

State of Florida



# Public Service Commission

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

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**DATE:** January 16, 2020

**TO:** Office of Commission Clerk

**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

**RE:** Docket No.: 20190182-WS  
Company Name: Sunny Shores Water Co.  
Company Code: WS754  
Audit Purpose: B1c: Certificate Transfer  
Audit Control No.: 2019-294-2-1

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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 a response to the Office of Commission Clerk. There are no confidential work papers associated with this audit.

LMD/cmm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File.

State of Florida



## Public Service Commission

Office of Auditing and Performance Analysis  
Bureau of Auditing  
Tampa District Office

### Auditor's Report

Sunny Shores Water Co.  
Transfer of Certificate

**As of June 19, 2019**

Docket No. 20190182-WS  
Audit Control No. 19-294-2-1  
**January 9, 2020**

A handwritten signature in blue ink, appearing to read "Tomer".

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Tomer Kopelovich  
Audit Manager

A handwritten signature in blue ink, appearing to read "Linda Hill".

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Linda Hill  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated October 21, 2019. We have applied these procedures to Table 1 of Finding 1 of this report prepared by audit staff in support of Sunny Shores Water Co.'s request for a transfer of Certificate in Docket No. 20190182-WS.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **Background**

#### Definitions

Buyer refers to Sunny Shores Utilities, LLC.

Seller refers to Sunny Shores Water Co.

#### Utility Information

Sunny Shores Water Co. is a Class C utility that serves approximate 261 water customers in Manatee County. The Utility came in under a grandfathered certificate in 1996 (Docket No. 960028-WS, Order No. PSC-96-0599-FOF-WS) and Rate Base has never been established. In June 19, 2019 Sunny Shores Utilities, LLC purchased the assets of Sunny Shores Water Co. for \$44,500. The application for Transfer of Certificate No.578-W was filed with this Commission on September 17, 2019.

### **General**

#### Utility Books and Records

**Objective:** The objective was to determine whether the Utility maintains its books and records in conformity with the National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA).

**Procedures:** We asked the Buyer for books and records such as general ledger, tax returns and invoices from inception to June 19, 2019. We were not provided any records except for invoices from 2011 to 2019. As a result we could not determine whether the Utility is in compliance with the NARUC USOA.

### **Net Book Value**

#### Utility Plant In Service

**Objectives:** The objectives were to determine whether the utility plant in service (UPIS): 1) Consists of property that exists and is owned by the Utility, 2) Additions are recorded at original cost, and 3) Retirements are made when a replacement asset was put in service.

**Procedures:** Rate base has never been established. The Utility provided invoices dating back to 2011. We compiled a schedule of water plant additions from January 1, 2011, through June 19, 2019, using invoices for plant additions. We had no support for any additions prior to 2011. See Finding 1 for our discussion of UPIS.

Land & Land Rights

**Objectives:** The objectives were to determine whether the utility land is: 1) recorded at original cost, and 2) owned or secured under a long-term lease agreement.

**Procedure:** There is no land associated with the Utility as bulk water is purchased from Manatee County.

Contributions-in-Aid-of-Construction

**Objectives:** The objectives were to determine whether Contributions-in-Aid-of-Construction (CIAC) is recorded correctly and is in compliance with the Utility's Commission approved service availability charges.

**Procedure:** Audit staff determined there is no CIAC balance.

Accumulated Depreciation

**Objectives:** The objectives were to determine whether accumulated depreciation: 1) accruals are properly calculated and recorded based on Rule 25-30.140, - Depreciation, F.A.C., and 2) retirements are recorded when an asset was replaced.

**Procedures:** The Utility could not provide general ledgers. We did not compute depreciation on our additions. The technical staff will need to determine the appropriate amount once UPIS is established.

Accumulated Amortization of CIAC

**Objectives:** The objectives were to determine whether Accumulated Amortization of CIAC accruals are properly calculated and recorded based on Commission rules and the NARUC USOA.

**Procedure:** Audit staff determined there is no CIAC balance; therefore, no amortization is needed.

Acquisition Adjustment

**Objective:** The objective was to determine the Acquisition Adjustment, if any, based on audit staff's net book value pursuant to Rule 25-30.0371 (1), Acquisition Adjustments F.A.C.

**Procedures:** We did not determine the Net Book Value for this Utility. The buyer has not requested an acquisition adjustment. An acquisition adjustment was not calculated by audit staff. No further work was done.

## **Other**

### Customer Deposits

**Objectives:** The objective was to determine whether the Utility is charging the correct amount set by Commission tariffs.

**Procedures:** We reviewed the application and noted none were listed. We requested a listing of customer deposits, if any, included in the sale. There were none. No further work was performed.

### Billing

**Objectives:** The objective was to determine that the buyer is billing the customers the correct rates per the last approved tariff.

**Procedures:** We obtained the billing records for July through September 2019. We recalculated sample of customers' bills using the approved tariffs. No exceptions were noted.

## Audit Findings

### **Finding 1: Utility Plant in Service**

**Audit Analysis:** We compiled a schedule of water plant additions from January 1, 2011, through June 19, 2019, using invoices for plant additions. We had no support for any of the additions prior to 2011 including the cost of original plant. We request the technical staff determine the appropriate UPIS balance.

**Table-1**

Acct. No.	Description	UPIS Additions 6/19/19
301	Organization	\$0
304	Structures and Improvements	0
305	Collecting and Impounding Reservoirs	0
307	Wells and Springs	0
309	Supply Mains	0
310	Power Generation Equipment	0
311	Pumping Equipment	0
320	Water Treatment Equipment	0
330	Distribution Reservoirs and Standpipes	0
331	Transmission and Distribution Mains	6,997
333	Services	125
334	Meters and Meter Installations	17,257
335	Hydrants	0
336	Backflow Prevention Devices	1,655
340	Office Furniture and Equipment	0
341	Transportation Equipment	0
343	Tools, Shop and Garage Equipment	740
345	Power Operated Equipment	0
348	Other Tangible Plant	0
	Total	\$26,774

**Effect on the General Ledger:** The Utility should determine the effect on the general ledger.

**Effect on the Filing:** The UPIS additions from January 1, 2011 to June 19, 2019 are \$26,774.