

FLORIDA UTILITY SERVICES 1, LLC

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RE: Docket No. 20170151-WS - Application for Authority to transfer water and wastewater Certificate Nos. 577-W and 498-S in Manatee County from Heather Hills Estates Utilities, LLC to Heather Hills Utilities, LLC.

Commission Clerk,

Heather Hills Utilities, LLC, (HHU) hereby submits its response to the Staff Audit Report – ACN-2017-205-2-1 in the above referenced docket.

Audit Finding 1: HHU has become aware that the balance in Account 335 – Hydrants was recorded incorrectly. Staffs audit reduced HHU’s reported balance of \$1,133 by \$27 to \$1,106 for this account. Upon further review HHU accepts the audit staff’s balance of \$1,106 and believes that it should be recorded in Account No. 331 – Transmission & Distribution Mains. As discussed in Order No. 2011-0436-PAA-WS, issued September 29, 2011, page 3, this amount relates to proforma plant additions identified as “yard hydrants”. HHU and audit staff erroneously recorded this amount to Account 335 – Hydrants. A field inspection of the service area reveals that the “yard hydrants” installed by the seller of HHU were for the purpose of sampling and monitoring the water quality throughout the distribution system. “Yard hydrants” are riser pipes connected to the distribution system with locked valves for drawing water samples. For accuracy, HHU believes that \$1,106 should be reclassified from Account 335 to Account 331. The net effect on PIS and Net Book Value is \$0.

Audit Finding 2: HHU believes that the water Accumulated Depreciation balance should be reduced by \$2,836 to \$49,059, as of April 7, 2017, based on the following.

- HHU’s review of staff Audit Work Paper No. 22 indicates that \$2,939 of water depreciation expense for 2017 was calculated for the full year and included in the final accumulated depreciation balance for the Utility, as of April 7, 2017. HHU believes only 3-months of depreciation expense should be included for 2017.
- HHU has recalculated the accumulated depreciation balance as of April 7, 2017, to be \$49,059. HHU’s calculation corrects the 2017 depreciation expense accrual, discussed above, and accounts for effect on accumulated depreciation for the reclassification of PIS from Account 335 to Account 331, discussed in Audit Finding 1 above.

(Our calculations are attached on the following page)

If you have any further questions or desire any of the calculations, please do not hesitate to contact me.

Respectfully submitted,



Mike Smallridge

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**Attachement to HHU Response to Staff Audit
Docket No. 20170151-WS**

Account	Life	Per Order				2011-2016 6-yrs of Dep Exp	2017 3-Month Dep Exp	Restated AD Per HHU 04/07/17	AD Per Staff Audit	Correcting Adjustment
		Plant 12/31/10	Pro-Forma Additions	Plant 12/31/11	AD 12/31/10					
309-Supply Mains	32	\$0	\$11,188	\$11,188	(\$584)	(\$2,098)	(\$87)	(\$2,769)	(\$3,031)	\$262
331-T&D Mains	38	\$61,557	\$1,106	\$62,663	(\$30,235)	(\$9,894)	(\$7)	(\$40,136)	(\$41,552)	\$1,416
334-Meters	17	\$16,013	\$0	\$16,013	(\$502)	(\$5,652)	\$0	(\$6,154)	(\$7,096)	\$942
335-Hydrants	40								(\$216)	\$216