to water operation and maintenance expenses.

Exception No. 1, continued

Water Revenue Adjustments Schedule:

Item	Amount	Reason
GC106 & GC107	\$301	Golf course meters - unbilled Jan 01 - Sep 01
Manual Entries	778	Manual entries not recorded in the G/L
WTPLT	2,819	Water treatment plant meter - unbilled
WWPLT	1,011	Wastewater treatment plant meter - unbilled
SPIRR	1,524	Spillman Irrigation meter - unbilled
CHBLD	(412)	Clubhouse meter billed @ 2" - should be 1 ½"
CRVCA	720	Citrus Ridge Condo billed @ 1" - should be 2"
Reimbursement(a)	(9,437)	Ins.reimb. for a repair of lightning strike recorded as revenues
Lessees	380	Lessees that are not charged the \$20 normal reconnection fee
CIAC	(395)	CIAC recorded as revenues.
Loans	<u>(144,000)</u>	Bank's loans recorded as revenues.
Total:	<u>(\$146,711)</u>	

(a) This amount should have been recorded as an offset to Account No. 636, Contractual Services - Other, for the repair of the lightning strike.

Exception No. 1, continued

Wastewater Revenue Adjustments Schedule:

Item	Amount	Reason
Manual Entries	\$535	Manual entries not recorded in the G/L
CHBLD	(555)	Clubhouse meter billed @ 2" - should be 1 ½"
CRVCA	1,018	Citrus Ridge Condo billed @ 1" - should be 2"
Lessees	380	Lessees that are not charged the \$20 normal connection fee
CIAC	<u>(220)</u>	CIAC recorded as revenues
Total:	<u>\$1,158</u>	

Disclosure No. 1

Subject: Utility's Adjustment to 2000 Revenues

Statement of Fact: The utility made adjustments to increase 2000 revenues by \$18,846 for water and \$4,054 for wastewater in its MFRs. These adjustments were made to reconcile revenues with its billing analysis and were not verified by the audit staff in the original audit dated December 4, 2001.

In Exception No. 6 of the original audit, dated December 4, 2001, to this supplemental audit, revenues per audit were stated at \$245,660 for water and \$258,350 for wastewater.

Recommendation: The above adjustments of \$18,846 and \$4,054 to revenues should be disregarded. The billing analysis performed by the utility omitted necessary adjustments to obtain the correct billing determinants. Some of the adjustments omitted are shown below:

- Gallonage usage by customers using non-potable water - These gallons are recorded in the billing registers for reporting purposes only to the St. John's Water Management District.
- Two customers were billed at the incorrect meter size as shown in Exception No. 6 of the original audit, dated December 4, 2001, to this supplemental audit.
- The adjustments for customers that have moved out were not made.

A billing analysis done by the audit staff indicated no material difference from the above per audit amounts for revenues.