

State of Florida



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Public Service Commission

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

DATE: August 17, 2009
TO: Jared Deason, Regulatory Analyst IV, Division of Economic Regulation
FROM: Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance *DM*
RE: Docket No.: 080714WS
Company Name: Hidden Valley SPE LLC d/b/a Orange Lake Utilities
Company Code: WS892
Audit Purpose: A1b; Staff- Assisted Rate Case
Audit Control No: 09-015-1-1

Attached are revised pages 15, 16, 24, and 25 to the audit report for the utility stated above. I am sending the utility a copy of this memo and the revised pages. If the utility desires to file a response to the revised pages, it should send a response to the Office of the Commission Clerk. There no confidential work papers associated with this audit.

DNM/ch

Attachment: Revised pages to audit report

cc: (With Attachment)
Division of Regulatory Compliance (Salak, Mailhot, File Folder)
Office of Commission Clerk
Office of the General Counsel

(Without Attachment)
Division of Regulatory Compliance (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

DOCUMENT NUMBER - DATE

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FINDING NO. 4

Revised 8/13/2009

Subject: Accumulated Amortization of CIAC

Audit Analysis: The utility's 2007 annual report indicates the amount of accumulated amortization of CIAC is \$61,729 and \$110,689 for water and wastewater, respectively, as of December 31, 2007. The 2008 annual report has not yet been issued.

Plant charged to Account 331- Transmission and Distribution Lines, Account 333- Services, Account 335 – Hydrants, Account 336 – Backflow Prevention Devices, Account 360 –Collection Sewer – Force, Account 361 – Collection Sewer – Gravity, Account 362 – Special Collecting Structures – manholes, and Account 363 – Services to Customers is contributed. The utility used the applicable depreciation rates to calculate Amortization of CIAC.

Per Audit Finding No. 3 the utility did not use the prescribed service lives required in Rule 25-30.140, Florida Administrative Code, to depreciate Account 336 – Backflow Prevention Devices, and wastewater Account 362 – Special Collecting Structures – Manholes.

The audit staff calculated the amortization expense, using the applicable depreciation rates, to be \$2,663 and \$4,770 for water and wastewater, respectively, for the 12-month period ended December 31, 2008. The audit staff calculated the accumulated amortization of CIAC to be \$65,119 and \$114,323 for water and wastewater, respectively, for the period ended December 31, 2008.

<u>Year</u>	<u>Average CIAC</u>	<u>Amort. Expense</u>	<u>Acc. Amort. of CIAC Per Audit</u>	<u>Adjustment</u>	<u>Acc. Amort. of CIAC Per Utility</u>
2004	\$107,789		\$53,118	\$0	\$53,118
2005	\$107,789	\$3,182	\$56,300	\$312	\$55,988
2006	\$107,789	\$3,182	\$59,482	\$624	\$58,858
2007	\$107,789	\$2,974	\$62,456	\$727	\$61,729
2008	\$107,789	\$2,663	\$65,119	\$3,390	\$61,729

Wastewater

<u>Year</u>	<u>Average CIAC</u>	<u>Amort. Expense</u>	<u>Acc. Amort. of CIAC Per Audit</u>	<u>Adjustment</u>	<u>Acc. Amort. of CIAC Per Utility</u>
2004	\$178,699		\$95,243	\$0	\$95,243
2005	\$178,699	\$4,770	\$100,013	(\$379)	\$100,392
2006	\$178,699	\$4,770	\$104,783	(\$758)	\$105,541
2007	\$178,699	\$4,770	\$109,553	(\$1,136)	\$110,689
2008	\$178,699	\$4,770	\$114,323	\$3,634	\$110,689

EFFECT ON GENERAL LEDGER: The following entry should be made to correct the

DOCUMENT NUMBER-DATE

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account balances.

Revised 8/13/2009

NARUC Acct. No.	Account Description	Debit	Credit
272	Water Acc. Amort. Of CIAC	\$3,390	
403	Water CIAC Amortization Expense		\$2,663
272	Wwater Acc. Amort. Of CIAC	\$3,634	
403	WWater CIAC Amortization Expense		\$4,770
215	Retained Earning	\$409	

EXHIBIT III

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITY
 DOCKET NO. 080714-WS
 WATER NET OPERATING INCOME
 HISTORICAL PERIOD ENDED DECEMBER 31, 2008

DESCRIPTION	PER UTILIT	ADJUSTMENT	REFER TO	PER AUDIT
OPERATING REVENUES	\$44,665	\$836	F 5	\$45,501
OPERATING EXPENSES:				
O & M EXPENSE	\$34,111	\$7,653	F 6	\$41,764
DEPRECIATION EXPENSE	\$0	\$19,748	F 3	\$19,748
CIAC AMORTIZATION	\$0	(\$2,663)	F 4	(\$2,663)
TAXES OTHER THAN INCOME	\$2,890	\$702	F 7	\$3,592
TOTAL OPERATING EXPENSES	\$37,001	\$25,440		\$62,441
NET OPERATING INCOME (LOSS)	\$7,664	(\$24,604)		(\$16,940)

EXHIBIT IV

HIDDEN VALLEY SPE LLC d/b/a ORANGE LAKE UTILITY
 DOCKET NO. 080714-WS
 WASTEWATER NET OPERATING INCOME
 HISTORICAL PERIOD ENDED DECEMBER 31, 2008

DESCRIPTION	PER UTILITY	ADJUSTMENT	REFER TO	PER AUDIT
OPERATING REVENUES	\$46,291	\$360	F 5	\$46,651
OPERATING EXPENSES:				
O & M EXPENSE	\$60,336	(\$692)	F 6	\$59,644
DEPRECIATION EXPENSE	\$0	\$28,136	F 3	\$28,136
CIAC AMORTIZATION	\$0	(\$4,770)	F 4	(\$4,770)
TAXES OTHER THAN INCOME	\$2,828	\$2,189	F 7	\$5,017
TOTAL OPERATING EXPENSES	\$63,164	\$24,863		\$88,027
NET OPERATING INCOME (LOSS)	(\$16,873)	(\$24,503)		(\$41,376)