

ORIGINAL
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**DIRECT TESTIMONY OF
FRANK L. WILLIAMS**

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**REGARDING SEBRING UTILITIES COMMISSION
DOCKET NO. 920949-EU**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

FRANK L. WILLIAMS

In re: Joint Petition of Florida Power
Corporation and Sebring Utilities
Commission for Approval of Certain
Matters in Connection with Sale of Certain
Assets by Sebring Utilities Commission
to Florida Power Corporation

Docket No. 920949-EU

- 1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**
- 2 A. My name is Frank L. Williams and my business address is 111 Park Avenue East, Lake
3 Placid, Florida 33852.
- 4 **Q. WHAT FIRM DO YOU REPRESENT AND WHAT POSITION TO YOU HOLD?**
- 5 A. I was a partner in Wicks, Brown, Williams & Co., Certified Public Accountants, for
6 over fourteen years and I held the position of partner. I was an employee of the
7 predecessor firm for four years. I am currently a partner in Williams & Collette,
8 Certified Public Accountants, a successor firm to Wicks, Brown, Williams & Co.,
9 formed July 1, 1992. Over the last 18 years, I have provided a broad range of public
10 accounting services including auditing financial statements of governmental and other
11 organizations, tax planning and preparation, management advisory services, and financial
12 planning.
- 13 **Q. DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**
- 14 A. I graduated from Lee College in Cleveland, Tennessee in 1970 with Bachelors Degrees.
15 I graduated from the University of South Florida in 1973 with a Master of Business
16 Administration Degree. While earning the masters degree, I took sufficient course work
17 in accounting to sit for the certified public accounting examination. I passed the exam
18 on the first sitting in November, 1973. I have been a certified public accountant since
19 November 28, 1974.
- 20 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE WITH SEBRING
21 UTILITIES COMMISSION.**
- 22 A. From September 1974 to the current date, I have served on the professional staff of the
23 auditing firm engaged to perform annual audits of the financial statements of the Sebring
24 Utilities Commission (Sebring). Initially, I was a staff accountant. Subsequently, I
25 served as a partner in charge of the engagement.

1 Q. **WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?**

2 A. I am testifying on behalf of Sebring in this proceeding. My testimony will describe our
3 examination of Sebring's financial statements for the year ended September 30, 1991,
4 which included a prior period adjustment to retained earnings to reflect an increase in the
5 value of certain property, plant and equipment of Sebring's electric distribution system
6 and general plant assets targeted to be acquired by FPC.

7 Q. **ARE YOU SPONSORING ANY EXHIBITS IN THIS CASE?**

8 A. Yes. I am sponsoring the following portions of Exhibit 1: Page 210, "Independent
9 Auditor's Report".

10 Q. **WAS YOUR AUDIT OF SEBRING FOR THE YEAR ENDED SEPTEMBER 30,
11 1991, CONDUCTED IN ACCORDANCE WITH GENERALLY ACCEPTED
12 AUDITING STANDARDS?**

13 A. Yes. Our audit was conducted in accordance with generally accepted auditing standards
14 and Government Auditing Standards, issued by the Comptroller General of the United
15 States.

16 Q. **DID THE SCOPE OF YOUR AUDIT INCLUDE THE "SUPPLEMENTARY
17 SCHEDULE OF ELECTRIC SYSTEM ASSETS IDENTIFIED FOR SALE"?**

18 A. Yes. Our audit was made primarily for the purpose of forming an opinion on the basic
19 financial statements taken as a whole. The supplementary schedule was, however,
20 subjected to the auditing procedures applied in the audit of the basic financial statements
21 and, in our opinion, was fairly stated in all material respects in relating to the basic
22 financial statements taken as a whole.

23 Q. **WERE YOUR AUDITING PROCEDURES APPLIED TO THE "SUPPLEMENTARY
24 SCHEDULE OF ELECTRIC SYSTEM ASSETS IDENTIFIED FOR SALE"
25 SUFFICIENT IN SCOPE TO WARRANT RELIANCE THEREON BY THE**

1 **SEBRING UTILITIES COMMISSION, FPC, AND THE FLORIDA PUBLIC**
2 **SERVICE COMMISSION?**

3 A. Yes. Although our opinion rendered on the financial statements for the year ended
4 September 30, 1991, indicates "in our opinion, is fairly stated in all material respects in
5 relating to the basic financial statements taken as a whole," additional auditing procedures
6 were applied to the supplementary schedule with the understanding that the parties to this
7 petition would be relying thereon.

8 **Q. HOW DID SEBRING IDENTIFY "ELECTRIC SYSTEM ASSETS IDENTIFIED**
9 **FOR SALE"?**

10 A. "Electric System Assets Identified for Sale" were identified by reference to the latest draft
11 of the proposed contract for sale of the system available on June 11, 1992. Net property,
12 plant and equipment in service of \$15,152,277, and construction work in progress of
13 \$276,762 as of September 30, 1991, was identified by reference to the valuation study
14 performed by RMI. Property, plant and equipment in service includes an adjustment for
15 contributions-in-aid-of-construction made from the books and records of Sebring.
16 Current Assets were identified by reference to allocations made from the books and
17 records of the Sebring Utilities Commission.

18 **Q. DID SEBRING RECORD AN ADJUSTMENT ON ITS BOOKS AND RECORDS**
19 **TO INCREASE THE VALUE OF PROPERTY, PLANT AND EQUIPMENT IN**
20 **SERVICE IN THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**
21 **SEPTEMBER 30, 1991?**

22 A. Yes. Sebring recorded an adjustment increasing property, plant and equipment resulting
23 from a study made by the Commission's consulting engineer (RMI) which considered,
24 among other things, depreciation rates and a physical inventory of electric and general
25 plant assets.

1 Q. IN YOUR OPINION, WAS THE PRIOR PERIOD ADJUSTMENT TO RETAINED
2 EARNINGS INCREASING NET PROPERTY, PLANT AND EQUIPMENT IN
3 SERVICE AS OF SEPTEMBER 30, 1991, MADE IN ACCORDANCE WITH
4 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES?

5 A. Yes. The adjustment was made in accordance with generally accepted accounting
6 principles.

7 Q. IS THERE ANY PRECEDENT IN THE STATE OF FLORIDA FOR MUNICIPAL
8 ELECTRIC UTILITIES TO MAKE SIMILAR PRIOR PERIOD ADJUSTMENTS
9 AS A RESULT OF SIMILAR CONSULTING ENGINEER'S STUDIES?

10 A. Yes. In the 1970's, 1980's, and 1990's, a number of Florida Municipal Utilities have
11 recorded similar adjustments to net property, plant and equipment in service.

12 Q. PLEASE EXPLAIN WHY SUCH ADJUSTMENTS WERE MADE?

13 A. Florida Public Service Commission Rule 25-6.014(7) requires municipal electric utilities
14 to comply with the Federal Energy Regulatory Commission's Uniform System of
15 Accounts. This rule requires a municipal utility to implement a continuing property
16 records system. Prior to the adoption of the rule, most municipal utilities in Florida
17 followed governmental accounting practices under which many capital expenditures were
18 being expensed. As a result, most of the systems had not identified retirement units as
19 required by the continuing property records system. To adhere to the rule requirements,
20 many Florida municipal utilities engaged consulting engineers to perform system wide
21 surveys for the purpose of redetermining the value of their electric plant.

22 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

23 A. Yes.