

State of Florida



Public Service Commission

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

DATE: October 16, 2000
TO: Division of Economic Regulation (Butts)
FROM: Division of Regulatory Oversight (Vandiver) *CV*
RE: Docket No. 000580-WU; Keen Sales, Rentals, and Utilities, Inc.
(Alturas System)
Additional and Replacement Pages for The Audit Report
Audit Control No. 00-171-3-1

Please replace the Table of Contents and Page 16 of the original audit report with the attached Table of Contents and Page 16. Also, add Page 21.

DNV/sp

Attachments

cc: Division of Regulatory Oversight (Hoppe/Harvey/File Folder)
Division of Records and Reporting
Division of Legal Services

James Ray Keen
Keen Sales, Rentals, and Utilities, Inc.
(Alturas System)
685 Dyson Road
Haines City, FL 33844-8587

DOCUMENT NUMBER-DATE

13246 OCT 18 8

FPSC-RECORDS/REPORTING

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	PURPOSE	1
	DISCLAIM PUBLIC USE	1
	SUMMARY OF SIGNIFICANT FINDINGS	2
	SUMMARY OF SIGNIFICANT PROCEDURES	3
II.	EXCEPTIONS	
1.	BOOKS AND RECORDS	4
2.	UTILITY PLANT-IN-SERVICE	5
3.	LAND	6
4.	REVENUES	7
5.	BAD DEBT EXPENSE	8
6.	WAGES	9
7.	LABOR	10
8.	REPAIRS	11
9.	ALLOCATIONS	12
10.	PAYROLL TAXES	14
11.	FICA AND FEDERAL WITHHOLDING TAXES	15
12.	CAPITAL STRUCTURE	16
III.	DISCLOSURES	
1.	ACQUISITION ADJUSTMENT	17
2.	COMMON COSTS	19
IV.	EXHIBITS	
1.	NET OPERATING INCOME	20
2.	CAPITAL STRUCTURE	21

Exception No. 12

Subject: Capital Structure

Statement of Fact: The utility's tariff indicates that \$35.00 should be charged for customer deposits. The utility charged a deposit of \$20.00 to one of its customers for the period ended March 31, 2000. This is the total customer deposit as of March 31, 2000. Due to the deposits being returned within six months, no interest is included.

Recommendation: In accordance with its tariff, the Commission should require the utility to charge \$35.00 for customer deposits in the future.

The utility's responses to audit staff's inquiries and records indicate that the capital structure should be \$212,945 as of March 31, 2000. This amount is for the parent company since all debts are funded through it.

The utility incurred the following debts after the period ended March 31, 2000. These amounts are not included in the \$212,945 or Exhibit II.

<u>Debtee</u>	<u>Amount</u>	<u>Interest Rate</u>
Keen Sales & Rental	\$13,700	10%
Keen Sales & Rental	<u>1,270</u>	10%
Total	<u>\$14,970</u>	

Capital structure should be established at the rate base amount when the Original Cost Study is complete. Audit staff defers the issue of determining the utility's final capital structure to the analyst in Tallahassee.

EXHIBIT II

**ALTURAS SYSTEM OF
KEEN SALES, RENTALS AND UTILITIES, INC.
DOCKET NO. 000580-WU
CAPITAL STRUCTURE
AS OF MARCH 31, 2000**

DESCRIPTION	PER COMPANY(2)	AUDIT EXCEPTION	REFER TO(1)	PER AUDIT(2)	RATIO	COST RATE(3)	WEIGHTED COST OF CAPITAL
COMMON EQUITY	\$19,287	\$0		\$19,287	9.06%	9.94%	0.90%
LONG-TERM DEBT-Whiting	\$40,791	\$0		\$40,791	19.16%	8.00%	1.52%
LONG-TERM DEBT-Keen	\$26,682	\$0		\$26,682	12.53%	8.00%	1.04%
LONG-TERM DEBT-Roberts	\$12,136	\$0		\$12,136	5.70%	10.00%	0.60%
LONG-TERM DEBT-Hoff	\$4,855	\$0		\$4,855	2.28%	10.00%	0.20%
LONG-TERM DEBT-Keen	\$75,002	\$0		\$75,002	35.22%	5.50%	2.10%
LONG-TERM DEBT-Roberts	\$6,471	\$0		\$6,471	3.04%	11.00%	0.33%
LONG-TERM DEBT-Hoff	\$2,039	\$0		\$2,039	0.96%	10.00%	0.10%
LONG-TERM DEBT-Keen	\$12,000	\$0		\$12,000	5.64%	11.00%	0.66%
LONG-TERM DEBT-Ford	\$13,662	\$0		\$13,662	6.42%	2.90%	0.18%
CUSTOMER DEPOSITS(4)	\$20	\$0		\$20	0.01%	6.00%	0.00%
TOTAL	\$212,945	\$0		\$212,945	100.00%		7.63%

REQUIRED FOOTNOTES:

- 1) Audit adjustments do not include audit disclosures.
- 2) Common Equity amount from company's 1999 Annual Report
- 3) Cost rate for common equity established in Order No. PSC-00-1162-PAA-WS, issued June 26, 2000.
- 4) The company's tariff authorizes a customer deposit of \$35. The company collects \$20.