



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

DATE: March 5, 2004
TO: Division of Economic Regulation (Johnson)
FROM: Division of Auditing and Safety (Vandiver) W
RE: **Docket No.** 030891-WS; **Company Name:** IHC Realty Partnership, L.P. d/b/a Plantation Utilities; **Audit Purpose:** Rate Case Audit;
Audit Control No. 03-276-3-1

On February 5, 2004, I forwarded to you the final audit report for the utility stated above. Attached are replacements for pages 2, 7 and 12 of the audit report, please insert these documents into your copy of the audit report.

Also enclosed is a copy of the audit manager's memo specifying the replaced pages of the audit report and corresponding work papers.

I am sending a copy of this memo, with the revised pages of the audit report only, to all the persons who received a copy of the original audit report.

DNV/jcp
Attachments

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)
Office of Public Counsel
Office of General Counsel

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%Hutchinson Island Marriott Beach Resort
Stuart, FL 34996-1692

DOCUMENT NUMBER-DATE

03338 MAR 10 08

FPSC-COMMISSION CLERK

SUMMARY OF SIGNIFICANT FINDINGS

The utility's water plant is overstated by \$54,904. The utility's wastewater plant is overstated by \$40,277.

The utility did not adjust the land for water per Commission Order No. PSC-98-0994-FOF-WS, issued July 20, 1998.

The utility's accumulated depreciation balances are overstated by \$239,305 and \$17,907 for water and wastewater, respectively, as of April 30, 2003.

The utility's accumulated amortization balances are understated by \$2,520 and \$28,848 for water and wastewater, respectively, as of April 30, 2003.

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.

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

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

Reviewed - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

(Revised 2/23/04)

Audit Exception No. 3

Subject: Accumulated Depreciation

Statement of Fact: The utility recorded the following amounts for accumulated depreciation as of December 31, 2002.

Water	\$773,445
Wastewater	\$783,135

The audit staff recalculated the following amounts as of April 30, 2003.

Water	\$534,140
Wastewater	\$765,228

Per Commission Order No. PSC-98-0994-FOF-WS, issued July 20, 1998, the approved depreciation rate was set at 2.5 percent for water, and the guideline rates for the wastewater system. The utility failed to use the approved depreciation rate for water and used the guideline rates for the water and wastewater systems.

Recommendation: The utility failed to adjust its books according to the accumulated depreciation balances recommended by the Commission in the above-mentioned Order for water and wastewater.

Based on the above recalculation, the audit staff recommends to the Commission that accumulated depreciation be reduced by \$239,305 and \$17,907 for water and wastewater, respectively, as of April 30, 2003.

(Revised 2/23/04)

EXHIBIT II

**IHC REALTY PARTNERSHIP, L.P.
d/b/a PLANTATION UTILITIES
WASTEWATER RATE BASE
DOCKET NO. 030891-WS
CERTIFICATE OF TRANSFER AUDIT
AS OF APRIL 30, 2003**

DESCRIPTION	PER UTILITY AS OF 12/31/02 (1)	AUDIT EXCEPTION (1)	REFER TO	PER AUDIT AS OF 04/30/03
UTILITY PLANT-IN-SERVICE	\$1,378,519	(\$40,277)	AE1	\$1,338,242
LAND & LAND RIGHTS	165,091	0		165,091
CONTRIBUTIONS-IN-AID- OF- CONSTRUCTION (CIAC)	(407,182)	0		(407,182)
ACCUMULATED DEPRECIATION	(783,135)	17,907	AE3	(765,228)
ACCUMULATED AMORTIZATION OF CIAC	151,146	28,848	AE4	179,994
WORKING CAPITAL(2)	0			0
TOTAL	\$504,439	\$6,478		\$510,917

FOOTNOTES:

- 1) Small differences can be attributed to rounding errors.
- 2) Working capital calculations not required.

(Revised 2/23/04)