

State of Florida



# Public Service Commission

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**DATE:** May 20, 2002  
**TO:** Division of Economic Regulation (Fletcher)  
**FROM:** Division of Auditing and Safety (Vandiver) *DNV*  
**RE:** **Docket No. 020413-SU**; Aloha Utilities, Inc.; Audit Purpose: Verify connections made and CIAC collected from May 23, 2001 to the present;  
Audit Control No. 02-129-2-1

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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 the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp  
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)  
Division of the Commission Clerk and Administrative Services (2)  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

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# FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY  
BUREAU OF AUDITING*

*Tampa District Office*

**ALOHA UTILITIES, INC.**

**SERVICE AVAILABILITY CHARGE AUDIT**

**MAY 23, 2001 THROUGH APRIL 30, 2002**

020413-SU

~~UNDOCKETED~~

**AUDIT CONTROL NO. 02-129-2-1**

A handwritten signature in black ink, appearing to read "Vincent C. Aldridge".

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*Vincent C. Aldridge, Audit Manager*

A handwritten signature in black ink, appearing to read "James A. McPherson".

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*James A. McPherson, Tampa District Supervisor*

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**DIVISION OF AUDITING AND SAFETY  
AUDITOR'S REPORT**

**MAY 13, 2002**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to review the Service Availability Charge applied by Aloha Utilities, Inc. in its Seven Springs Wastewater System from May 23, 2001 through April 30, 2002. There is no confidential information associated with this audit and there are no minority opinions.

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 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.

We requested and received a schedule of cash receipts received by the utility for wastewater service availability charges for the period May 23, 2001 through April 30, 2002. We traced the cash receipts to bank deposit slips, verifying that the cash had been received and deposited into a bank account.

We also requested and received a schedule detailing the 416 new service connections made in the Seven Springs service area for the period May 23, 2001 through April 30, 2002. This schedule contained the customer number, name, connection date, service address and meter size. We judgmentally selected 30 new service connections and traced these back to the original meter installation service order which verified the date the meter was installed.

## **Disclosure No. 1**

### **Subject: Seven Springs Wastewater Service Availability Charges**

**Statement of Fact:** The utility does not maintain a record, by customer, of the service availability charges paid. It does maintain a record of when each new service connection is made. It also records payments it receives for service availability charges. There is no direct connection between these two sets of records. This makes determining when the service availability charges were paid for each individual new service connection difficult and time consuming. Most new homeowners (new homeowners constitute the vast majority of the utility's new service connections) do not pay the utility directly for the service availability charge. Rather, the developer pays the service availability charges for a group of lots that are being developed. The number of lots that service availability charges are paid for by a developer can range from one to well over 100 lots. The developer recovers this cost when the property is sold.

The utility credits its CIAC account when the cash is received. The service availability charges are in effect prepaid prior to the actual service being established. Therefore, there is nearly always a time lag from the time a service availability charge is paid, to the time service is established. This time lag can be anywhere from a few months to many years, depending on when the developer of the lot paid the service availability charge and when service to that lot was actually established.

During the period May 23, 2001 through April 12, 2002, the utility was using a service availability charge of \$206.75 per residential connection or \$.766 per gallon for all other connections and collected a total of \$92,577. After April 12, 2002, the utility began charging \$1650 per residential ERC and \$12.79 per gallon for all other connections. Since April 12, 2002, the utility has required builders seeking new connections to pay the \$1443.25 difference between the \$206.75 charged previously and the \$1650 amount now in place, prior to having service established.

The utility had 409 new service connections between May 23, 2001 and April 12, 2002. This included both residential and non-residential connections.