



Public Service Commission

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

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**DATE:** September 5, 2002  
**TO:** Division of Division of Economic Regulation (Kyle)  
**FROM:** Division of Auditing and Safety (Vandiver) *a*  
**RE:** **Undocketed; Company Name:** Wedgefield Utilities, Inc.; **Audit Purpose:** Compliance with Commission Order No. PSC-00-2388-AS-WU; **Audit Control No.** 01-166-3-2

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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 me for distribution. 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 Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

Mr. Donald Rasmussen  
Wedgefield Utilities, Inc.  
200 Weathersfield Avenue  
Altamonte Springs, FL 32714-4099

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DOCUMENT NUMBER-DATE

09535 SEP-98

FPSC-COMMISSION CLERK

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

**AUGUST 23, 2002**

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

We have applied the procedures described later in this report to compile the accompanying company Rate Base schedule for the historical 12-month period ended December 31, 2001, for Wedgefield Utilities, Inc.'s water operations. The schedule was prepared by the utility and filed with the Commission pursuant to Rule 25-30.110, Florida Administrative Code, (F.A.C.) as part of its 2001 Annual Report.

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 has not substantially fulfilled the terms of a settlement offer approved in Order No. PSC-00-2388-AS-WU, issued December 13, 2000.

## **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.

**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 item was tested for accuracy and compared to substantiating documentation.

**RATE BASE:** Compiled utility-plant-in-service (UPIS), contributions-in-aid-of-construction (CIAC), accumulated depreciation of UPIS (AD), and accumulated amortization of CIAC as of December 31, 2001. Reconciled rate base balances authorized in Order No. PSC-00-1528-PAA-WU, issued August 23, 2000, to the utility's general ledger.

**OTHER:** Compiled utility revenue and operating and maintenance expense accounts for the year ended December 31, 2001. Verified that the utility is charging the tariff rates approved in Order No. PSC-02-0391-AS-WU, issued March 22, 2002. Chose a judgmental sample of customer bills and recalculated using FPSC-approved rates. Determined the utility's compliance with the settlement offer approved in Order No. PSC-00-2388-AS-WU.

**Exception No. 1**

**Subject: Settlement Agreement**

**Statement of Fact:** Order No. PSC-00-1528-PAA-WU required the utility to show cause as to why it should not be fined \$3,000 for its apparent violation of Rule 25-30.115, F.A.C. The utility filed a timely response and offer of settlement on September 13, 2000.

Order No. PSC-00-2388-AS-WU incorporated the above-mentioned settlement offer with other specific requirements and waived the fine imposed in the Order to Show Cause. Specifically, the utility was ordered to, "correct any remaining areas of noncompliance with the NARUC USOA by January 31, 2001."

**Recommendation:** The audit staff requested supporting documentation for all accounts that were modified, changed, and(or) corrected to meet the specific requirements to bring Wedgefield Utilities, Inc.'s books into compliance with the NARUC USOA.

The utility's response in its entirety is included below.

This letter is in response to the Wedgefield Compliance Audit request number 1. I have reviewed the correspondence file, related orders and miscellaneous supporting documentation relating to the previously mentioned audit request. Consistent with Utilities, Inc.'s correspondence to (*FPSC legal Staff*) dated October 26, 2000 and the Florida Public Service Commission's Order No. PSC-00-2388-AS-WU, the utility believes that its books and records are in substantial compliance with NARUC USOA. In addition, the previously mention order also states that the Utility "promised to sufficiently correct these differences by January 31, 2001, if given some guidance by our audit staff." Emphasis added.

The Utility is not aware of any specific corrections required by Staff or the PSC. If Staff is aware of any specific differences that need to be corrected the Utility will work with Staff to correct these differences. The Utility requests that any of the alleged differences that Staff believes still exist be communicated in writing.

The Utility believes that its books and records are in substantial compliance with NARUC USOC, and the Utility will work diligently with Staff to correct any specific issues raised.

The utility response indicates that no changes have been made to the accounting system in order to comply with the Commission Order. Our audit work in the compliance investigation indicates that the utility has not substantially fulfilled the terms of the settlement offer approved in Order No. PSC-00-2388-AS-WU. The audit staff is also currently auditing a rate case in Docket No. 020071-WS, Application of Utilities, Inc. of Florida for a rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties of which Wedgefield Utilities, Inc. is an affiliated party. We plan to defer our recommendation on the specific violations in this issue and combine it with the audit report in Docket No. 020071-WS.

**Disclosure No. 1**

**Subject:           Rate Base Balance**

**Statement of Fact:** Order No. PSC-00-1528-PAA-WU required the utility to make the following adjustments to its rate base balance as of June 30, 1999.

Reduce utility-plant-in-service (UPIS) .....	\$104,140
Reduce accumulated depreciation of UPIS .....	\$70,939
Increase contributions-in-aid-of-construction (CIAC) .....	\$1,500
Increase amortization of CIAC .....	\$24

**Recommendation:** The utility's books and records indicate that it has not made the above-ordered rate base adjustments as of December 31, 2001.

However, during the audit staff's fieldwork for this compliance investigation the utility did provide copies of two adjusting journal entries that indicate the above-ordered adjustments have been recorded in its general ledger as of January 31, 2002.

The Commission should require the utility to certify in its 2002 Annual Report that the above rate base adjustments have been properly recorded.

**EXHIBIT**

Annual Report  
of  
Wedgefield Utilities, Inc.  
Certificate Number 404W  
For the Period Ended December 31, 2001  
Schedule of Year End Rate Base

ACCT. NO.	ACCOUNT NAME	WATER UTILITY
101	Utility Plant-in-Service	\$2,994,257
	Less:	
	Nonused and Useful Plant (1)	0
108	Accumulated Depreciation	(1,143,537)
110	Accumulated Amortization	(3,336)
271	Contributions-in-Aid-of-Construction	(821,931)
252	Advances for Construction	<u>0</u>
	Subtotal	1,025,453
272	Accumulated Amortization of CIAC	<u>229,457</u>
	Subtotal	1,254,910
	Plus or Minus:	
114	Acquisition Adjustments (2)	0
	Accumulated Amortization of Acquisition Adjustments	0
115	Working Capital Allowance (3)	21,615
	Other	<u>0</u>
	Rate Base	<u>\$1,276,525</u>

**NOTES:**

- 1) The estimate is based on methodology used in the last rate proceeding.
- 2) Only those acquisition adjustments that have been approved by the Commission are included.
- 3) The calculation is consistent with the last rate proceeding.