

State of Florida



ORIGINAL

## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD ~~OR~~ BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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**DATE:** February 26, 2007  
**TO:** Kathleen L. Kaproth, Professional Accountant Specialist, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance  
**RE:** **Docket No:** 060253-WS; **Company Name:** Utilities, Inc. of Florida  
**Audit Purpose:** File & Suspend Rate Case  
**Audit Control No:** 06-291-2-1

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Attached are revised pages 8 and 9 to the staff audit report issued by memo dated January 18, 2007. I am sending the utility a copy of this memo and a copy of the revised pages. There are no confidential work papers associated with this audit.

DNV:bj  
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)  
Division of Commission Clerk & Administrative Services (2)  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

Mr. Patrick C. Flynn  
Utilities, Inc. of Florida  
200 Weathersfield Avenue  
Altamonte Springs, FL 32714-4027

Valerie L. Lord  
Rose Law Firm  
Sanlando Center  
2180 West State Rd. 434, Suite 2118  
Longwood, FL 32779

DOCUMENT NUMBER-DATE

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**AUDIT FINDING NO. 1****SUBJECT: ADJUSTMENT TO PRIOR ORDER (LESS WISBAR)**

**AUDIT ANALYSIS:** Order No. PSC-03-1440-WS, issued December 22, 2003, required the utility to post several adjustments to its rate base balances as of December 31, 2001.

The utility posted the above order adjustments to its general ledger on March 16, 2006 and April 27, 2006, with an effective date of December 31, 2005. The above postings also included additional adjustments to record the cumulative effect of posting the December 31, 2001 adjustments as of December 31, 2005.

The audit staff's review of the utility's posted adjustments indicates the following.

1. In some instances the utility posted the average balance adjustment instead of the year-end adjustment that was displayed in the above order.
2. The utility did not post a \$107,000 adjustment to Seminole County for contributions-in-aid-of-construction it received from the City of Altamonte Springs.

**EFFECT ON THE GENERAL LEDGER:** The following adjustments are needed to correct the utility's general ledger to the adjustments required in the above-mention order. See the schedule that follows for the audit staff's calculations.

County	Utility		NARUC Acct. Description	Debit	Credit
	Acct. No.	Acct. No.			
Marion	1083010	108	Acc/Dep - Water Plant	\$318	
	1084000	108	Acc/Dep - W/Water Plant		\$50
	2151000	215	Retained Earnings		\$268
Orange	1083010	108	Acc/Dep - Water Plant	\$99	
	1083014	108	Acc/Dep - Wells & Springs	\$80	
	1083021	108	Acc/Dep - Structures- Treatment	\$195	
	1083025	108	Acc/Dep - Pumping Equipment	\$498	
	1083032	108	Acc/Dep - Treatment Equipment	\$86	
	2151000	215	Retained Earnings		\$958
Pasco	1083010	108	Acc/Dep - Water Plant		\$7,208
	1084000	108	Acc/Dep - W/Water Plant	\$59	
	2151000	215	Retained Earnings	\$10,365	
	2722000	272	Acc/Amortz. Of CIAC - Water		\$1,795
	2723000	272	Acc/Amortz. Of CIAC - W/Water		\$1,421
Pinellas	1083010	108	Acc/Dep - Water Plant	\$452	
	2151000	215	Retained Earnings		\$452
Seminole	1083010	108	Acc/Dep - Water Plant	\$766	
	1083025	108	Acc/Dep - Pumping Equipment	\$30	
	1084000	108	Acc/Dep - W/Water Plant		\$30
	2151000	215	Retained Earnings	\$91,968	
	2711000	271	CIAC - Water		\$107,000
	2722000	272	Acc/Amortz. Of CIAC - Water	\$17,833	
	4072000	407	CIAC Amortz. Exp. - Water		\$3,567

**EFFECT ON THE FILING:** The general ledger adjustments above have the following effect on the utility's 13-month average rate base and net operating income balances presented in its filing.

Marion County	Water	Increase Rate Base	\$318	
Marion County	W/Water	Reduce Rate Base	\$50	
Orange County	Water	Increase Rate Base	\$958	
Pasco County	Water	Reduce Rate Base	\$9,003	(\$7,208+\$1,795)
Pasco County	W/Water	Reduce Rate Base	\$1,362	(\$1,421 - \$59)
Pinellas County	Water	Reduce Rate Base	\$452	
Seminole County	Water	Reduce Rate Base	\$90,154	(\$107,000 -\$16,050(a) - \$766 - \$30)
Seminole County	Water	Increase NOI	\$3,567	
Seminole County	W/Water	Reduce Rate Base	\$30	

(a) \$16,050 is the 13-month average balance for Acc/Amortz. of CIAC. Assumes simple average balance equals 13-month average balance because the annual accrual of \$3,567 represents monthly accruals of \$297. (Dec05 Balance of \$17,833 + Dec04 balance of \$14,267)/2. All other amounts are prior to December 2004, therefore they equal the 13-month average adjustment.

**MARION - WATER**

<u>Acct. No.</u>	<u>Per Utility</u>	<u>Per Order</u>	<u>Adjustment</u>	
1083010	\$1,307	\$1,608	\$301	A
1083010	\$17	\$34	\$17	A
			\$318	

**MARION - W/WATER**

<u>Acct. No.</u>	<u>Per Utility</u>	<u>Per Order</u>	<u>Adjustment</u>	
1084000	(\$63)	(\$126)	(\$63)	A
1084000	\$13	\$26	\$13	A
			(\$50)	

**ORANGE - WATER**

<u>Acct. No.</u>	<u>Per Utility</u>	<u>Per Order</u>	<u>Adjustment</u>	
1083010	\$100	\$199	\$99	A
1083014	\$3,739	\$3,934	\$195	A
1083021	\$2,277	\$2,357	\$80	A
1083025	\$9,973	\$10,471	\$498	A
1083032	\$2,211	\$2,297	\$86	A

**PASCO - WATER (Less WisBar)**

<u>Acct. No.</u>	<u>Per Utility</u>	<u>Per Order</u>	<u>Adjustment</u>	
2722000	(1,795)	(3,590)	(\$1,795)	A
1083010	(\$61,113)	(\$78,303)	(\$17,190)	A
1083010	\$25,324	\$35,223	\$9,899	A
1083010	\$83	\$166	\$83	A
			(\$7,208)	

**PASCO - W/WATER (Less WisBar)**

<u>Acct. No.</u>	<u>Per Utility</u>	<u>Per Order</u>	<u>Adjustment</u>	
2723000	(\$1,421)	(\$2,842)	(\$1,421)	A
1084000	\$59	\$118	\$59	A

**PINELLAS - WATER**

<u>Acct. No.</u>	<u>Per Utility</u>	<u>Per Order</u>	<u>Adjustment</u>	
1083010	\$453	\$905	\$452	A

**SEMINOLE - WATER**

<u>Acct. No.</u>	<u>Per Utility</u>	<u>Per Order</u>	<u>Adjustment</u>	
1083010	\$1,307	\$2,073	\$766	A
1083025	\$31	\$61	\$30	A
2711000	\$0	(\$107,000)	(\$107,000)	B
2723000	\$0	\$3,567	\$17,833	B,C
4073000			(\$3,567)	D

**SEMINOLE - W/WATER**

<u>Acct. No.</u>	<u>Per Utility</u>	<u>Per Order</u>	<u>Adjustment</u>	
1084000	\$90,450	\$90,420	(\$30)	A

A - The utility adjustment picked up the average adjustment from the order balance rather than the year end.

B - The utility did not post the adjustment to CIAC for the sale of Altamonte Springs service territory in the last order.

C - The \$17,833 adjustment is the cumulative effect of \$3,567 in CIAC amortization accruals for five years. (2001-2005)

D - The \$3,567 is the test year 2005 CIAC amortization expense.