BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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| IN RE: Application of UTILITIES, INC. OF FLORIDA for a rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties<br>_________________________________/ | Docket No. 020071-WS<br><br>Date Filed: June 2, 2003 |

# TESTIMONY
# OF
# KIMBERLY H. DISMUKES
# ON BEHALF OF
# THE OFFICE OF PUBLIC COUNSEL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

TESTIMONY AND EXHIBITS

OF KIMBERLY H. DISMUKES

ON BEHALF OF

THE OFFICE OF PUBLIC COUNSEL

DOCKET NO. 020071-WS

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On Behalf of the
Florida Office of the Public Counsel

Before the
FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 020071-WS

**Q. WHAT IS YOUR NAME AND ADDRESS?**

A. Kimberly H. Dismukes, 6455 Overton St., Baton Rouge, LA 70808.

**Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

A. I am a partner in the firm of Acadian Consulting Group, which specializes in the field of public utility regulation. I have been retained by the Office of the Public Counsel (OPC) on behalf of the Citizens of the State of Florida to analyze Utilities, Inc. of Florida's (UIF or the Company) application for a rate increase and UIF's proposed ratemaking treatment of the gain on sale of water and wastewater systems in Orange and Seminole County.

**Q. DO YOU HAVE AN APPENDIX THAT DESCRIBES YOUR QUALIFICATIONS IN REGULATION?**

A. Yes. Appendix I, attached to my testimony, was prepared for this purpose.

**Q. DO YOU HAVE AN EXHIBIT IN SUPPORT OF YOUR TESTIMONY?**

A. Yes. Exhibit__(KHD-1) contains 12 Schedules that support my testimony.

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

A. The purpose of my testimony is to address the following aspects of Utilities, Inc. of Florida's application for a rate increase:

1) the appropriate treatment of the gain on sale of UIF's Orange County Druid Isles water system and a portion of its Oakland Shores water system to the City of Maitland and the gain on sale of its Green Acres Campground facilities in Seminole County to the City of Altamonte Springs;

2) affiliate transactions and the appropriate allocation of costs from UIF's service company, Water Services Corporation (WSC); and

3) two other adjustments to UIF's test year expenses and rate base related to a contribution by the City of Altamonte Springs to UIF for the provision of wastewater treatment services and rate case expense.

My recommended adjustments to test year expenses and rates are depicted on Schedule 1 of my exhibit.

## I. Gain on Sale

**Q. WOULD YOU PLEASE DESCRIBE THE TRANSACTION WHICH GAVE RISE TO THE GAIN ON SALE OF THE ORANGE COUNTY SYSTEMS?**

A. In February 1999, UIF had three water systems located in Orange County, serving a total of 377 customers. This sale consisted of the entire Druid Isle water system, including the transfer of all 51 Druid Isle customers, plus a portion of the utility's Oakland Shores water system. Most of the Oakland Shores system is located in Seminole County. A small portion, however, is in Orange County and interconnected with Druid Isles. This portion of the Oakland Shores system, including 40 of the system's 293 customers, was included in the Druid Isle sale.

The net gain on the Druid Isle sale was calculated by the utility as follows:

| | Druid Sale |
|---|---|
| Proceeds from Sale | $159,000 |
| Deductions: | |
| Book Basis of Plant | 31,267 |
| Selling Costs | 27,832 |
| Pre-Tax Gain | $ 99,901 |
| Taxes (38.27%) | 38,232 |
| Net Gain | $ 61,669 |

In Order No. PSC-99-21721-FOF-WU, the Commission found this calculation to be reasonable. In that same order, the Commission directed that a docket be opened to determine if the sale involved any gain that should be shared with the utility's remaining Orange County customers.

**Q. PLEASE DESCRIBE THE TRANSACTION WHICH GAVE RISE TO THE GAIN ON SALE RELATED TO THE SEMINOLE COUNTY SYSTEM.**

A. The Green Acres sale, in August of 1999, consisted of the sale of the Green Acres Campground facilities to the city of Altamonte Springs. The utility had acquired these same facilities from the City of Altamonte Springs in 1982. The Commission approved the sale of the Green Acres Campground back to Altamonte Springs as a transfer to a governmental authority in compliance with Florida Statutes Section 367.071(4)(a).

The utility calculated its net gain on the sale as follows:

| | Green Acres Sale |
|---|---|
| Proceeds from Sale | $427,000 |
| Deductions: | |
| Book Basis of Plant (Booked as CIAC) | N/A |
| Selling Costs | 18,422 |

| | |
|---|---|
| Pre-Tax Gain | $408,578 |
| Taxes (34%) | 138,197 |
| Net Gain | $269,661 |

This sale was approved by the Commission in Order No. PSC-99-2372-FOF-WS, issued December 6, 1999. The Commission found this calculation of the gain on sale to be reasonable. In that order the Commission also directed that a docket be opened to determine if the sale involved any gain that should be shared with the utility's remaining Seminole County customers.

**Q. HOW DID THE GAIN ON SALE OF THESE PROPERTIES BECOME AN ISSUE IN THE INSTANT DOCKET?**

**A.** Docket No. 991890-WS was opened December 10, 1999 to address the ratemaking treatment of both sales. On May 14, 2002, the Commission issued its Proposed Agency Action Order, PSC-02-0657-PAA-WU, in that docket. The Commission's PAA Order stated that the utility's remaining Orange and Seminole County customers would not receive any share of the gain from these sales. On June 4, 2002, the Office of Public Counsel (OPC) protested that order. Meanwhile, in February 2002, UIF requested test year approval in order to file an application for a rate increase for its remaining systems located in Seminole and Orange County.

On October 24, 2002, the Commission issued order PSC-02-1467-PCO-WS which closed Docket No. 991890-WU, the investigation into the ratemaking treatment of the gain on sale, and consolidated that investigation with the utility's rate case docket, Docket No. 020071-WS.

**Q. WOULD YOU SUMMARIZE YOUR TESTIMONY CONCERNING THE GAIN ON SALE OF THE ORANGE COUNTY AND SEMINOLE COUNTY FACILITIES?**

A. Yes. I recommend that the Commission attribute the gain on sale of these facilities to ratepayers. I make this recommendation for several reasons. First, the Commission has consistently required customers to absorb the risk of losses associated with abandoned plants and early retirements. Consistency dictates that customers should receive the benefit of the gains associated with the sale of utility assets and/or systems. Second, in the electric industry, the Commission has consistently treated the gains on sale of utility assets as belonging to ratepayers. There is no reason why the Commission should treat the water and wastewater industry any differently than the electric industry. Third, on balance in other jurisdictions, commissions typically attribute some or all of the gain on sale of utility assets to customers. Fourth, in another water and wastewater utility's rate case, the Commission recently set forth distinguishing circumstances of gains on sales where it did not attribute the gain on sale to customers. These circumstances are not present in the instant case. In addition, the Commission has, in other utilities' rate cases, attributed some gains on sales to ratepayers. For these reasons described in greater detail below, the Commission should attribute the gain on sale of the Orange County and Seminole systems to customers.

**Q. IT IS OFTEN ARGUED THAT THE PARTY THAT BEARS THE RISK OF LOSS SHOULD ALSO RECEIVE THE BENEFIT OF A GAIN. GIVEN THE**

**COMMISSION'S RATEMAKING PRACTICES, WHO BEARS THE RISK OF LOSS CONCERNING WATER AND WASTEWATER FACILITIES?**

A. Customers have consistently borne the risk of loss on water and wastewater assets. In the past, under circumstances similar to the present case, the Commission has required customers to absorb the loss on the sale of an <u>entire system</u>. Specifically, in Order No. 17168 the Commission found:

> Subsequent to the test year, Southern States sold the Skyline Hills water system to the Town of Lady Lake. We believe the <u>gain or loss on the sale of a system should be recognized in setting rates for the remaining systems.</u> Based on the net investment in plant by the utility, closing costs, and the purchase price, the sale of the Skyline Hills system resulted in a loss of $5,643. This loss should be amortized over a three-year period resulting in an annual expense of $1,881. (P. 9, emphasis added.)

As in the case of the Druid Isles and Green Acres Campground sales, the entire Skyline Hills system was sold. The customers of the remaining Southern States systems were required to fund the loss on the Skyline Hills system.

Not only did the Commission require customers to bear the loss of a sold system, the Commission has consistently required customers to bear the cost and risk of plant abandonments. For example, in Order No. PSC-93-0295-FOF-WS, the Commission required the customers of Mad Hatter Utility, Inc. to pay $400,535 for abandoned plant. The Commission required an eight-year amortization period with an annual write-off of $50,067. In Order No. PSC-97-0847-FOF-WS, the Commission allowed Gulf Utility Company to amortize, over a five-year period, $29,600 of costs incurred on a project that was subsequently abandoned. In Order No PSC-97-1458-

FOF-SU the Commission allowed Forest Hills Utility to include in rates the costs of abandoning its wastewater treatment plant and percolation ponds. Specifically, the Commission allowed the utility to amortize the loss on its abandoned assets over a period of 11 years, with the unamortized balance included in rate base. The Commission allowed Bayside Utilities, Inc. to recover an extraordinary loss on an early retirement. The Commission found:

> In Bayside's case the extraordinary loss of $23,417 is the net of the depreciable retired plant, that is, $41,377, with estimated related accumulated depreciation of $17,920.
>
> A similar situation occurred in 1981 when Broadview Utilities Corporation interconnected with Broward County's regional sewage treatment facility, resulting in the retirement of the utility's sewage treatment plant The accounting treatment was addressed by the Commission in Docket No. 810403-WS, wherein we decided that the net unrecovered investment should be treated as an extraordinary property loss for ratemaking purposes and that the investment should be excluded from rate base and written off over a five-year period. The five-year period was calculated by dividing the net loss by the sum of the annual depreciation expense plus the dollar rate of return that would have been allowed. (FPSC, Order No. 18624, p. )

From these cases it is evident that the Commission has required utility customers to bear the risk of loss on abandoned plant or plant that is retired prematurely. It would be patently unfair for the Commission in the above instances to require the customers to absorb losses, but not to similarly allow them to benefit from any of the gains on systems or assets that are sold. Unless the Commission treats gains and losses consistently, customers will be caught in a "lose-lose" situation--if it's a loss, customers pay, but if it's a gain, customers get nothing.

**Q. WHAT HAS THE COMMISSION'S PRACTICE BEEN WITH RESPECT TO DISTRIBUTING GAINS BETWEEN RATEPAYERS AND STOCKHOLDERS IN SIMILAR SITUATIONS?**

A. There have been several cases in which the Commission has ruled on the disposition of either a gain or a loss on the sale of utility assets.

In 1982, the Commission considered a gain on sale in the context of Tampa Electric Company's (TECO's) petition for a rate increase in Order No. 11307. In this case, the company had sold several properties that had been part of its rate base. These properties included the former corporate headquarters, which was sold for a pretax gain of $1.7 million. The Commission noted that Public Counsel had argued that the ratepayers, not the stockholders, had paid the depreciation expenses and capital costs when the property was in the company's rate base, and that the ratepayers should receive the gain. The Commission agreed that the gain from this sale should be accounted for above-the-line for ratemaking purposes. In discussing its decision, the Commission referenced two previous dockets involving the same issue. "In Docket Nos. 810002-EU (FPL) and 810136-EU (Gulf Power), we determined that gains or losses on the disposition of property devoted to, or formerly devoted to, public service should be recognized above the line. We consider it appropriate to treat this gain in the same manner. . .." (FPSC, Order No. 11307, p. 26.)

In another transaction, TECO had transferred certain non-electric property to TECO Energy, Inc., its holding company. This property was transferred at book value, although the property's market value at the time was estimated at $1.6 million, for an unrealized gain of $1.2 million. Again, the Commission noted that ratepayers, not shareholders, had paid the capital costs and depreciation expenses of this property while it was in rate base.

A third transaction had not yet been completed, but the Commission expected TECO to sell the property in the future. The Commission decided to recognize the potential gain at that time, rather than wait for the actual sale of the asset, which was estimated to result in a gain of $23,000.

Although Public Counsel argued that all gains should be recognized in the test year, the Commission ordered instead that the gains from these three transactions be amortized over a five-year period. "We have previously amortized such gains over a five-year period. We consider it appropriate to do so in this case as well." (Ibid.)

In 1983, gain on sale was an issue in Docket No. 820100-EU, a petition by Florida Power Corporation for a rate increase. In this docket, the utility property had been classified as non-utility property at the time of sale. The Company argued that according to the FERC Uniform System of Accounts (USOA), gains or losses on property that had been recorded as Plant Held for Future Use should not be treated above the line. In its discussion of this issue, the Commission noted that it is the company that decides whether a property is recorded as Plant Held for Future Use when it is first purchased, or if it is immediately recorded as Plant In Service. Thus, the company can determine the future treatment of any gains or losses from the sale of the property well in advance of that event. In this situation, where some property had not been included in rate base for several years, the Commission noted that it "does not necessarily follow that all gains belong to the ratepayers. An equitable basis upon which to apportion any benefits should be developed." (FPSC, Order No. 11628, p. 31.)

In the case of property that had not been included in rate base for several years, the Commission allocated gains/losses between ratepayers and shareholders. The allocation was made using the ratio of the years the property was in rate base, divided by the total years the property was owned by the company. These gains/losses were amortized over a five-year period "[c]onsistent with present Commission policy. . . " (Ibid.)

In 1984, Florida Power & Light Company (FPL) filed a petition for a rate increase which also involved the proper treatment of a gain on sale. In this case, the gains on sale related to transfers of property held for future use and sales of utility property to affiliates. The company argued that imputed gains on transfers to affiliates generated no cash, and so should not be included in working capital. It also argued that gains from actual sales of utility property should go to the shareholders, and not to the ratepayers.

Regarding the sale of utility property the Commission ruled as follows:

> We have addressed the issue of the actual sale of Utility property in FPL's last full rate case and in a number of other rates cases. In those cases, we determined that gains or losses on the disposition of property devoted to, or formerly devoted to, public service should be recognized above-the-line and that those gains or losses, if prudent, should be amortized over a five-year period. We reaffirm our existing policy on this issue. (FPSC, Order No. 13537, pp.17- 18.)

Regarding the transfer of property to an affiliated company the Commission stated:

> We believe that any transfer of property to a subsidiary or affiliated company should be treated as though the property was actually sold to that party and that any imputed gains on the transfer should be recognized and be reflected in working capital. . . . The Company retains the option to sell the surplus property to a third party, but a transfer at the Company's option should not deprive the ratepayers of their fair share of gains. (Ibid., p. 18.)

Most recently, in 1997, the Commission considered two instances of gain on sale as part of the depreciation rate review of Florida Public Utilities Company (FPU). In the first instance, a net gain of $41,554 was forecast for an upcoming sale of building and land owned by the company. The Commission ruled that a five-year amortization period should be used, as that period was "in line with our decisions in previous cases."

In this same case, the Commission also ruled on the gain on sale of FPU's hydraulic production plant. In this instance, the Commission ruled that the gain should be amortized over four years, a time period equal to that between depreciation studies.

**Q. HAVE YOU EXAMINED OTHER STATE COMMISSIONS' POLICIES ON GAIN ON SALE?**

A. Yes, I have attempted to do so. In 2001, Staff distributed a gain on sale questionnaire to public utility commission staffs across the country, as part of its research in Docket No. 980744-WS, an investigation into the proper treatment of a gain on sale for Florida Water Services Corporation. Not all commission staffs responded. The responses of those who did complete the survey are summarized on Schedule 2 of my exhibit.

As this schedule shows, while there is not complete agreement on how to treat gain on sale, there is a clear trend to recognize that ratepayers have borne the risks associated with utility assets and should be allocated any rewards. Alabama, however, has no established policy on the issue, and in Arkansas, gain on sale has not been addressed by the Commission. Utah states that it has no established policy, but claims a general policy that "gain should follow risk." In a recent case cited by Utah staff, gain from the sale of PacifiCorp's Centralia plant was allocated between ratepayers and shareholders with benefits amortized over the remaining life of the plant and any loss to the company spread over a 23-year period.

Wisconsin also states it has no established policy, and that in general it follows USOA accounting rules that "the gain or loss, if any should be included in Miscellaneous Credits or Debits to Surplus." An unidentified case cited by Wisconsin staff resulted in 100% of the gain allocated to ratepayers.

Illinois also cited NARUC USOA accounting instructions. Illinois staff cited a recent case in which the Commission had ordered a normalized portion of the gain on sale of a water company's property to be included in test year revenues. The Commission decision was based, in part, on its determination that the property qualified as utility property and was used in utility service and was in rate base at the time of sale. This decision, however, was overturned by a court decision which held that the Commission was erroneous in concluding that the gain was not an isolated, non-recurring event, and that "the Commission improperly relied on accounting rules without considering previously recognized policy implications with regard to the ratemaking treatment of land sale gains." (Illinois Commerce Commission, Order On Remand, 95-0307 consolidated 95-0342, p. 1.)

In Idaho, gain on depreciable property is shared between ratepayers and shareholders, while any gain on nondepreciable property goes wholly to shareholders. In New York, where only sales of land have been addressed, any gain from the sale of land is given to ratepayers as a reduction to rate base.

South Carolina and North Carolina assign all gain to shareholders.

Ohio, Oregon, Washington, West Virginia and Montana all agree that ratepayers should receive any gain on sale of utility property. Oregon Staff states that the Commission uses a "benefits follows risk" approach. Ohio states that if the property was in the utility's rate base, it is appropriate for ratepayers to benefit from the sale.

West Virginia states that in three recent orders, gains were all handled above the line.

Montana also states that three recent cases have involved this issue. In all three cases in Montana the dockets were settled through a stipulation in which the gain was allocated to both ratepayers and shareholders.

In Washington, Staff states that any deviation from a policy of 100% of the gain allocated to ratepayers "would be on a case by case basis due to specific compelling circumstances." Washington cites two recent gain on sale cases. The first is the sale by Puget Sound Energy of its Colstrip, MT coal plant, in which the commission ordered the gain to be deferred, with interest, until the company's next rate case in 2001. At that time, the gain would be passed back to ratepayers through reduced rates. The second case was the sale of Puget Sound Energy's share of the Centralia plant. In this instance, the commission ordered a sharing of the gain between ratepayers and shareholders

The commission agreed with the various parties that the company should first recover its net book value in the plant. The gain above book value was next assigned to ratepayers, up to the amount of the original cost of the plant. The commission stated that:

> The ratepayers have supported the Centralia facilities through a return of the investment; they have paid based on straight-line depreciation. The ratepayers have also supported the Centralia facilities through rates that include a return on the investment; they have paid a fair rate of return on the undepreciated balance of the facilities. Centralia was originally developed as a coal mine and generating facility to be used by monopoly utility companies with limited opportunities either to purchase or sell power in a competitive wholesale market. The fact that the facilities are selling for an amount greater than original cost is evidence that the facilities have an increasing, not a decreasing, value, as an asset in a competitive wholesale generation market. This increased value is greater than the depreciation paid by ratepayers. Thus, a portion of the gain equivalent to the difference between net book value and original cost should be returned to ratepayers, as they have, in effect, overpaid necessary depreciation. This amount would be equivalent to accumulated depreciation.

Lastly, the commission directed that the remainder of the gain should be allocated 50/50 between shareholders and ratepayers. The commission stated that this was "not based on a pre-conceived formula, but on the equities of this distinctive case. " (WA Utilities and Transportation Commission, 2nd Supplemental Order, p. 30.)

**Q. DID THE COMMISSION CONSIDER PRIOR DECISIONS IT HAS MADE REGARDING GAIN ON SALE WHEN IT DECLINED TO SHARE GAINS FROM THE DRUID ISLE AND GREEN ACRES SALES BETWEEN SHAREHOLDERS AND RATEPAYERS?**

A. Yes, it did. In Order No. PSC-02-0657-PAA-WU, Notice of Proposed Agency Action Order Declining to Share Gains on Sale, the Commission cited four of its recent orders in its decision regarding the Maitland and Altamonte Springs Sales.

It also summarized five factors it considered in reaching its decisions in these dockets as:

> 1. Whether the property sold was used and useful in providing utility service;
> 2. Whether the property was included in uniform rates;
> 3. Whether a system, including customer base, was sold, as opposed to specific assets;
> 4. The extent to which ratepayers would have borne the risk, had the sale been at a loss;
> 5. Consistency with other Commission practice, such as the calculation of rate base when a facility is purchased for more or less than its net book value. (Order No. PSC-02-0657-PAA-WU, p. 7)

In the first order, Order No. PSC-93-0301-FOF-WS, issued February 25, 1993, in Docket No. 911188-WS, the Commission declined to share the gain on sale of the St. Augustine Shores (SAS) water and wastewater facilities with the ratepayers of Lehigh Utilities, Inc. This matter was examined again in Docket No. 920199-WS in which Southern States Utilities, Inc., the parent company of Lehigh Utilities and St. Augustine Shores, sought a rate increase for several of its water and wastewater systems. In Order No. PSC-93-0423-FOF-WS, issued March 22, 1993 in that docket, the Commission again declined to share the gain on sale from SAS with ratepayers.

The third order cited by the Commission, Order No. PSC-96-1320-FOF-WS, issued October 30, 1996 in Docket No. 950495-WS again dealt with Southern States Utilities, Inc.'s sale of several properties, including its sale of St. Augustine Shores.

Finally, the Commission cited its order in Docket No. 001826-WU, concerning the transfer of two facilities and their 700 customers, by Heartland Utilities, Inc. to the City of Sebring.

Q. **WOULD YOU PLEASE DESCRIBE THE DECISIONS OF THE COMMISSION CONCERNING THE TREATMENT OF THE GAIN ON SALE IN THESE PRIOR ORDERS?**

A. Yes. In Order No. PSC-93-0301-FOF-WS, the Commission found that the gain on sale of St. Augustine Shores should not be shared with ratepayers. The Commission reasoned:

> We agree with the utility that ratepayers do not acquire a proprietary interest in utility property that is being used for utility service. We also agree that it is the shareholders who bear the risk of loss on their investment, not the Lehigh ratepayers. Further we find that Lehigh's ratepayers do not contribute to the utility's recovery of its investment in St. Augustine Shores. Based on the foregoing, we find no adjustment for the gain on sale of the St. Augustine Shores to be appropriate.

OPC filed for reconsideration of the Commission's decision, stating that the Commission's decision was inconsistent with its decisions in other cases involving plant abandonment, citing the Commission's decision regarding Mad Hatter, in Docket No. 910637-WS. In denying OPC's motion for reconsideration, the Commission found that different facts and circumstances distinguished the Mad Hatter case and Lehigh cases, noting that loss of customers was a material difference.

In Order No. PSC 93-0423-FOF-WS, the Commission found that since the remaining customers of Southern States Utilities, Inc. (SSU), the parent company of Lehigh Utilities, Inc., never subsidized the investment in St. Augustine Shores they were no more entitled to share in the gain from that sale than they would have been required to absorb a loss from it. With regard to the sale of the University Shores facility, also at issue in that docket, the Commission found that those facilities were never included in any approved rate base amount. Therefore, it did not include an above-the-line recognition of the gain.

In Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, regarding the gain on sale of St. Augustine Shores and also the Venice Gardens system (VGU), the Commission found:

> We first observe that the sales of VGU and SAS were similar in many respects: they were involuntarily made by condemnation or under threat of condemnation; SSU lost the ability to serve the customers in both service areas, which were both regulated by non-FPSC counties; and the facilities served customers who were never included in a uniform rate structure.

While the Commission did not attribute any of the gain on sale of Venice

Gardens and St. Augustine Shores to ratepayers, it did, however, allow ratepayers to receive the gain on sale of the Spring Hill and River Park assets.

**Q. HOW DO THE FACTS OF THE RIVER PARK AND SPRING HILL SALES COMPARE TO THE DRUID AND GREEN ACRES SALES?**

A. Unlike the Venice Gardens and St. Augustine Shores sales, the River Park sale consisted of utility assets that were regulated by the Commission, included in the utility's rate base, and were part of Florida Water Service's uniform rate design.

In the case of River Park, where the system facilities were sold to a homeowner's association, the Commission ruled that:

> ". . . when a utility sells property that was formerly used and useful or included in uniform rates, the ratepayers should receive the benefit of the gain on the sale of such utility property. This is the case with the $33,726 gain on the sale of the River Park facilities, as it was included in the uniform rates originally approved in Docket No. 920199-WS. (Order No. PSC-96-1320-FOF-WS, p. 202)

In the case of Druid Isles, Oakland Shores, and Green Acres Campground, the assets were regulated by the Commission, they were included in rate base, and were all part of their respective county's uniform rate design. The Commission noted in Order No. PSC-02-0657-PAA-WU, that "all systems in Orange County have been under a uniform rate structure since 1981" and that "all systems in Seminole Country have been under a uniform rate structure since 1977. . ." (Order No. PSC-02-0657-PAA-WU, p.9) Because uniform rates were established for each country, no separate rate base was determined for the Druid Isles and Oakland Shores systems, or for the Green Acres facility. (PSC-99-2171-FOF-WU, p. 3; PSC-99-2372-FOF-WS, p. 3)

In the case of the Spring Hill, the utility sold three parcels of land. The Commission found that two of the parcels were not utility property and declined to share the gain between shareholders and ratepayers. Regarding the third parcel, however, the Commission found that "... the record was unclear as to whether the property was used and useful. Had it not been used and useful, the utility should have provided such evidence." (Ibid.) Thus, lacking evidence to the contrary, the Commission treated the parcel as though it had been classified as used and useful and attributed the gain on sale to ratepayers.

**Q. HASN'T THE COMMISSION'S TREATMENT OF GAIN ON SALE IN THE PAST DISTINGUISHED BETWEEN THE SALE OF SPECIFIC ASSETS AND THE SALE OF AN ENTIRE SYTEM, INCLUDING CUSTOMERS?**

A. In general, yes. "Whether a system, including customer base, was sold, as opposed to specific assets " is among the factors the Commission generally considers in reaching decisions regarding gain on sale. (Order No. PSC-02-0657-PAA-WU, p. 7) The Spring Hill sale was the sale of a specific parcel of land, with no facilities or customers lost to the utility. In the River Park Sale, certain facilities, although not the entire system, were sold to a homeowner's association. In the instant docket, the Oakland Shores sale is not all of Oakland Shores, but only those facilities and customers located in Orange County; the remainder of the system and its customers was not sold by the utility. The Green Acres Campground is similarly not the sale of an entire system but facilities serving one customer, the campground. In the instant docket, only the Druid Isles sale represented the sale of an entire system and its customers.

The St. Augustine Shores and Venice Gardens sales, for which the Commission declined to allocate any share of the gain ratepayers, both involved the sale of customers as well as the facilities serving them. The loss of customers, and the future earnings that would have been earned from them, are cited by the Commission in its decision to assign all proceeds from the sale to shareholders.

> Further, when this system [St. Augustine Shores] was acquired by St. Johns County, SSU's investment in the SAS system and its future contributions to profit were forever lost.. Thus, the gain on sale serves to compensate the utility's shareholders for the loss of future earnings. (PSC-93-0423-FOF-WU, p. 65)

When it later discussed this decision in Order No. PSC 96-1320-FOF-WS, however, the Commission also noted:

> Although OPC argued that the ratepayers have benefited from the gains on the sale of property devoted to public service in previous dockets and absorbed a loss on the sale of the Skyline facility, we do not find the circumstances to be the same. Had either the SAS and VGU facilities been regulated by the FPSC at the time of the sale or previously included in a uniform rate structure, the situation would be different. (Order No. PSC 96-1320-FOF-WS, p. 201)

From this statement it appears that the lost profit argument is secondary to the facilities being regulated by the Commission and being part of a uniform rate structure.

The Druid Isle and Green Acres sales thus contain aspects of both the St.

Augustine Shores/Venice Gardens and the River Park/Spring Hill sales. On the one hand, as in the case of St. Augustine Shores and Venice Gardens, UIF has lost customers as well as facilities. As in the case of River Park and Spring Hill, however, the Oakland Shores and Green Acres Campground sales represent the sale of only a portion of a system. And unlike St. Augustine Shores and Venice Gardens, the Druid Isle and Green Acres properties were all regulated by the Commission and part of a uniform rate structure at the time of their sale.

**Q. WHAT WERE THE PARTICULARS OF THE HEARTLAND UTILITIES SALE CITED BY THE COMMISSION?**

A. The Heartland Utilities sale involved the sale by the utility of two of its three water systems and their customers.

Heartland Utilities, Inc. is a Class C utility that, at the time of the sale, had approximately 740 customers. In 2000, it filed an application for approval of the transfer of its DeSoto City system (DeSoto) with 364 customers, and its Sebring Country Estates system (Estates) with 339 customers, to the city of Sebring. The remaining system, Sebring Lakes (Lakes) had at the time 37 customers and 363 undeveloped lots. The most recent rates for Heartland were set in 1996, at which time the utility consisted of only the DeSoto and Estates systems. The Lakes system was added to the utility in 1998 in response to a request from the Department of Environmental Protection (DEP) because more than half the homes in the Lakes development had contaminated wells. The Lakes system is a stand-alone system, financed in part through a grant from the DEP. Heartland received permission from the Commission to charge Lakes its existing rates, and stand-alone rates were never established for the Lakes.

In Order No. PSC-01-1986-PAA-WU, the Commission stated that "If the Lakes customers had subsidized the DeSoto and Estates customers through payment of monthly rates, it would be appropriate to pursue an investigation on possible gain on sale." (PSC-01-1896-PAA-WU, p. 4) However, based upon a preliminary review of Heartland's operations and financial statements from its most recent annual report, the Commission decided not to address the issue at that time.

> Based on the 2000 annual report, the net operating income for the three systems was $14,208. Assuming the net operating income was proportionate to the gross revenues, the Lakes system would have been allocated approximately $511 of the $14,208 net income.
>
> We recognize that without an audit, there is no way to actually quantify rate base and the cost of service for Lakes's customers. However, baseline information appears to indicate that the Lakes' customers may have been subsidized by DeSoto and Estates customers, rather than the other way around. Furthermore, the addition of the Lakes customers to the Heartland utility occurred at the request of DEP, rather than being initiated by the utility, in order to serve a distressed area. In addition, the Lakes's system was added after Heartland's 1996 staff-assisted rate case. Lastly, if a gain on sale were approved with respect to this sale, it could result in the utility's rate base being reduced to $0 or even a negative amount, which could be very troublesome for the utility.
> Based on the foregoing, we do not find it appropriate to address the gain on sale at this time. (Ibid, p. 5)

As no responses were filed to the Commission's PAA, it was ordered to become effective and final on November 6, 2001. (Order No. PSC-01-2179-CO-WU)

The Heartland Utilities sale does not have much in common with the instant sales. First, the properties UIF sold had all been included in the utility's rate base, unlike Heartland's Lakes system. And UIF's sales properties had all been part of the Company at its last rate case. Additionally, the properties that were sold were acquired by UIF at its own initiative; none were at the request of DEP or any other government agency.

Regarding possible subsidization, in the case of Heartland, the Commission stated that ". . . the Lakes' customers may have been subsidized by DeSoto and Estates customers, rather than the other way around." (Ibid.)

In its PAA in the instant case, the Commission discussed the Utility's position regarding possible subsidization by the remaining customers of the facilities that had been sold.

> The utility was also asked whether it believed that the remaining customers in Orange and Seminole Counties contributed to a portion of the utility's recovery of its investment in the systems which were sold. UIF responded that the remaining customers pay rates based on the cost of providing service, and that there is really no way to know whether, over a period of time, one customer contributed to a portion of other facilities that are unrelated, except by virtue of their common rate." (Order No. PSC-02-0657-PAA-WU, p. 4)

Apparently, the Company does not know if one group of customers subsidized the other group of customers. In explaining its decision not to require the Utility to share the gain on sale, the Commission stated that ". . . we agree with UIF that it would be very difficult to determine how much any customer or group of customers contributed to the utility's investment in, or operation of, the facility." (Order No. PSC-02-0657-PAA-WU, p. 9)

Q. **WHAT ABOUT THE LAST FACTOR THE COMMISSION CITED AS A CONSIDERATION IN ITS DECISIONS REGARDING GAIN ON SALE, THAT IS, CONSISTENCY WITH OTHER COMMISSION PRACTICE, SUCH AS THE CALCULATION OF RATE BASE WHEN A FACILITY IS PURCHASED FOR MORE OR LESS THAN ITS BOOK VALUE?**

A. The example of "other Commission practice" cited by the Commission is the calculation of rate base, when a facility is purchased for much more (or less) than its book value. In such instances, the policy is not to allow a utility to increase rate base when a facility is purchased for more than its net book value. Customers pay rates based upon that net book value, and not the actual purchase price. Therefore, it would be unfair to allocate them a gain from the sale of the asset at a price above the book value. Under this logic it would be unfair to allocate a loss to customers at a sale below book value. However, as explained above regarding the Skyline system, the Commission has already allocated such a loss to customers.

While the purchase price may be a function of the fair market value of the systems sold, the gain on the sale of assets is also a direct result of the depreciation paid for by ratepayers and the CIAC contributed by ratepayers. Consistency dictates that ratepayers be given the gain which is a direct result of paying for the assets through depreciation and CIAC.

Q. **WHAT IS UIF'S POSITION CONCERNING HOW THESE GAINS SHOULD**

**BE TREATED FOR RATEMAKING PURPOSES?**

A. The Company's position is that the gain on the Maitland and Altamonte sales should be attributed to stockholders, not ratepayers. The Company makes several arguments in support of its position. These include:

- The transactions in question are capital transactions and therefore the gain should be attributed to stockholders. (Gower Testimony, pp. 3-4)

- Depreciation and return included in the price of service cover only the period for which service was provided, the customers' payments covered only the cost of the safe, reliable, adequate service which they received. The obligations of both utility and customer have each been discharged and neither owes the other anything further. Therefore, the gain should be allocated entirely to stockholders. (Gower Testimony, pp. 11-12)

- The shareholders own the property financed by their investment. Because their capital is exposed to the risks of "ownership" all gains or losses should accrue to them. (Gower Testimony, p. 12)

- Fair and reasonable rates are based only on the costs of activities undertaken by the utility to provide service. The Uniform System of Accounts (USOA) directs that sales of utility systems be recorded in different accounts than retirements of facilities that occur as part of ongoing operations. Transactions such as sales of systems should be excluded from cost-based ratemaking in order to preserve the benefits of such ratemaking to both utilities and customers. (Gower Testimony, pp. 4-5; 13)

- If gain on sale is not assigned to shareholders it will adversely affect the utility's ability to raise capital at reasonable costs. (Gower Testimony, p. 14)

- The FPSC has established a policy of allowing shareholders to retain the gain on sales of their company's facilities. (Lubertozzi Testimony, p. 4)

**Q. WOULD YOU ADDRESS EACH OF THESE CLAIMS BEGINNING WITH MR. GOWER'S CLAIM THAT THE TRANSACTION IS CAPITAL RELATED AND THEREFORE BELONGS TO STOCKHOLDERS?**

A. Mr. Gower states that sales of utility assets "are capital transactions. Construction or acquisition of properties is "investments" of capital supplied by investors. Sales of utility systems are "disinvestments" or recoveries of the capital investors had previously provided. Since these are a capital transaction, they should be assigned to investors, not customers. Neither gains nor losses on sales of utility systems should be included in cost of service used for rate setting purposes." (Gower Testimony, pp. 3-4.) Consequently, Mr. Gower argues that "such transactions should be excluded from rate setting since they are capital in nature and are assignable to investors, not customers. This is totally consistent with the fundamental distinction between the rights and obligations of customers and owners of the utility business." (Ibid.) I fail to see the distinction drawn by Mr. Gower. Mr. Gower's suggestion that the transaction in question is related to capital and therefore assignable to stockholders has no logic and is not based upon traditional ratemaking practices or principles. If Mr. Gower's reasoning were accurate, why does the Commission require ratepayers to pay for extraordinary property losses? As I discussed above, the Commission has consistently required customers to absorb losses on utility plant due to early retirement or abandonment.

In addition, the accounting treatment of an expense, revenue or capital item does not translate into the appropriate ratemaking treatment. This Commission, as well as other commissions, frequently treats costs for ratemaking purposes differently than how costs are treated for accounting purposes.

For the reasons stated above, the Commission should reject Mr. Gower's suggestion that the capital nature of the gain warrants that the gain be attributed to stockholders.

**Q. MR. GOWER ALSO ARGUES THAT ANY DEPRECIATION AND RETURN INCLUDED IN THE PRICE OF SERVICE COVER ONLY THAT PART OF THE RESOURCES USED DURING THE PERIOD SERVICE WAS PROVIDED. THE UTILITY'S OBLIGATION TO CUSTOMERS IS DISCHARGED WHEN SERVICE IS RENDERED AND THERE SHOULD BE NO FURTHER OBLIGATIONS TO RATEPAYERS. DO YOU AGREE?**

A. While I agree that customers pay for service rendered by a utility, I do not agree that this determines how any gain on the sale of assets should be distributed between ratepayers and stockholders. Mr. Gower states that "it is the investors whose capital is exposed to the risks of ownership and to whom gains or losses – including those from property sales – should accrue." (Gower Testimony, p. 12) However, in most instances, and in particular in the water and wastewater industry, customers have no choice but to take service from the regulated utility. If the service is poor or the price is too high, UIF's customers cannot change to a more efficient or less costly provider. They pay for the service rendered regardless of the quality of the service or the price for the service. UIF's witness Mr. Lubertozzi asserts that "[t]he shareholders of Utilities, Inc. bear the entire risk of loss of their investment in utility property. The rate payers do not bear any of this risk." (Lubertozzi Testimony, p. 4) However, the Commission requires customers to pay for abandoned plants and again for either a new plant or interconnection to another water or wastewater system.

Furthermore, Mr. Gower's argument that any depreciation and return included in the price of service cover only that part of the resources used during the period service was provided rests on the premise that rate setting is historical in nature. Therefore, customers would be unjustly enriched if they were to receive the gain on sale because they pay rates based upon historical costs. There are several problems with Mr. Gower's reasoning. First, in the past this Commission has allowed UIF as well as other utilities, to use a projected test year. Therefore, the rates set by the Commission are based upon projected expenses and investments, not historical expenses and investments. Second, the gain on the sale of these assets is a direct result of the depreciation paid for by ratepayers and the CIAC contributed by ratepayers. While the purchase price may be a function of the fair market value of the system sold, the gain is a result of the depreciation and the CIAC paid by ratepayers. Consistency dictates that ratepayers be given the gain which is a direct result of paying for the assets through depreciation and CIAC. I agree that customers pay for service rendered by a utility, I do not agree that this determines how any gain on the sale of assets should be distributed between ratepayers and stockholders. The Commission should reject Mr. Gower's arguments and attribute the gain to ratepayers.

**Q. WOULD YOU COMMENT ON MR. GOWER'S ARGUMENT THAT IT IS THE INVESTORS WHO OWN THE UTILITY PLANT AND WHO ALSO BEAR ALL THE RISK OF LOSSES?**

A. The Company argues that "it is investors who supply the capital which finances the utility plant which serves the customers' needs. . . it is the investors who own the properties which that capital finances. It is the investors whose capital is exposed to the risks of ownership and to whom gains or losses – including those from property sales – should accrue..." (Gower Testimony, p. 12.)

I disagree. Investors generally do not bear the risk of the loss, unless the loss is due to imprudent management actions. In the past, the Commission has required that ratepayers bear the loss on utility investment. In addition, ratepayers bear many additional risks. Ratepayers are required to pay depreciation expense, operating and maintenance expenses, taxes and a return on all prudently invested plant and equipment. Ratepayers bear the risk of paying for increased costs due to environmental compliance. Customers pay for the increased costs associated with repairing plant and equipment. Ratepayers bear the risk of paying increased operating costs due to environmental compliance testing. In Florida, ratepayers bear the risks of inflation because the Commission allows annual indexing of operations and maintenance expenses. The Commission's annual indexing rate increases compensate the utility for the effects of inflation on its operating and maintenance expenses. If a water or wastewater utility in Florida purchases utility services from another utility, the Commission allows for the pass-through of purchased utility services rate increases. Customers, not stockholders, bear the risks of rate increases from purchased utility services.

Mr. Gower also states that "even when the book values of utility assets are far lower than replacement values of those assets, customers are completely shielded from price increases. . ." He argues that when assets are retired from service "neither depreciation nor return allowances included in utility service prices reflect the higher costs which investors will face upon replacing such assets. This risk rests squarely on the investors." (Ibid., p. 9) However, it is the ratepayers who will pay increased depreciation and return allowances when these higher priced investments are placed into service. And unlike the investors who may choose to invest in these assets or to invest elsewhere, ratepayers generally do not have a choice of water and wastewater providers. They will pay rates reflecting the increased depreciation and return. In response to Interrogatory No. 173 regarding the risks borne by investors regarding higher priced assets, Mr. Gower replied: "New rates established may, or may not, be sufficient to cover higher costs." Should that possibility occur, however, the utility can always return to the Commission requesting another rate review.

**Q. DO YOU AGREE WITH MR. GOWER THAT TRANSACTIONS SUCH AS THE SALE OF DRUID ISLES, OAKLAND SHORES AND THE GREEN ACRES CAMPGROUND SHOULD BE EXCLUDED FROM RATEMAKING**

**DECISIONS IN ORDER TO PRESERVE THE BENEFITS OF COST-BASED RATEMAKING TO BOTH UTILITIES AND CUSTOMERS?**

A. No, I do not. In fact, I find Mr. Gower's argument, which he returns to throughout his testimony, unclear and illogical. Mr. Gower explains in depth how cost of service ratemaking looks at the costs of providing utility service in setting rates for that service. He explains how expenses incurred in providing service are accounted for in the Uniform System of Accounts (USOA). "Operating expenses, taxes, depreciation, etc. are routinely accounted for and reported by utilities to the applicable regulatory authorities using the Uniform System of Accounts ("USOA") prescribed by the regulatory authorities having jurisdiction." (Gower Testimony, p. 5) He explains how nonutility activities are accounted for. "Amounts applicable to nonutility activities are recorded in designated accounts separate and apart from those for utility operation." (Ibid.) And he explains that "USOA instructions explicitly separate construction related expenditures and costs from utility operating accounts as it does the sales of utility systems" (Ibid.)

Mr. Gower states:

> The USOA directs that retirements and dispositions of utility facilities in the normal ongoing conduct of utility operations be recorded as "retirements." . . .
> On the other hand, sales of "systems" such as those sold to Maitland and Altamonte Springs are recorded in income accounts which reflect any gain or loss (sale proceeds less depreciated plant value) and which signifies that investors' capital has been withdrawn from the utility business. This is the kind of transaction which, in accordance with the previously described regulatory framework of cost-based ratemaking, should be excluded from cost of service in any

> rate setting proceeding in order to preserve the benefits which flow from that framework to both utilities and utility customers. (Ibid., pp. 12-13)

The validity of Mr. Gower's conclusion that transactions such as these sales should be excluded from ratemaking considerations rests upon the unspoken premise that USOA accounting treatment of a transaction determines the ratemaking treatment of that transaction. And this premise is not true. Accounting does not determine ratemaking.

To suggest that the Commission should set rates and determine the treatment of gain on sale based upon the USOA treatment of costs, expenses, and investment ignores the fundamental ratemaking principles. While public service commissions and the FPSC often require utilities to record revenues, expenses, and investment in accordance with the USOA requirements, this "record keeping" requirement does not translate into rate setting requirements or principles.

As discussed earlier, in response to Staff's survey regarding gain on sale, several states responded that their ratemaking treatment did not always agree with the accounting treatment of that same transaction. In other cases the same distinction can be found between accounting and ratemaking treatment. For example, in 2000, PacifiCorp dba Utah Power & Light, petitioned the Public Service Commission of Utah for approval of its proposed accounting treatment of retirement benefits. The Commission approved the application but noted: "The approval of PacifiCorp's application does not determine the rate making treatment for the retirement program or severance program. Any determination of that rate making treatment will be made in PacifiCorp's next general rate case." (Utah Public Service Commission, Docket No. 00-2035-01, Report and Order, July 12, 2002, p. 2)

The next year, PacifiCorp petitioned the Utah Commission for approval of its proposed implementation of Financial Accounting Standards 133 and 138 (FAS 133/138), Accounting for Derivative Instruments and Hedging Activities. The Commission accepted this accounting proposal but noted, "Adoption of the accounting treatment, for derivatives and hedging activities, in no way makes a determination of the prudence of any such contract for rate-making purposes." (Utah Public Service Commission, Docket No. 01-035-12, Report and Order, June 15, 2001, p. 3)

In a rate case in Montana involving Montana-Dakota Utilities, the issue of ratemaking vs. accounting arose in regard to the treatment of construction overhead costs. Montana-Dakota Utilities disagreed with the proposal of the Montana Consumer Counsel regarding the treatment of these costs, because it was in conflict with the requirements of the Uniform System of Accounts (USOA). The Montana Public Service Commission stated

> The Commission agrees with Mr. Clark; the USOA is a guide for accounting and does not control ratemaking (TR p. 209). If it did, the Company's revenue requirements could easily be determined with an accounting manual, which would require little or no reasoning on the part of this Commission. (Montana Public Service Commission, Order No. 5399b, November 8, 1989, pp. 33-34)

In Michigan, the Public Service Commission considered an application of Consumers Energy Company to sell its Marysville Gas Reforming Plant to an affiliate for approximately $27 million in profit, which it proposed to retain entirely for shareholders. In the Opinion and Order in that docket the Commission noted:

> Consumers' arguments based on the Uniform System of Accounts do not persuade the Commission that a refund of the Marysville gain would be improper. It is a long-standing principle that accounting treatment does not dictate the Commission's ratemaking decisions. (Michigan Public Service Commission, Case No. U-11636, Opinion and Order, pp. 36)

Finally, in Louisiana, Entergy's proposed treatment of post-retirement benefits in its Fourth Post Merger Earnings Review Filing produced a lengthy discussion by the Commission of accounting vs ratemaking treatment.

> The Public Service Commission is not bound by accounting conventions such as those found in the Generally Accepted Accounting Principals (GAAP) or those in the Uniform System of Accounts as prescribed by the FCC. The Court in *South Central Bell Telephone Co. v. Louisiana Public Service Commission* 352 So.2d 964, 981 (La. 1977) upheld the Commission's decision to require capitalization and amortization of research costs, although the GAAP and Uniform System of the FCC authorized treating those costs as current expenses.
>
>> As we have seen in the case of adjustment and treatment of other financial data for regulatory purposes, accounting rules and even legal forms sometimes must be disregarded by the ratemaking body in order to properly account for economic realities and to defend legitimate ratepayer interests. Accounting practices are established for the benefit of many different observers of corporate activity, and a practice may vary depending upon whether it was adopted to facilitate analysis by stockholders, creditors, management or the Internal Revenue Service. Although an accounting procedure

> formulated for a non-regulatory purpose may provide one rational basis for a regulatory determination, there is no logical reason why a rate making agency cannot base its decision upon another reasonable procedure. . . (at 981)

> "An agency is not required to follow accounting convention, or GAAP, in a rate case." Goodman, *The Process of Ratemaking,* Public Utilities Reports. Inc., 1998. Various examples of the basic tenant that ratemaking does not necessarily follow accounting in a variety of situations can be found. For example, the California Public Utility Commission, when considering the awarding of proceeds of a property sale stated: "Notwithstanding the specificity with which the USOA governs the accounting practices of a water company, we stress that the purpose of a system of accounts is to predict the bookkeeping entries but not the ratemaking impact of a sale... The Commission is not bound by accounting convention; it is free to pursue its legislative duty to balance the interests of shareholders and consumers." *Re California Water Service Co.,* 155 PUR 4th 417, 425( Cal. PUC, 1994) See also Financial Accounting Standards Board SFAS 71, sec. 32 "If a regulated enterprise changes accounting methods and the change affects allowable costs for ratemaking purposes, the change generally would be implemented in the way that is implemented for regulatory purposes." It is the Public Service Commission, and not the Board of Accountants, that has plenary authority over what goes into the rates of regulated utilities. (Louisiana Public Service Commission, Order No. U-22491, p. 23)

The Commission should reject Mr. Gower's implications that the USOA accounts used to book these sales determine how the gain from the sales should be treated for ratemaking purposes.

**Q. MR. LUBERTOZZI CLAIMS THAT THE DECISION TO SELL THE ORANGE AND SEMINOLE COUNTY SYSTEMS WAS INFLUENCED BY**

**THE COMMISSION'S PRIOR TREATMENT OF THE SALE OF OTHER SYSTEMS. IS THERE A PRIOR CONSISTENT TREATMENT BY THE COMMISSION ON THIS ISSUE?**

A. No. Furthermore, to assume that the treatment of the gain on sale in this instance would be the same as other instances would be less than a wise assumption for a variety of reasons.

Mr. Lubertozzi states: "The precedent that was established has been applied consistently by the Florida Public Service Commission. The Florida Public Service Commission has established a policy of allowing shareholders to retain the gain on sales of their company's facilities." (Lubertozzi Testimony, p. 4) This statement is not accurate for several reasons. First, the Commission does not have a written policy on the treatment of the gain on sale and it has no rules concerning how a gain should be distributed between ratepayers and stockholders. The Commission decides these cases on a case-by-case basis based upon the facts and evidence in the record. Second, the treatment of the gains on sales of other utilities' systems have distinguishing factors, which are not all present here. Third, the members of the Commission change and what one set of commissioners may have found relevant or convincing may not be the same for a different set of commissioners. Fourth, in other industries, as I discussed earlier, the Commission has often attributed gains on sales of assets to ratepayers. Finally, in at least one water and wastewater decision, Order No. PSC-96-1320--FOF-WS, the Commission did attribute the gain on two sales to customers.

Citizen's Interrogatory No. 169 asked Mr. Lubertozzi about his statement quoted above and asked him to provide copies of all documents supporting it. The response received was "Correspondence regarding these gains on sale have been previously provided in Citizen's POD 65-75. Also, please see previously mentioned orders, including Order No. PSC-93-0201-FOF-WS, Order No. PSC-93-0423-FOF-WS and Order No. PSC-96-1320-FOF-WS. Copies of these orders are available to the public from the Commission's web site."

Citizen's POD 65-75 request workpapers, correspondence, sales agreements, and other documentation regarding the Maitland and Altamonte Sales. There is nothing in any of the PODs or the responses to these requests that addresses the FPSC policy regarding gain on sale. This portion of the Company's response to Interrogatory No. 169 is simply nonresponsive. For example: POD 65 requested workpapers showing the selling costs and book basis for the Maitland Sale; POD 68 asked for the same regarding the Altamonte Sale. In both instances, the Company provided workpapers and/or financial statements, but nothing that has any direct relationship to the Commission's policy regarding gain on sale. POD 67 requested the sales agreement for the Maitland Sale; POD 70 requested the sales agreement for the Altamonte Sale. POD 66 requested "all documents which address the sale of the Druid Isle and Oakland Shores systems to City of Maitland and Green Acres System to the City of Altamonte Springs." The response to this was a copy of a single letter from UIF to the City Engineer of the City of Maitland, addressing the terms of the sale. I do not see how this letter, or any of the responses provided in response to

PODs 65-75, answered Citizen's query to produce supporting documentation for the assertion that the Commission "has established a policy of allowing shareholders to retain the gain on sales of their company's facilities."

The Orders cited by the Company in response to Interrogatory No. 169 are among the four orders discussed by the Commission in the PAA to this docket. As discussed previously, the specifics of the sales in Order No. PSC-93-0201-FOF-WS and Order No. PSC-93-0423-FOF-WS were not similar to the situation in the Maitland and Altamonte Sales. And in Order No. PSC-96-1320-FOF-WS, the Commission did allocate the proceeds of two sales to ratepayers, not shareholders. I fail to see the logic in deducing that the Commission consistently allocates gain on sale to shareholders from an order in which the Commission has done the opposite. Furthermore, there is nothing in these orders which establishes a "policy" which a utility might rely upon. The Commission notes the key factors upon which it has "generally" based its decisions and states "We note that our decision herein is meant to apply strictly to the instant facts and circumstances, and only in the context of the water and wastewater industry." (Order No. PSC-02-0657-PAA-WU, p. 7; p. 9) Clearly, UIF should not have assumed that it would, under any circumstances, retain the gain on the sale of these systems.

**Q. WHAT IS THE LAST ARGUMENT ADVANCED BY UIF?**

A. The final argument espoused by UIF is that "Failure to assign to investors gains or losses on sales of this type is not only confiscatory, unfair, and improper, but also has adverse implications to the utilities' ability to raise capital at reasonable rates."

(Gower Testimony, p. 14)

I disagree. There is nothing improper, unfair, or confiscatory about assigning gains to ratepayers. Furthermore, the markets in which Utilities, Inc. (UI) competes for capital are populated with regulated utilities subject to the same commissions and commission rulings as Utilities, Inc. If UIF does not retain the gain on sale from these properties, I fail to see how this will place it at a disadvantage vis-a-vis other utilities. There are no "adverse implications" for UIF in being subject to the same decisions as other utilities against whom it competes for capital. If the Commission grants UIF's request to keep all of the gain, this does nothing but provide the Company with a windfall profit.

**Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE TREATMENT OF THE GAIN FROM THESE SALES?**

A. I recommend that the Commission attribute the gain to customers. This is consistent with the Commission's finding in Order No. PSC-96-1320-FOF-WS concerning the sale of the River Park facilities and land at the Spring Hill system. In that order the Commission attributed 100% of the gain to customers. The calculation for the gain on sale are depicted on Schedule 3 of my exhibit. I have made one adjustment to the gain calculations previously found reasonable by the Commission. In response to OPC's POD 93 which asked the Company to produce the invoices and other documents which support the "selling cost" of $27,832 related to the Druid Isles sale, the Company indicated that "out of the $20,356 of legal costs, UIF was able to find support for approximately $5,800." (Response to OPC POD 93.) UIF was unable to provide support for the remaining $14,566. Therefore, I recommend that the selling costs for the Druid Isle sale be reduced by $14,566. It has been the practice of this Commission to disallow costs which are not supported by a utility. Similar recommendations for unsupported costs are addressed in the Staff's rate case audit, where the Staff recommends that unsupported costs should be removed from test year expenses and/or rate base. There is no reason to treat these unsupported costs any differently. As shown on Schedule 3, the amount of gain on sale that should be passed on to ratepayers is $67,695 for the Druid Isle sale and $269,662 for the Green Acres sale.

**Q. HOW DO YOU RECOMMEND THAT THE COMMISSION RETURN THESE MONIES TO CUSTOMERS?**

A. The Commission should require UIF to amortize the total gain of $337,357 above-the-line for current ratemaking purposes. Further, I recommend that the Commission amortize the gain over five year. The five-year amortization period is consistent with the Commission's treatment of other gains on sale. Therefore, test year income should be increased by $67,471. I recommend that the gain on sale be spread across the UIF systems as shown on Schedule 3.

## II. Affiliate Transactions

**Q. WHAT IS THE AFFILIATE RELATIONSHIP BETWEEN UTILITIES, INC. OF FLORIDA AND ITS PARENT COMPANY?**

**A.** Schedule 4 of my exhibit presents an organizational chart for Utilities, Inc. of Florida and its affiliates. As depicted on this schedule, Nuon is the parent company of Utilities, Inc., which in turn owns Utilities, Inc. of Florida. As this schedule illustrates, there are approximately 80 water and wastewater subsidiaries owned by Utilities, Inc. and its parent Company, Nuon. According to UIF, Utilities,. Inc. does not provide any services to the Company. However, Water Service Corporation, (WSC), which is owned by Utilities, Inc., provides certain common services to UIF as well as to the other water and sewer companies owned by Utilities, Inc. Specifically, WSC provides centralized billing, accounting, data processing, engineering, management, and regulatory services for over 400 water and wastewater systems owned by Utilities, Inc. (Response to OPC Interrogatory 18.)

Q. **ARE THERE TRANSACTIONS BETWEEN UIF AND WSC?**

A. Yes. As discussed above, WSC provides certain services to UIF and WSC charges for these services. During the test year, WSC allocated $126,714 to UIF, which in turn allocated these costs to the five counties of the UIF group.

Q. **WHY IS IT IMPORTANT TO CLOSELY EXAMINE AFFILIATE TRANSACTIONS?**

A. In a situation involving the provision of services between affiliated companies, the associated transactions and costs do not represent arms-length dealings. Cost allocation techniques and methods of charging affiliates should be frequently reviewed and analyzed to ensure that the company's non-regulated operations are not subsidized by the regulated operations. Because of the affiliation between UIF and WSC, the arms-length bargaining of a normal competitive environment is not present in their transactions. Although each of the affiliated companies is supposedly separate, relationships between UIF and WSC are still close. Both have common owners.

In the absence of regulation, there is no assurance that affiliate transactions and allocations will not translate into unnecessarily high charges for UIF's customers. Even when the methodologies for cost allocation and pricing have been explicitly stated, which is not the case here, close scrutiny of affiliate relationships is still warranted. Regardless of whether or not Utilities, Inc. or WSC explicitly establishes a methodology for the allocation and distribution of affiliate costs, there is an incentive to misallocate or shift costs to regulated companies so that the unregulated companies can reap the benefits.

**Q. CAN YOU EXPLAIN HOW COSTS ARE ALLOCATED FROM WSC TO ITS AFFILIATES?**

A. Yes. WSC calculates 11 different allocation factors to allocate expenses to the various water and wastewater companies. In general these factors are multiplied times the total cost to be allocated from WSC to the various water and wastewater systems. The allocation factors are based upon the year ending June 2001. The Company indicated that it updates the allocation factors annually and not monthly because of the complexity of the process.

Most of these allocation factors are based upon the "customer equivalent" allocation factor. This factor, according to the Company, is calculated using the following method:

Water Utility Customer Equivalent = No. of Customers times 1

Sewer Utility Customer Equivalent = No. of Customers times 1

Water & Sewer Utility Customer Equivalent = No. of Customers * 1.5

Availability Customers = No. of Customers * .25

The difference in allocation factors is based on the time it takes to process the billing and operations for each customer. Combined water and sewer customers are billed for water and sewer together. Therefore, it does not take as much time to bill a combined water and sewer customer as to bill both a water only customer and a sewer only customer. Thus, the allocation factor is 1.5 instead of 2. The availability customers are not billed monthly. Therefore, this allocation factor is reduced to .25. (Response to OPC Interrogatory 77.)

The Company did not explain why the ten other allocation factors were used. When asked to explain how the application of a distribution code (allocation factor) to an account is determined, the Company provided a general statement of applicability: "The distribution code determination is based on what service is provided and which customers benefit from that service." (Response to OPC Interrogatory 68.)

**Q. DO YOU HAVE ANY CONCERNS ABOUT THE ALLOCATIONS FROM WSC TO UIF?**

A. Yes, I do. There are numerous problems with the allocation methodology and the documentation of the process used to develop the allocation factors. First, there is no agreement setting forth the terms of the affiliate arrangement between WSC and UIF. Second, there is not adequate documentation explaining the allocation process. Third, the Staff raised serious concerns with respect to the cost allocations in its Audit. Fourth, there are several flaws in the allocation methodology.

Q. **WOULD YOU ADDRESS YOUR FIRST CONCERN? IS THERE ANY AGREEMENT WHICH SETS FORTH THE TERMS AND CONDITIONS OF THE AFFILIATE RELATIONSHIP AND COST ALLOCATIONS BETWEEN UIF AND WSC?**

A. No, there is not. I find this surprising given the size of Utilities, Inc. and the number of water and wastewater systems that it operates. Utilities, Inc. is the largest privately owned water company operating in the United States. It operates in 16 states, and has more than 235,000 customers. For a utility this size I find it very problematic that no documentation exists which sets forth the terms of the services that will be provided by WSC to UIF and the 400 other water and wastewater systems.

Q. **WHAT ABOUT YOUR SECOND CONCERN? IS THERE A COST ALLOCATION MANUAL WHICH SETS FORTH THE METHODOLOGY FOR ALLOCATING COSTS BETWEEN WSC AND ITS AFFILIATES?**

A. No. In response to OPC's POD 26, the Company indicated that it had no documentation or policies/procedures manual which addressed how costs are allocated between the Company and its parent companies, affiliates, subsidiaries and/systems. (Response to OPC POD 26.) When asked how the Company "determines the costs to be allocated, the methods of allocation and the companies to be allocated on a consistent basis from one year to the next," the Company responded:

> Costs are based on year-end audited financial statements. Where applicable, costs are allocated directly to the company that incurs the cost. All other allocations are based on customer equivalents. The same methodology is used annually to ensure consistency. (Response to OPC Interrogatory 67.)

The Company's response is not even accurate in terms of the allocation methodology. WSC used more than just customer equivalents to allocate costs between the various companies that it provides services to.

**Q. IS THERE ANY DOCUMENT WHICH SHOWS HOW THE COSTS ARE ALLOCATED?**

A. Yes. There is a document entitled "Water Service Corporation Distribution of Expenses" which contains the amounts to be allocated from WSC, the allocation factors, and the amounts allocated to the different subsidiaries of Utilities, Inc. Nevertheless, this document does not explain how the allocation process works, why a particular allocation factor is utilitized, or how the allocation factor was derived. Apparently, the logic for the allocation factors used by Utilities, Inc. is contained only in the minds of the personnel that prepared the above document.

It has been my experience that failure to document the process and procedures for allocating costs or for charging for services between affiliates can lead to errors and confusion and inefficiencies—especially if there is a change in the staff preparing the allocations. Regardless, good management practices for a company the size of Utilities Inc. would dictate that a cost allocation manual or detailed policies and procedures would govern the allocation of costs between affiliates. No such documentation exists.

**Q. WHAT CONCERNS HAS THE STAFF RAISED WITH RESPECT TO THE COST ALLOCATIONS?**

A. The Staff raised several problems with the cost allocations in its Audit Control No. 02-122-3-1, dated November 4, 2002. First, the Staff expressed concern because the Company is a contract operator for two water plants and three wastewater plants, but there are no costs allocated to these operations.

Second, the Staff found problems due to the lack of a formalized methodology for determining single family equivalents. According to the Audit Report,

> Not having a formalized methodology for determining single family equivalents can cause inconsistency between divisions. According to a company representative, the company determines the estimated gallons at the time of purchase and inputs a number for single family equivalents based on gallons. This may not be based on the same number of gallons per single family as a different person may use the next year or year after. No mention was made of how the single family equivalent is adjusted for new customers. (Audit Report, p. 19.)

The concerns raised here by Staff are similar to the ones raised above. There are no policies, procedures, or cost allocation manuals which codify the allocation methodology. Such documentation would help ensure consistent application of the allocation methodology from year to year and person to person.

Third, Staff explained that the "company could not provide a formula or methodology for determining the single family equivalent number" which is used in the development of the customer equivalent allocation factors which are used extensively in the allocation of costs from WSC to UIF and other companies. (Ibid.)

Fourth, Staff was unable to test the reasonableness of the allocation factors used by UIF. Staff found:

> The audit staff attempted to determine gallons of water purchased and pumped and gallons of wastewater treated so that we could determine our own calculation of equivalent residential connections (ERCs) for each company. The audit staff planned on using these ERCs to prepare our own customer equivalent schedule and to compare it to the Florida allocations using customer equivalents. (Ibid.)

Staff was precluded from conducting its reasonableness test because the information requested was apparently not available. "The company could not provide gallons of wastewater treated for states other than Florida." (Ibid.) Staff noted that some small water plants did not have usage reports. Staff concluded: "...[W]e were unable to determine ERCs and unable to determine if the company's computation is reasonable." (Ibid.)

The Commission should be very concerned about the Company's inability to support the cost allocation methodology that it used to allocate costs from WSC in the instant proceeding. The Company has the burden of demonstrating that costs charged by an affiliate are reasonable.

**Q. WOULD YOU PLEASE ADDRESS THE PROBLEMS THAT YOU HAVE IDENTIFIED WITH RESPECT TO THE COSTS ALLOCATED FROM WSC TO UIF?**

A. In addition to the documentation problems that I have addressed, there are several problems with the application of the allocation process. First, as identified by Staff, the Company was unable to explain how it developed the single family equivalents that were apparently used as the foundation for its customer equivalent allocation factors. This is a serious deficiency as the Commission has already found problems with the use of the single family equivalents in the allocation of costs in the recent Mid-County rate case. The Commission specifically found:

> We disagree that the utility's methodology is reasonable. The deficiency and inaccuracy of this method is that it makes no allowance for wide variations in average customer usage from one system to another. Normally, a utility parent with multiple discrete systems will adopt an allocation method which accounts for the possibility that average customer usage for one system (or subsidiary) may far exceed the average for another system.
>
> The utility's term customer equivalent implies that each customer equivalent is equal to one customer. However, this is not correct. The utility is going beyond the meter to count units, which are not customers. In reality, each of these multi-residential units only represents one customer to the utility, since there is only one meter. For 1996, Mid-County only averaged 1,507 customers or 2,943 ERCs, compared with 6,112 customer equivalents as calculated by the utility.... By counting each unit as a customer, UI has substantially overstated the cost that Mid-County places on the overall Utilities, Inc.

> system. These units do not represent customers to the utility, as defined above, and the utility has not provided proof that they represent any real costs. Therefore, we find that an allocation based on customers is more reasonable than using customer equivalents. Although we believe the size of the system should also be a consideration, counting each unit behind the meter inflates the customer base..... We find that the ERC methodology provides a more adequate measure of the relative size of the utility.
>
> Based on the discussions above, we find that the utility's allocations from Utilities, Inc. are not a reasonable distribution of the cost of the services provided to Mid-County. These cost allocations shall be recalculated using ERCs.

In the instant proceeding the Company could not provide the information to perform the above calculation. The allocation factors used by UIF suffer from the same deficiencies the Commission found unreasonable in the Mid-County case.

Schedules 5 and 6 of my exhibit give a comparison of the differences between customers, equivalent residential connections (ERCs), customer equivalents, and revenue. As shown on these schedules, while in some instances the percentages are similar, in others they are not. Furthermore, as depicted on Schedule 7, there can be a significant difference in the percentage of residential versus commercial customer revenue and ERCs. These schedules show the differences and similarities between the UIF counties and systems. Schedule 8 shows the revenue breakdown between residential and commercial customers for the entire UI family. As shown on this schedule, there can be considerable differences between companies. These data, taken from UI's Trial Balances, show that on average for UIF companies, 93% of the revenues are derived from residential customers whereas 7% are obtained from commercial customers. Many of the UI companies obtain 100% of their revenues from residential customers. Others, like Lake Placid, Inc., Utilities, Inc. of Louisiana, Massanutten Public Service Corporation, Elk River Utilities, Inc. as well as others, obtain more than 10% of their revenues from commercial customers. For example, Utilities, Inc. of Louisiana obtains 49% of its revenues from commercial customers, Lake Placid is at 25% and Utilities, Inc. of Eagle Ridge is at 33%.

It was possible to do some comparison between the Company's customer equivalent methodology and ERCs. The table below shows the single family equivalent, customers, customer equivalent, and ERCs for four of UIF's systems.

| Name | SFE | Percent | Customers | Percent | C.E. | Percent | ERCs | Percent |
|---|---|---|---|---|---|---|---|---|
| Lake Tarpon | 552 | 22% | 442 | 21% | 552 | 22% | 565 | 17% |
| Golden Hills | 374 | 15% | 316 | 15% | 374 | 15% | 933 | 29% |
| Summer Tree | 857 | 34% | 739 | 35% | 857 | 34% | 1,001 | 31% |
| Weatherfield | 708 | 28% | 603 | 29% | 708 | 28% | 734 | 23% |
| Total | 2,491 | 100% | 2,100 | 100% | 2,491 | 100% | 3,233 | 100% |

As shown in the above table there is quite a bit of difference between the customer equivalent factor and the ERC factor. If these were the only four systems to which costs were allocated, the Company's method would significantly under allocate costs to Golden Hills and over allocate costs to the other three systems when compared to an ERC methodology.

Using customer equivalents as the primary allocation factor does not reflect the consumption differences between residential and commercial customers and is therefore not necessarily representative of the size of a system relative to other systems. The Company's customer equivalent allocation method, which is dependent upon its unsupported single family equivalent calculations should be rejected by the Commission.

Second, WSC performs services for Bio Tech, Inc. which is an unregulated affiliate. Bio Tech is a wastewater residuals disposal company. It disposes of solids that remain at the end of the wastewater treatment process. The customers of Bio Tech include 26 wastewater systems in North and South Carolina and Flowers Baking Company, MPC Environmental Services, Goglanian Bakeries, Inc., Hermitage MHP, Town of Ridgeway, and Calhoun County I-26 Rest Stop. (Response to OPC Interrogatories 18 and 89.) WSC provides all of the same services to Bio Tech that it does to the other water and wastewater systems of UI. (Response to OPC Interrogatory 89.)

The customer equivalent allocation methodology employed by UIF does not adequately take into consideration the differences between Bio Tech and its sister water and wastewater companies. In developing the customer equivalent allocation factor, the Company used only 32 customers for Bio Tech. However, because the services provided by Bio Tech are different than the services provided by the water and wastewater systems of Utilities, Inc., there is no guarantee that using customer equivalents for this unregulated company adequately allocates costs from WSC. Examining other relevant statistics indicates Bio Tech comprises a much larger percent of the total UI group than is reflected by the customer equivalent factor. Schedule 9 depicts the net plant in service, revenue, and customer equivalents of the

UI companies that are allocated expenses from WSC. As shown on page 6 of this schedule, Bio Tech's customer equivalents as a percent of the entire UI group is only .02%. However, its revenue is 1.34% and its net plant, shown on page 3 of the schedule, is .28%. These other two statistics indicate that Bio Tech represents a much larger fraction of the total UI group than the .02% characterized by the customer equivalent allocation factor. Using the Company's allocation methodology seriously understates the common costs that should be allocated to Bio Tech and overstates the costs that should be allocated to UIF.

Third, WSC, or one of its affiliates, performs contract operator services for four systems that UI does not own: Hilldale Manor, Peach Orchard, Salem Church Road, and Harrco. (Response to OPC Interrogatory 83.) In response to OPC's Interrogatory 83, the Company indicated that it did not allocate costs to these systems. When questioned in OPC's Interrogatory 179 why it did not allocate costs to these systems, the Company simply did not respond. As indicated above, the Staff recommended that these contract operated systems should be allocated some costs from WSC. Schedule 9 of my exhibit shows that these contract systems have 359 customers. Using the Company's customer equivalent indicates that these systems would account for .18% of the UI group. By failing to allocate costs to these contact systems, the Company has over allocated costs to UIF.

Fourth, the Company's allocation factors fail to take into consideration the addition of new systems to the UI family. The Company's determination of customer equivalents for test year allocations is based upon the year-ending June 2001. The current test year is the year-ending December 2001. Therefore, any systems purchased by UI during the second half of 2001 would not be captured in the allocation process. UI has a strategy of purchasing small water and wastewater systems. Its customer base is continually growing. A failure to account for this growth over allocates costs to the existing systems and under allocates costs to the new systems. The new systems added between June 2001 and June 2002 were not insignificant. The Company's 2002 Distribution of Expenses document indicates that eight new systems were added totaling 9,634 customer equivalents. The combined total of these new systems is larger than UIF which had 7,781 customer equivalents for the year-ending June 2001 and 7,931 for the year-ending June 2002.

Fifth, the Company's allocation factors contain two mathematical errors. The first concerns Pasco County where the Company failed to include 610 customers for the Orangewood system. This error was not part of the allocations between the UI companies. Instead it affected the allocation between the UIF systems. The second error also concerns the Company's exclusion of 11 customers in the Summertree PPW system, also in Pasco county.

Sixth, the Company did not comply with the Commission's affiliate transaction rules when it filed its rate case. As part of its rate application filing any utility that incurs costs from an affiliate must provide additional information. This requirement was developed to help alleviate the problems often encountered when examining affiliate transactions.

**Q. WHAT ARE THE COMMISSION'S AFFILIATE TRANSACTION RULES?**

A. The Commission's Rule, 25-30.436 (h), F.A.C., specifically states that the following should be provided as part of a utility's application when it files for a rate increase:

(h) Any system that has costs allocated or charged to it from a parent, affiliate or related party, in addition to those costs reported on Schedule B-12 of Commission Form PSC/WAW 19 for a Class A utility or PSC/WAW 20 for a Class B utility, (incorporated by reference in Rule 25-30.437) shall file three copies of additional schedules that show the following information:

1. The total costs being allocated or charged prior to any allocation or charging as well as the name of the entity from which the costs are being allocated or charged and its relationship to the utility.

2. For costs allocated or charged to the utility in excess of one percent of test year revenues:
a. A detailed description and itemization;
b. the amount of each itemized cost.

3. The allocation or direct charging method used and the bases for using that method.

4. The workpapers used to develop the allocation method, including but not limited to the numerator and denominator of each allocation factor.

5. The workpapers used to develop, where applicable, the basis for the direct charging method.

6. An organizational chart of the relationship between the utility and its parent and affiliated companies and the relationship of any related parties.

7. A copy of any contracts or agreements between the utility and its parent or affiliated companies for services rendered between or among them.

Q. **DID THE COMPANY PROVIDE ANY OF THE ABOVE INFORMATION AS PART OF ITS RATE APPLICATION?**

A. To the best of my knowledge, it did not. The Company failed to comply with the Commission's rules on affiliate transaction.

Q. **YOU HAVE IDENTIFIED SEVERAL PROBLEMS WITH THE COMPANY'S ALLOCATION METHOD AND THE COMPANY DID NOT PROVIDE INFORMATION REQUIRED BY COMMISSION RULES. DO YOU HAVE A RECOMMENDATION FOR PURPOSES OF THIS RATE PROCEEDING?**

A. Yes. I recommend that all costs charged to the Company from WSC be disallowed because of the Company's failure to follow the Commission's rules and the significant deficiencies identified in the allocation process that I and the audit Staff have identified. The Company has the burden of proof to demonstrate the reasonableness of charges from its affiliates. Since the Company, in my opinion, has failed to justify the reasonableness of these charges, I believe that the Commission should disallow 100% of these expenses. The adjustments that I recommend relating to affiliates are depicted on Schedule 11. As shown, I recommend that expenses be reduced by $149,000 for the five counties included in the instant rate proceeding.

Q. **IS THERE PRECEDENT FOR DISALLOWING COSTS WHEN A UTILITY FAILS TO PROVIDE THE NECESSARY DOCUMENTATION TO SUPPORT THE REQUESTED COST?**

A. Yes. In Palm Coast's most recent rate case, the Commission disallowed costs charged by an affiliate because Palm Coast failed to provide adequate documentation justifying the costs included in the test year. The Commission found:

> OPC witness Dismukes proposed two adjustments related to affiliate transactions. The first adjustment relates to administrative services provided by PCUC's parent (ITT). Ms. Dismukes testified that the Commission should disallow expenses in the amount of $ 21,201. She testified that the utility failed to justify this expense and refused to provide on a timely basis the information needed to evaluate the reasonableness of the charge.
>
> Ms. Dismukes' second adjustment related to charges from ITT Community Development Corporation. During 1995, ITT Community Development Corporation began providing accounts payable processing services to PCUC. This function was previously provided by the utility. She argued that the utility provided no justification for the change, other than a memo saying that "per agreement between Jim Perry of PCUC and myself there will be [a] monthly fee of $ 1000 for accounting services provided to PCUC." Further, the utility provided no information concerning how the fee was determined or that it is cost effective for ITT Community Development Corporation to provide this service. She proposed a $10,564 reduction to expenses, due to the absence of supporting documentation.

Although the utility made several arguments rebutting the recommendations of OPC's witness, the Commission disagreed and found the utility did not provide sufficient support to determine if the charges were reasonable.

> We believe that the record does not provide sufficient support to determine what administrative services are provided under the ITT Community Development Corporation agreement and whether those transactions exceeded the market rate.... Further, we do not believe that water and wastewater customers should be required to pay for charges and R&D assessments to ITT headquarters to cover the funding of international research and development and the costs of ITT corporate administrative and commercial services.

The Commission went on to explain that the utility has the burden of proof to prove that its costs are reasonable. The Commission also explained how this case differed from the GTE Florida case where the court established the standard for related party costs and prices.

> It is the utility's burden to prove that its costs are reasonable. *Florida Power Corp. v. Cresse, 413 So.2d 1187, 1191 (1982).* This burden is even greater when the purchase is between related parties. In *GTE Florida Inc. v. Deason, 642 So.2d 545 (Fla. 1994),* the Court established that when affiliate transactions occur, that does not mean that "unfair or excessive profits are being generated, without more." The standard established to evaluate affiliate transactions is whether those transactions exceed the going market rate or are otherwise inherently unfair. The evidence in the GTE Florida case indicated that its related party costs were no greater than they would have been had services and supplies been purchased elsewhere.
>
> The facts in this case differ from those established in the GTE Florida case. The distinction is that in the GTE Florida case, there was evidence in the record that showed that the utility's cost was equal to or less than what an arms-length transaction would have been. Other than the testimony provided by Mr. Seidman that either of the above charges are reasonable, PCUC did not provide any documentation to support these costs. As such, we find that the utility has essentially failed to prove the prudence of these charges.
>
> We find that the utility failed to meet its burden to justify its costs. Accordingly, we have reduced affiliate charges by $ 25,412 ($31,765 less 20% non-used and useful) and then allocated 59.63% to water and 40.37% to wastewater. (Florida Public Service Commission, Order PSC-96-1338-FOF-WS, November 07, 1996.)

In the instant proceeding the utility not only failed to provide the documentation required by Commission rules, but it failed to produce underlying documentation supporting the primary allocation factor. Again, it is the utility's burden to prove the reasonableness of its allocations, absent meeting this burden, all costs should be excluded from ratemaking.

**Q. DO YOU HAVE AN ALTERNATIVE RECOMMENDATION IF THE COMMISSION DOES NOT ADOPT YOUR PRIMARY RECOMMENDATION?**

A. Yes. My alternative recommendation is shown on page 2 of Schedule 11. My alternative recommendation overcomes some, but not all, of the shortcomings of the methodology used by the Company. The allocation methodology that I have used overcomes the problems of using a single statistic to allocate costs between the water and wastewater systems of the UI group and the problems associated with not allocating Bio Tech enough costs. In addition, it provides a broader base of statistics to allocate costs and therefore compensates for any deficiencies of using one single statistic. Instead of using the customer equivalent allocation factor which is the foundation for the Company's allocation, I have used a factor which consists of net plant, revenues, and customer equivalents. These allocation factors are shown on Schedule 10. The analogous allocations as they apply between the counties of UIF are shown on Schedule 11.

The allocation method that I propose also includes the systems for which UI services as a contract operator and includes the systems that have been added since June 2001. I have also corrected for the 610 customers omitted from the Pasco County Orangewood system and the 11 customers missing from the Summertree

PPW wastewater system also in Pasco County.

My alternative proposal is shown on page 2 of Schedule 11 for expenses and on Schedule 12 for common plant included in each system's rate base. As shown on these schedules, my alternative proposal reduces test year expense by $25,980 and rate base by $15,526.

**Q. WOULD YOU PLEASE SUMMARIZE YOUR RECOMMENDATIONS ON AFFILIATE TRANSACTIONS?**

A. Yes. The Company was unable to document how it determined the single family equivalent statistic which the foundation for the customer equivalent allocation factor. It was unable to produce ERC information to allow the Staff auditors to evaluate the reasonableness of the allocation method. UIF has failed to meet its burden of proof concerning the costs allocated from WSC. UIF did not comply with the Commission's rules concerning the minimum filing requirements for affiliate transactions. Accordingly, the Commission should disallow all costs associated with charges from WSC.

## III. Other Adjustments

**Q. DO YOU HAVE ANY OTHER ADJUSTMENTS THAT YOU WOULD LIKE TO RECOMMEND?**

A. Yes. There are two other adjustments. The first adjustment relates to a contribution received by UIF from Altamonte Springs for the right to provide wholesale wastewater service to the Weatherfield system. The contract to provide this service provided that at the time of connection, Altamonte Springs would pay UIF $107,000.

It appears from reading the agreement that Altamonte Springs agreed to pay UIF for the exclusive right to treat the wastewater from these customers. When asked how these funds were reflected on the books of UIF the Company indicated that they were not booked to UIF, but to its parent company UI. (Response to OPC Interrogatory 162.) The Company did not provide an explanation why these funds were not treated as a contribution on its books and records. Because this contribution appears to compensate UIF for the exclusive right to service these customers, these funds should have been used to lower the rates charged to Seminole County customers. The agreement between Altamonte Springs and UIF is for a period of 30 years. Accordingly, I have amortized the contribution over 30 years and reflected the balance in rate base as a contribution. The adjustments that I recommend are depicted on Schedule 1.

Q. **WHAT IS THE NEXT ADJUSTMENT THAT YOU RECOMMEND?**

A. I recommend that the Commission disallow a substantial amount of the rate case expense requested in this proceeding. The utility has not been able to produce reliable and accurate MFRs. On February 26, 2002, UIF requested test year approval in order to file an application for general rate relief for all of its systems. On June 28, 2002, The Company filed its Minimum Filing Requirements (MFRs) to justify its requested rate increase. By letter dated July 19, 2002, Staff notified UIF that its MFRs were deficient. In response to that deficiency letter, UIF submitted additional information on September 3, 2002. Nevertheless, the MFRs were still deficient. The Staff notified the Company of the deficiencies by letter dated September 11, 2002. UIF corrected the remaining deficiencies on October 3, 2002. Staff then notified the utility that October 3, 2002, was established as the official date of filing for the utility's rate case. On October 31, 2002, UIF again materially amended its MFR rate schedules, and as such, the official date of filing was reset to that date. Even this amended set was not without error. On April 17, 2003, after the Staff deposed UIF's witness and pointed out numerous errors in the MFR E-Schedules, the utility filed revised E-Schedules. It took UIF four tries to get its MFRs accurate. In addition, its responses to OPC's discovery have been inadequate and often extremely late.

As the record in this proceeding indicates, the Company filed numerous revisions to its MFRs. The costs associated with the deficiencies in the Company's MFRs and discovery responses should not be borne by ratepayers. Instead, these costs should be absorbed by the stockholders of UI. As noted earlier in my testimony, UI is the largest privately held water and wastewater company operating in the United States. The extent of the errors in the MFR filings should not be tolerated by the Commission and the costs should not be borne by ratepayers. It is the intention of OPC to provide a recommendation on the subject of rate case expense once complete documentation is submitted by the Company.

The Commission has disallowed rate case expense in utility rate proceedings as being imprudent. For example, in Order No. PSC-98-1583-FOF-WS, issued November 25,1998, in Docket No. 971663-WS, where Florida Cities Water Company was seeking recovery of court costs (and the rate case expense associated with the docket filing), the Commission found that the incurrence of rate case expense was imprudent and denied the utility's request for recovery. Also, in Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-WS, the Commission denied legal rate case expense of $25,000 incurred for what it deemed an imprudent appeal of an oral decision on interim rates. In addition, in Order No. 18960, issued March 7, 1988, in Docket No. 861338-WS, the Commission determined that expenditures for misspent time were imprudent and reduced the requested rate case expense by $32,500. Finally, in Order No. PSC-02-0593-FOF-WU, issued, April 30, 2002, the Commission found: "As discussed above, it is the utility's burden to prove that its requested costs are reasonable. We find that filing combined water and wastewater rate cases would have resulted in material cost savings, and the customers should not be made to pay because Aloha incurred imprudent rate case expense."

The Commission should disallow a substantial portion of UIF's requested rate case expenses. I am currently recommending that only one-fourth of the requested rate case expense be allowed. This recommendation may be modified when the utility provides its final rate case expense documentation and request. Of the total rate case expense of $404,090, I recommend that $303,090 be disallowed.

Q. **DOES THIS COMPLETE YOUR TESTIMONY PREFILED ON JUNE 2, 2003?**

A. Yes, it does.

APPENDIX I

QUALIFICATIONS

**Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

A. I graduated from Florida State University with a Bachelor of Science degree in Finance in March, 1979. I received an M.B.A. degree with a specialization in Finance from Florida State University in April, 1984.

**Q. WOULD YOU PLEASE DESCRIBE YOUR EMPLOYMENT HISTORY IN THE FIELD OF PUBLIC UTILITY REGULATION?**

A. In March of 1979 I joined Ben Johnson Associates, Inc., a consulting firm specializing in the field of public utility regulation. While at Ben Johnson Associates, I held the following positions: Research Analyst from March 1979 until May 1980; Senior Research Analyst from June 1980 until May 1981; Research Consultant from June 1981 until May 1983; Senior Research Consultant from June 1983 until May 1985; and Vice President from June 1985 until April 1992. In May 1992, I joined the Florida Public Counsel's Office, as a Legislative Analyst III. In July 1994 I was promoted to a Senior Legislative Analyst. In July 1995 I started my own consulting practice in the field of public utility regulation.

**Q. WOULD YOU PLEASE DESCRIBE THE TYPES OF WORK THAT YOU HAVE PERFORMED IN THE FIELD OF PUBLIC UTILITY REGULATION?**

A. Yes. My duties have ranged from analyzing specific issues in a rate proceeding to managing the work effort of a large staff in rate proceedings. I have prepared testimony, interrogatories and production of documents, assisted with the preparation of cross-examination, and assisted counsel with the preparation of briefs. Since 1979, I have been actively involved in more than 170 regulatory proceedings throughout the United States.

I have analyzed cost of capital and rate of return issues, revenue requirement issues, public policy issues, market restructuring issues, and rate design issues, involving telephone, electric, gas, water and wastewater, and railroad companies. I have also examined performance measurements, performance incentive plans, and the prices for unbundled network elements related to telecommunications companies.

**Q. WOULD YOU PLEASE DESCRIBE YOUR WORK INVOLVING PERFORMANCE MEASUREMENTS AND PERFORMANCE INCENTIVE PLANS?**

A. I have assisted the Staff of the Louisiana Public Service Commission in establishing BellSouth's performance measurements and performance incentive plan. My involvement in this area began in August 1988 and continues through the present. In this capacity I assisted the Staff by holding 9 technical workshops consisting of 26 days of collaborative efforts between BellSouth and the CLECs to craft a set of performance metrics that could be used to evaluate BellSouth's performance to the CLEC community. In addition, these efforts also resulted in a performance incentive plan to be used to incent BellSouth to provide CLECs with parity service.

I also assisted the Staff of the Public Service Commission of Nevada in holding workshops to craft performance metrics for Nevada Bell, Sprint, and GTE (now Verizon). My assistance with the Staff of the Public Service Commission of Nevada began in April 1998 and concluded in April 2000. The collaborative efforts of the CLECs, the ILECs, the Staff, and the BCP resulted in a set of performance metrics for each ILEC in Nevada. I filed testimony in Docket No. 97-9022 addressing a few issues that could not be resolved through the collaborative efforts of the parties to that proceeding.

Through my work in Louisiana and Nevada I have become familiar with various performance measurement plans and performance incentive plans of other ILECs including Bell Atlantic-New York, Southwestern Bell Texas, Missouri, Oklahoma, Kansas, and BellSouth Georgia and Florida.

**Q. WHAT IS YOUR EXPERIENCE CONCERNING COST OF CAPITAL?**

A. In the area of cost of capital, I have analyzed the following parent companies: American Electric Power Company, American Telephone and Telegraph Company, American Water Works, Inc., Ameritech, Inc., CMS Energy, Inc., Columbia Gas System, Inc., Continental Telecom, Inc., GTE Corporation, Northeast Utilities, Pacific Telecom, Inc., Southwestern Bell Corporation, United Telecom, Inc., and U.S. West. I have also analyzed individual companies like Connecticut Natural Gas Corporation, Duke Power Company, Idaho Power

Company, Kentucky Utilities Company, Southern New England Telephone Company, and Washington Water Power Company.

**Q. HAVE YOU PREVIOUSLY ASSISTED IN THE PREPARATION OF TESTIMONY CONCERNING REVENUE REQUIREMENTS?**

A. Yes. I have assisted on numerous occasions in the preparation of testimony on a wide range of subjects related to the determination of utilities' revenue requirements and related issues.

I have assisted in the preparation of testimony and exhibits concerning the following issues: abandoned project costs, accounting adjustments, affiliate transactions, allowance for funds used during construction, attrition, cash flow analysis, conservation expenses and cost-effectiveness, construction monitoring, construction work in progress, contingent capacity sales, cost allocations, decoupling revenues from profits, cross-subsidization, demand-side management, depreciation methods, divestiture, excess capacity, feasibility studies, financial integrity, financial planning, gains on sales, incentive regulation, infiltration and inflow, jurisdictional allocations, non-utility investments, fuel projections, margin reserve, mergers and acquisitions, pro forma adjustments, projected test years, prudence, tax effects of interest, working capital, off-system sales, reserve margin, royalty fees, separations, settlements, used and useful, weather normalization, and resource planning.

Companies that I have analyzed include: Alascom, Inc. (Alaska), Arizona Public Service Company, Arvig Telephone Company, AT&T Communications of the Southwest (Texas), Blue Earth Valley Telephone Company (Minnesota), Bridgewater Telephone Company (Minnesota), Carolina Power and Light Company, Central Maine Power Company, Central Power and Light Company (Texas), Central Telephone Company (Missouri and Nevada), Consumers Power Company (Michigan), C&P Telephone Company of Virginia, Continental Telephone Company (Nevada), C&P Telephone of West Virginia, Connecticut Light and Power Company, Danube Telephone Company (Minnesota), Duke Power Company, East Otter Tail Telephone Company (Minnesota), Easton Telephone Company (Minnesota), Eckles Telephone Company (Minnesota), El Paso Electric Company (Texas), Entergy Corporation, Florida Cities Water Company (North Fort Myers, South Fort Myers and Barefoot Bay Divisions), Florida Power and Light, General Telephone Company (Florida, California, and Nevada), Georgia Power Company, Jasmine Lakes Utilities, Inc. (Florida), Kentucky Power Company, Kentucky Utilities Company, KMP Telephone Company (Minnesota), Idaho Power Company, Louisiana Gas Service Company, Oklahoma Gas and Electric Company (Arkansas), Kansas Gas & Electric Company (Missouri), Kansas Power and Light Company (Missouri), Lehigh Utilities, Inc. (Florida), Mad Hatter Utilities, Inc. (Florida), Mankato Citizens Telephone Company (Minnesota), Michigan Bell Telephone Company, Mid-Communications Telephone Company (Minnesota), Mid-State Telephone Company (Minnesota), Mountain States Telephone and Telegraph Company (Arizona and Utah), Nevada Bell Telephone Company, North Fort Myers

Utilities, Inc., Northwestern Bell Telephone Company (Minnesota), Potomac Electric Power Company, Public Service Company of Colorado, Puget Sound Power & Light Company (Washington), Sanlando Utilities Corporation (Florida), Sierra Pacific Power Company (Nevada), South Central Bell Telephone Company (Kentucky), Southern Union Gas Company (Texas), Southern Bell Telephone & Telegraph Company (Florida, Georgia, and North Carolina), Southern States Utilities, Inc. (Florida), Southern Union Gas Company (Texas), Southwestern Bell Telephone Company (Oklahoma, Missouri, and Texas), Sprint, St. George Island Utility, Ltd., Tampa Electric Company, Texas-New Mexico Power Company, Tucson Electric Power Company, Twin Valley-Ulen Telephone Company (Minnesota), United Telephone Company of Florida, Virginia Electric and Power Company, Washington Water Power Company, and Wisconsin Electric Power Company.

Q. **WHAT EXPERIENCE DO YOU HAVE IN RATE DESIGN ISSUES?**

A. My work in this area has primarily focused on issues related to costing. For example, I have assisted in the preparation of class cost-of-service studies concerning Arkansas Energy Resources, Cascade Natural Gas Corporation, El Paso Electric Company, Potomac Electric Power Company, Texas-New Mexico Power Company, and Southern Union Gas Company. I have also examined the issue of avoided costs, both as it applies to electric utilities and as it applies to telephone utilities. I have also evaluated the issue of service availability fees, reuse rates, capacity charges, and conservation rates as they apply to water and wastewater utilities.

**Q. HAVE YOU TESTIFIED BEFORE REGULATORY AGENCIES?**

A. Yes. I have testified before the Arizona Corporation Commission, the Connecticut Department of Public Utility Control, the Florida Public Service Commission, the Georgia Public Service Commission, Louisiana Public Service Commission, the Missouri Public Service Commission, the Public Utilities Commission of Nevada, the Public Utility Commission of Texas, and the Washington Utilities and Transportation Commission. My testimony dealt with revenue requirement, financial, policy, rate design, cost study issues unbundled network pricing, and performance measures concerning AT&T Communications of Southwest (Texas), Cascade Natural Gas Corporation (Washington), Central Power and Light Company (Texas), Connecticut Light and Power Company, El Paso Electric Company (Texas), Florida Cities Water Company, Kansas Gas & Electric Company (Missouri), Kansas Power and Light Company (Missouri), Houston Lighting & Power Company (Texas), Lake Arrowhead Village, Inc. (Florida), Lehigh Utilities, Inc. (Florida), Louisiana Gas Service Company, Jasmine Lakes Utilities Corporation (Florida), Mad Hatter Utilities, Inc. (Florida), Marco Island Utilities, Inc. (Florida), Mountain States Telephone and Telegraph Company (Arizona), Nevada Bell Telephone Company, North Fort Myers Utilities, Inc. (Florida), Southern Bell Telephone and Telegraph Company (Florida, Louisiana and Georgia), Southern States Utilities, Inc. (Florida), Sprint of Nevada, St.

George Island Utilities Company, Ltd. (Florida), Puget Sound Power & Light Company (Washington), and Texas Utilities Electric Company.

I have also testified before the Public Utility Regulation Board of El Paso, concerning the development of class cost-of-service studies and the recovery and allocation of the corporate overhead costs of Southern Union Gas Company and before the National Association of Securities Dealers concerning the market value of utility bonds purchased in the wholesale market.

**Q. HAVE YOU BEEN ACCEPTED AS AN EXPERT IN THESE JURISDICTIONS?**

A. Yes.

**Q. HAVE YOU PUBLISHED ANY ARTICLES IN THE FIELD OF PUBLIC UTILITY REGULATION?**

A. Yes, I have published two articles: "Affiliate Transactions: What the Rules Don't Say", <u>Public Utilities Fortnightly</u>, August 1, 1994 and "Electric M&A: A Regulator's Guide" <u>Public Utilities Fortnightly</u>, January 1, 1996.

**Q. DO YOU BELONG TO ANY PROFESSIONAL ORGANIZATIONS?**

A. Yes. I am a member of the Eastern Finance Association, the Financial Management Association, the Southern Finance Association, the Southwestern Finance Association, and the Florida and American Water Association.

**Utilities, Inc. of Florida**
**Affiliate Expense Allocations and Adjustments**

| | | | | | OPC Primary Recommendation | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Seminole | | Marion | | Pasco | | Orange | Pinellas |
| | | Amounts Allocated | | | 49.50% | | 7.94% | | 35.13% | | 2.53% | 4.90% |
| G/L Acct. No. | Description | UIF | Other Companies/ Systems | Total | 2650 64.94% Water | 1431 35.06% Sewer | 470 87.04% Water | 70 12.96% Sewer | 2752 72.84% Water | 1026 27.16% Sewer | 327 100.00% Water | 552 100.00% Water |
| Water Service Corp. Allocated Expenses: | | | | | | | | | | | | |
| 508 | Salaries - Office | $ 24,585 | $ 914,001 | $ 938,586 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 524 | Outside Services | $ 15,166 | $ 457,401 | $ 472,567 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 531 | Pension & Benefits | $ 9,744 | $ 348,219 | $ 357,963 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 534 | Insurance | $ 35,738 | $ 913,731 | $ 949,469 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 553 | Office Supplies | $ 2,702 | $ 96,333 | $ 99,035 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 555 | Office Utilities | $ 1,341 | $ 46,509 | $ 47,850 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 557 | Office Maintenance | $ 3,309 | $ 114,802 | $ 118,111 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 559 | Miscellaneous | $ 5,731 | $ 184,801 | $ 190,532 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 604 | Operators Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Sub-Total O & M Expenses | $ 98,316 | $ 3,075,797 | $ 3,174,113 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 710 | Depreciation | $ 5,502 | $ 190,851 | $ 196,353 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 721 | Taxes Other Than Income | $ 8,759 | $ 303,827 | $ 312,586 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 748 | Other Income | $ (458) | $ (15,890) | $ (16,348) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 771 | Interest Expense | $ 11,091 | $ 372,393 | $ 383,484 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | | | | | $ - |
| | Total Expenses | $ 123,209 | $ 3,926,979 | $ 4,050,188 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Utilities, Inc. of Florida Allocated Expenses | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 553 | Office Supplies | $ (46,486) | $ 3,947 | $ 50,433 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 555 | Office Utilities | $ (11,724) | $ 1,753 | $ 13,477 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 559 | Miscellaneous | $ (41,516) | $ 6,203 | $ 47,719 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 650 | Transportation Expenses | $ (53,549) | $ 44,599 | $ 98,148 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 604 | Operators Expense | $ (4,891) | $ 730 | $ 5,621 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Sub-Total O & M Expenses | $ (158,166) | $ 57,233 | $ 215,399 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | | | | | $ - |
| 721 | Taxes Other Than Income | $ (4,092) | $ 610 | $ 4,702 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 710 | Depreciation | $ (90,099) | $ 51,174 | $ 141,273 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Total Expenses | $ (252,357) | $ 109,016 | $ 361,373 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

## Utilities, Inc. of Florida
## Affiliate Expense Allocations and Adjustments

| | | Amounts Allocated | | | OPC Alternative Recommendation | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Seminole | | Marion | | Pasco | | Orange | Pinellas |
| | | | | | 49.50% | | 7.94% | | 35.13% | | 2.53% | 4.90% |
| G/L Acct. No. | Description | UIF | Other Companies/ Systems | Total | 2650 64.94% Water | 1431 35.06% Sewer | 470 87.04% Water | 70 12.96% Sewer | 2741 76.20% Water | 856 23.80% Sewer | 327 100.00% Water | 552 100.00% Water |
| Water Service Corp. Allocated Expenses: | | | | | | | | | | | | |
| 508 | Salaries - Office | $ 24,585 | $ 914,001 | $ 938,586 | $ 7,902 | $ 4,267 | $ 1,699 | $ 253 | $ 6,581 | $ 2,055 | $ 623 | $ 1,204 |
| 524 | Outside Services | $ 15,166 | $ 457,401 | $ 472,567 | $ 4,875 | $ 2,632 | $ 1,048 | 156 | $ 4,060 | $ 1,268 | $ 384 | $ 743 |
| 531 | Pension & Benefits | $ 9,744 | $ 348,219 | $ 357,963 | $ 3,132 | $ 1,691 | $ 673 | 100 | $ 2,608 | $ 815 | $ 247 | $ 477 |
| 534 | Insurance | $ 35,738 | $ 913,731 | $ 949,469 | $ 11,487 | $ 6,203 | $ 2,470 | 368 | $ 9,567 | $ 2,988 | $ 906 | $ 1,751 |
| 553 | Office Supplies | $ 2,702 | $ 96,333 | $ 99,035 | $ 868 | $ 469 | $ 187 | 28 | $ 723 | $ 226 | $ 68 | $ 132 |
| 555 | Office Utilities | $ 1,341 | $ 46,509 | $ 47,850 | $ 431 | $ 233 | $ 93 | 14 | $ 359 | $ 112 | $ 34 | $ 66 |
| 557 | Office Maintenance | $ 3,309 | $ 114,802 | $ 118,111 | $ 1,064 | $ 574 | $ 229 | 34 | $ 886 | $ 277 | $ 84 | $ 162 |
| 559 | Miscellaneous | $ 5,731 | $ 184,801 | $ 190,532 | $ 1,842 | $ 995 | $ 396 | 59 | $ 1,534 | $ 479 | $ 145 | $ 281 |
| 604 | Operators Expense | $ - | $ - | $ - | $ - | $ - | $ - | 0 | $ - | $ - | $ - | $ - |
| | Sub-Total O & M Expenses | $ 98,316 | $ 3,075,797 | $ 3,174,113 | $ 31,600 | $ 17,064 | $ 6,794 | $ 1,012 | $ 26,318 | $ 8,219 | $ 2,492 | $ 4,816 |
| 710 | Depreciation | $ 5,502 | $ 190,851 | $ 196,353 | $ 1,768 | $ 955 | $ 380 | $ 57 | $ 1,473 | $ 460 | $ 139 | $ 270 |
| 721 | Taxes Other Than Income | $ 8,759 | $ 303,827 | $ 312,586 | $ 2,815 | $ 1,520 | $ 605 | 90 | $ 2,345 | $ 732 | $ 222 | $ 429 |
| 748 | Other Income | $ (458) | $ (15,890) | $ (16,348) | $ (147) | $ (80) | $ (32) | (5) | $ (123) | $ (38) | $ (12) | $ (22) |
| 771 | Interest Expense | $ 11,091 | $ 372,393 | $ 383,484 | $ 3,565 | $ 1,925 | $ 766 | 114 | $ 2,969 | $ 927 | $ 281 | $ 543 |
| | Total Expenses | $ 123,209 | $ 3,926,979 | $ 4,050,188 | $ 39,601 | $ 21,385 | $ 8,514 | $ 1,268 | $ 32,982 | $ 10,300 | $ 3,123 | $ 6,036 |
| Utilities, Inc. of Florida Allocated Expenses | | | | | | | | | | | | |
| 553 | Office Supplies | $ (46,486) | $ 3,947 | $ 50,433 | $ (14,941) | $ (8,068) | $ (3,212) | (478) | $ (12,444) | $ (3,886) | $ (1,178) | $ (2,277) |
| 555 | Office Utilities | $ (11,724) | $ 1,753 | $ 13,477 | $ (3,768) | $ (2,035) | $ (810) | (121) | $ (3,138) | $ (980) | $ (297) | $ (574) |
| 559 | Miscellaneous | $ (41,516) | $ 6,203 | $ 47,719 | $ (13,344) | $ (7,206) | $ (2,869) | (427) | $ (11,114) | $ (3,471) | $ (1,052) | $ (2,034) |
| 650 | Transportation Expenses | $ (53,549) | $ 44,599 | $ 98,148 | $ (17,211) | $ (9,294) | $ (3,700) | (551) | $ (14,335) | $ (4,477) | $ (1,357) | $ (2,623) |
| 604 | Operators Expense | $ (4,891) | $ 730 | $ 5,621 | $ (1,572) | $ (849) | $ (338) | (50) | $ (1,309) | $ (409) | $ (124) | $ (240) |
| | Sub-Total O & M Expenses | $ (158,166) | $ 57,233 | $ 215,399 | $ (50,837) | $ (27,452) | $ (10,930) | $ (1,628) | $ (42,340) | $ (13,223) | $ (4,009) | $ (7,748) |
| 721 | Taxes Other Than Income | $ (4,092) | $ 610 | $ 4,702 | $ (1,315) | $ (710) | $ (283) | (42) | $ (1,095) | $ (342) | $ (104) | $ (200) |
| 710 | Depreciation | $ (90,099) | $ 51,174 | $ 141,273 | $ (28,959) | $ (15,638) | $ (6,226) | (927) | $ (24,119) | $ (7,532) | $ (2,283) | $ (4,414) |
| | Total Expenses | $ (252,357) | $ 109,016 | $ 361,373 | $ (81,111) | $ (43,800) | $ (17,439) | $ (2,597) | $ (67,554) | $ (21,097) | $ (6,396) | $ (12,363) |

**Utilities, Inc. of Florida**
**Affiliate Expense Allocations and Adjustments**

| G/L Acct. No. | Description | Amounts Allocated: UIF | Amounts Allocated: Other Companies/ Systems | Amounts Allocated: Total | Company Proposal: Seminole 46.86%: 2650 64.94% Water | Seminole: 1431 35.06% Sewer | Marion 6.94%: 470 87.04% Water | Marion: 70 12.96% Sewer | Pasco 36.22%: 2741 76.20% Water | Pasco: 856 23.80% Sewer | Orange 2.29%: 327 100.00% Water | Pinellas 7.70%: 552 100.00% Water |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water Service Corp. Allocated Expenses: | | | | | | | | | | | |
| 508 | Salaries - Office | $ 24,585 | $ 914,001 | $ 938,586 | $ 9,526 | $ 5,143 | $ 1,892 | $ 282 | $ 8,640 | $ 2,698 | $ 716 | $ 2,410 |
| 524 | Outside Services | $ 15,166 | $ 457,401 | $ 472,567 | $ 5,864 | $ 3,166 | $ 1,165 | 173 | $ 5,318 | $ 1,661 | $ 441 | $ 1,483 |
| 531 | Pension & Benefits | $ 9,744 | $ 348,219 | $ 357,963 | $ 3,848 | $ 2,078 | $ 764 | 114 | $ 3,490 | $ 1,090 | $ 289 | $ 974 |
| 534 | Insurance | $ 35,738 | $ 913,731 | $ 949,469 | $ 10,996 | $ 5,936 | $ 2,184 | 325 | $ 9,972 | $ 3,115 | $ 826 | $ 2,782 |
| 553 | Office Supplies | $ 2,702 | $ 96,333 | $ 99,035 | $ 1,048 | $ 566 | $ 208 | 31 | $ 950 | $ 297 | $ 79 | $ 265 |
| 555 | Office Utilities | $ 1,341 | $ 46,509 | $ 47,850 | $ 537 | $ 290 | $ 107 | 16 | $ 487 | $ 152 | $ 40 | $ 136 |
| 557 | Office Maintenance | $ 3,309 | $ 114,802 | $ 118,111 | $ 1,324 | $ 715 | $ 263 | 39 | $ 1,201 | $ 375 | $ 100 | $ 335 |
| 559 | Miscellaneous | $ 5,731 | $ 184,801 | $ 190,532 | $ 2,411 | $ 1,302 | $ 479 | 71 | $ 2,187 | $ 683 | $ 181 | $ 610 |
| 604 | Operators Expense | $ - | $ - | $ - | $ - | $ - | $ - | 0 | $ - | $ - | $ - | $ - |
| | Sub-Total O & M Expenses | $ 98,316 | $ 3,075,797 | $ 3,174,113 | $ 35,554 | $ 19,195 | $ 7,063 | $ 1,052 | $ 32,245 | $ 10,071 | $ 2,672 | $ 8,994 |
| 710 | Depreciation | $ 5,502 | $ 190,851 | $ 196,353 | $ 2,201 | $ 1,189 | $ 437 | $ 65 | $ 1,997 | $ 624 | $ 165 | $ 557 |
| 721 | Taxes Other Than Income | $ 8,759 | $ 303,827 | $ 312,586 | $ 3,505 | $ 1,892 | $ 696 | 104 | $ 3,179 | $ 993 | $ 263 | $ 887 |
| 748 | Other Income | $ (458) | $ (15,890) | $ (16,348) | $ (183) | $ (99) | $ (36) | (5) | $ (166) | $ (52) | $ (14) | $ (46) |
| 771 | Interest Expense | $ 11,091 | $ 372,393 | $ 383,484 | $ 4,318 | $ 2,331 | $ 858 | 128 | $ 3,916 | $ 1,223 | $ 325 | $ 1,092 |
| | Total Expenses | $ 123,209 | $ 3,926,979 | $ 4,050,188 | $ 45,395 | $ 24,508 | $ 9,018 | $ 1,343 | $ 41,170 | $ 12,859 | $ 3,412 | $ 11,484 |
| | Utilities, Inc. of Florida Allocated Expenses | | | | | | | | | | | |
| 553 | Office Supplies | $ (46,486) | $ 3,947 | $ 50,433 | $(14,145) | $ (7,636) | $ (2,810) | (418) | $(12,828) | $ (4,007) | $ (1,063) | $ (3,578) |
| 555 | Office Utilities | $ (11,724) | $ 1,753 | $ 13,477 | $ (3,567) | $ (1,926) | $ (709) | (106) | $ (3,235) | $ (1,011) | $ (268) | $ (902) |
| 559 | Miscellaneous | $ (41,516) | $ 6,203 | $ 47,719 | $(12,632) | $ (6,820) | $ (2,509) | (374) | $(11,457) | $ (3,578) | $ (949) | $ (3,196) |
| 650 | Transportation Expenses | $ (53,549) | $ 44,599 | $ 98,148 | $(16,294) | $ (8,797) | $ (3,237) | (482) | $(14,777) | $ (4,616) | $ (1,225) | $ (4,122) |
| 604 | Operators Expense | $ (4,891) | $ 730 | $ 5,621 | $ (1,488) | $ (803) | $ (296) | (44) | $ (1,350) | $ (422) | $ (112) | $ (376) |
| | Sub-Total O & M Expenses | $ (158,166) | $ 57,233 | $ 215,399 | $(48,127) | $(25,983) | $ (9,561) | $ (1,424) | $(43,648) | $ (13,633) | $ (3,617) | $(12,175) |
| 721 | Taxes Other Than Income | $ (4,092) | $ 610 | $ 4,702 | $ (1,245) | $ (672) | $ (247) | (37) | $ (1,129) | $ (353) | $ (94) | $ (315) |
| 710 | Depreciation | $ (90,099) | $ 51,174 | $ 141,273 | $(27,415) | $(14,801) | $ (5,446) | (811) | $(24,864) | $ (7,766) | $ (2,061) | $ (6,936) |
| | Total Expenses | $ (252,357) | $ 109,016 | $ 361,373 | $(76,787) | $(41,456) | $(15,254) | $ (2,271) | $(69,641) | $ (21,751) | $ (5,771) | $(19,426) |

Docket No. 20071-WS
Kimberly H. Dismukes
Exhibit No. __(KHD-1)
Schedule 11
Page 4 of 5

## Utilities, Inc. of Florida
## Affiliate Expense Allocations and Adjustments

| G/L Acct. No. | Description | Amounts Allocated UIF | Amounts Allocated Other Companies/ Systems | Amounts Allocated Total | OPC Primary Recommended Adjustment: Seminole 49.50% 2650 64.94% Water | Seminole 1431 35.06% Sewer | Marion 7.94% 470 87.04% Water | Marion 70 12.96% Sewer | Pasco 35.13% 2741 76.20% Water | Pasco 856 23.80% Sewer | Orange 2.53% 327 100.00% Water | Pinellas 4.90% 552 100.00% Water |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water Service Corp. Allocated Expenses: | | | | | | | | | | | |
| 508 | Salaries - Office | $ 24,585 | $ 914,001 | $ 938,586 | $ (9,526) | $ (5,143) | $ (1,892) | $ (282) | $ (8,640) | $ (2,698) | $ (716) | $ (2,410) |
| 524 | Outside Services | $ 15,166 | $ 457,401 | $ 472,567 | $ (5,864) | $ (3,166) | $ (1,165) | $ (173) | $ (5,318) | $ (1,661) | $ (441) | $ (1,483) |
| 531 | Pension & Benefits | $ 9,744 | $ 348,219 | $ 357,963 | $ (3,848) | $ (2,078) | $ (764) | $ (114) | $ (3,490) | $ (1,090) | $ (289) | $ (974) |
| 534 | Insurance | $ 35,738 | $ 913,731 | $ 949,469 | $(10,996) | $ (5,936) | $ (2,184) | $ (325) | $ (9,972) | $ (3,115) | $ (826) | $ (2,782) |
| 553 | Office Supplies | $ 2,702 | $ 96,333 | $ 99,035 | $ (1,048) | $ (566) | $ (208) | $ (31) | $ (950) | $ (297) | $ (79) | $ (265) |
| 555 | Office Utilities | $ 1,341 | $ 46,509 | $ 47,850 | $ (537) | $ (290) | $ (107) | $ (16) | $ (487) | $ (152) | $ (40) | $ (136) |
| 557 | Office Maintenance | $ 3,309 | $ 114,802 | $ 118,111 | $ (1,324) | $ (715) | $ (263) | $ (39) | $ (1,201) | $ (375) | $ (100) | $ (335) |
| 559 | Miscellaneous | $ 5,731 | $ 184,801 | $ 190,532 | $ (2,411) | $ (1,302) | $ (479) | $ (71) | $ (2,187) | $ (683) | $ (181) | $ (610) |
| 604 | Operators Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Sub-Total O & M Expenses | $ 98,316 | $ 3,075,797 | $3,174,113 | $(35,554) | $(19,195) | $ (7,063) | $ (1,052) | $(32,245) | $(10,071) | $ (2,672) | $ (8,994) |
| | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 710 | Depreciation | $ 5,502 | $ 190,851 | $ 196,353 | $ (2,201) | $ (1,189) | $ (437) | $ (65) | $ (1,997) | $ (624) | $ (165) | $ (557) |
| 721 | Taxes Other Than Income | $ 8,759 | $ 303,827 | $ 312,586 | $ (3,505) | $ (1,892) | $ (696) | $ (104) | $ (3,179) | $ (993) | $ (263) | $ (887) |
| 748 | Other Income | $ (458) | $ (15,890) | $ (16,348) | $ 183 | $ 99 | $ 36 | $ 5 | $ 166 | $ 52 | $ 14 | $ 46 |
| 771 | Interest Expense | $ 11,091 | $ 372,393 | $ 383,484 | $ (4,318) | $ (2,331) | $ (858) | $ (128) | $ (3,916) | $ (1,223) | $ (325) | $ (1,092) |
| | Total Expenses | $ 123,209 | $ 3,926,979 | $4,050,188 | $(45,395) | $(24,508) | $ (9,018) | $ (1,343) | $(41,170) | $(12,859) | $ (3,412) | $(11,484) |
| | Utilities, Inc. of Florida Allocated Expenses | | | | | | | | | | | |
| 553 | Office Supplies | $ (46,486) | $ 3,947 | $ 50,433 | $ (797) | $ (432) | $ (402) | $ (60) | $ 384 | $ 121 | $ (115) | $ 1,301 |
| 555 | Office Utilities | $ (11,724) | $ 1,753 | $ 13,477 | $ (201) | $ (109) | $ (102) | $ (15) | $ 97 | $ 30 | $ (29) | $ 328 |
| 559 | Miscellaneous | $ (41,516) | $ 6,203 | $ 47,719 | $ (711) | $ (386) | $ (359) | $ (54) | $ 343 | $ 108 | $ (103) | $ 1,162 |
| 650 | Transportation Expenses | $ (53,549) | $ 44,599 | $ 98,148 | $ (918) | $ (497) | $ (464) | $ (69) | $ 443 | $ 139 | $ (132) | $ 1,499 |
| 604 | Operators Expense | $ (4,891) | $ 730 | $ 5,621 | $ (84) | $ (45) | $ (42) | $ (6) | $ 40 | $ 13 | $ (12) | $ 137 |
| | Sub-Total O & M Expenses | $ (158,166) | $ 57,233 | $ 215,399 | $ (2,710) | $ (1,469) | $ (1,369) | $ (204) | $ 1,308 | $ 410 | $ (391) | $ 4,427 |
| 721 | Taxes Other Than Income | $ (4,092) | $ 610 | $ 4,702 | $ (70) | $ (38) | $ (35) | $ (5) | $ 34 | $ 11 | $ (10) | $ 115 |
| 710 | Depreciation | $ (90,099) | $ 51,174 | $ 141,273 | $ (1,544) | $ (837) | $ (780) | $ (116) | $ 745 | $ 234 | $ (223) | $ 2,522 |
| | Total Expenses | $ (252,357) | $ 109,016 | $ 361,373 | $ (1,628) | $ (882) | $ (822) | $ (123) | $ 785 | $ 246 | $ (235) | $ 2,659 |

**Utilities, Inc. of Florida**
**Affiliate Expense Allocations and Adjustments**

| G/L Acct. No. | Description | Amounts Allocated: UIF | Amounts Allocated: Other Companies/ Systems | Amounts Allocated: Total | OPC Alternative Adjustment: Seminole 49.50% 2650 64.94% Water | Seminole 1431 35.06% Sewer | Marion 7.94% 470 87.04% Water | Marion 70 12.96% Sewer | Pasco 35.13% 2741 76.20% Water | Pasco 856 23.80% Sewer | Orange 2.53% 327 100.00% Water | Pinellas 4.90% 552 100.00% Water |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water Service Corp. Allocated Expenses: | | | | | | | | | | | |
| 508 | Salaries - Office | $ 24,585 | $ 914,001 | $ 938,586 | $ (1,624) | $ (876) | $ (193) | $ (29) | $ (2,058) | $ (643) | $ (93) | $ (1,206) |
| 524 | Outside Services | $ 15,166 | $ 457,401 | $ 472,567 | $ (989) | $ (533) | $ (117) | $ (17) | $ (1,258) | $ (393) | $ (56) | $ (740) |
| 531 | Pension & Benefits | $ 9,744 | $ 348,219 | $ 357,963 | $ (716) | $ (386) | $ (91) | $ (14) | $ (882) | $ (275) | $ (42) | $ (496) |
| 534 | Insurance | $ 35,738 | $ 913,731 | $ 949,469 | $ 491 | $ 266 | $ 285 | $ 43 | $ (406) | $ (127) | $ 79 | $ (1,031) |
| 553 | Office Supplies | $ 2,702 | $ 96,333 | $ 99,035 | $ (180) | $ (97) | $ (21) | $ (3) | $ (227) | $ (71) | $ (10) | $ (133) |
| 555 | Office Utilities | $ 1,341 | $ 46,509 | $ 47,850 | $ (106) | $ (57) | $ (14) | $ (2) | $ (128) | $ (40) | $ (6) | $ (70) |
| 557 | Office Maintenance | $ 3,309 | $ 114,802 | $ 118,111 | $ (261) | $ (141) | $ (34) | $ (5) | $ (315) | $ (98) | $ (16) | $ (173) |
| 559 | Miscellaneous | $ 5,731 | $ 184,801 | $ 190,532 | $ (569) | $ (307) | $ (83) | $ (12) | $ (653) | $ (204) | $ (36) | $ (329) |
| 604 | Operators Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Sub-Total O & M Expenses | $ 98,316 | $ 3,075,797 | $ 3,174,113 | $ (3,954) | $ (2,131) | $ (269) | $ (40) | $ (5,927) | $ (1,852) | $ (181) | $ (4,178) |
| | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 710 | Depreciation | $ 5,502 | $ 190,851 | $ 196,353 | $ (433) | $ (234) | $ (57) | $ (8) | $ (524) | $ (164) | $ (26) | $ (287) |
| 721 | Taxes Other Than Income | $ 8,759 | $ 303,827 | $ 312,586 | $ (690) | $ (372) | $ (91) | $ (14) | $ (834) | $ (261) | $ (41) | $ (458) |
| 748 | Other Income | $ (458) | $ (15,890) | $ (16,348) | $ 36 | $ 19 | $ 5 | $ 1 | $ 44 | $ 14 | $ 2 | $ 24 |
| 771 | Interest Expense | $ 11,091 | $ 372,393 | $ 383,484 | $ (753) | $ (406) | $ (91) | $ (14) | $ (947) | $ (296) | $ (43) | $ (549) |
| | Total Expenses | $ 123,209 | $ 3,926,979 | $ 4,050,188 | $ (5,794) | $ (3,123) | $ (504) | $ (75) | $ (8,188) | $ (2,559) | $ (289) | $ (5,448) |
| | Utilities, Inc. of Florida Allocated Expenses | | | | | | | | | | | |
| 553 | Office Supplies | $ (46,486) | $ 3,947 | $ 50,433 | $ (797) | $ (432) | $ (402) | $ (60) | $ 384 | $ 121 | $ (115) | $ 1,301 |
| 555 | Office Utilities | $ (11,724) | $ 1,753 | $ 13,477 | $ (201) | $ (109) | $ (102) | $ (15) | $ 97 | $ 30 | $ (29) | $ 328 |
| 559 | Miscellaneous | $ (41,516) | $ 6,203 | $ 47,719 | $ (711) | $ (386) | $ (359) | $ (54) | $ 343 | $ 108 | $ (103) | $ 1,162 |
| 650 | Transportation Expenses | $ (53,549) | $ 44,599 | $ 98,148 | $ (918) | $ (497) | $ (464) | $ (69) | $ 443 | $ 139 | $ (132) | $ 1,499 |
| 604 | Operators Expense | $ (4,891) | $ 730 | $ 5,621 | $ (84) | $ (45) | $ (42) | $ (6) | $ 40 | $ 13 | $ (12) | $ 137 |
| | Sub-Total O & M Expenses | $ (158,166) | $ 57,233 | $ 215,399 | $ (2,710) | $ (1,469) | $ (1,369) | $ (204) | $ 1,308 | $ 410 | $ (391) | $ 4,427 |
| | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 721 | Taxes Other Than Income | $ (4,092) | $ 610 | $ 4,702 | $ (70) | $ (38) | $ (35) | $ (5) | $ 34 | $ 11 | $ (10) | $ 115 |
| 710 | Depreciation | $ (90,099) | $ 51,174 | $ 141,273 | $ (1,544) | $ (837) | $ (780) | $ (116) | $ 745 | $ 234 | $ (223) | $ 2,522 |
| | Total Expenses | $ (252,357) | $ 109,016 | $ 361,373 | $ (4,324) | $ (2,344) | $ (2,185) | $ (326) | $ 2,087 | $ 655 | $ (624) | $ 7,063 |

**Utilities, Inc. of Florida**
**Summary of Adjustments**

| | 49.50% | | 7.94% | | 35.13% | | 2.53% | 4.90% | 100.00% | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Seminole | | Marion | | Pasco | | Orange | Pinellas | Total | | |
| | 64.94% | 35.06% | 87.04% | 12.96% | 76.20% | 23.80% | 100.00% | 100.00% | | | |
| **Primary Recommendation** | Water | Sewer | Water | Sewer | Water | Sewer | Water | Water | Water | Sewer | Total |
| Gain on Sale (NOI Impact) | | | | | | | | | | | |
| Druid Isle | $ 4,699 | $ 2,538 | $ 1,010 | $ 150 | $ 3,914 | $ 1,222 | $ 371 | $ 716 | $ 10,711 | $ 3,911 | $ 14,621 |
| Green Acres | $ 17,335 | $ 9,361 | $ 3,727 | $ 555 | $ 14,437 | $ 4,509 | $ 1,367 | $ 2,642 | $ 39,508 | $ 14,424 | $ 53,932 |
| Affiliate Adjustments | | | | | | | | | | | |
| Expense Allocations from WSC | $ (45,395) | $ (24,508) | $ (9,018) | $ (1,343) | $ (41,170) | $ (12,859) | $ (3,412) | $ (11,484) | $(110,479) | $ (38,710) | $ (149,189) |
| Expense Allocations from UIF | $ (1,628) | $ (882) | $ (822) | $ (123) | $ 785 | $ 246 | $ (235) | $ 2,659 | $ 759 | $ (759) | $ 0 |
| Rate Base Allocations from WSC | $ (21,036) | $ (11,359) | $ (4,925) | $ (733) | $ (25,311) | $ (7,904) | $ (3,994) | $ (6,750) | $ (62,015) | $ (19,997) | $ (82,012) |
| City of Altamonte Contribution | | | | | | | | | | | |
| Reduce Rate Base | | $ (105,217) | | | | | | | | | |
| Reduce Test Year Expense | | $ (3,567) | | | | | | | | | |
| Rate Case Expense | | | | | | | | | | | |
| Disallow Expenses | $ (12,301) | $ (6,642) | $ (16,487) | $ (2,456) | $ (14,435) | $ (4,508) | $ (18,943) | $ (18,943) | $ (81,109) | $ (13,606) | $ (94,715) |

## State Commission Policies on Gain on Sale

| | 1. What is commission policy regarding allocation between ratepayers and stockholders of gain on sale of facilities included in rate base? | 2. What is commission policy regarding allocation between ratepayers and stockholders of gain on sale of facilities recorded as contributions in aid of construction? | 3. Has the commission addressed an allocation of gain on sale? If so, what were the circumstances, outcome, and pertinent orders? |
|---|---|---|---|
| **Alabama** | No established policy | No established policy | No. |
| **Arkansas** | No instances in which the Commission addressed a gain on sale of assets | No instances in which the Commission addressed a gain on sale of assets. | No instances in which the Commission addressed a gain on sale of assets. |
| **Idaho** | The gain is shared on depreciable property; however, all gains on non-depreciable property flow to the shareholders. Per Commission Order No. 28296 | See response to Question No. 1. | See response to Question No.1. |
| **Illinois** | Per NARUC USOA, Accounting Instruction 27(E&F). | Per NARUC USOA, Accounting Instruction 27(F). | Yes. The ICC followed the NARUC USOA. The ICC reduced rates for the gain on sale of Consumers Illinois Water Company property in Docket Nos. 95-0307 and 95-0342 (Consolidated), Order dated May 8, 1996 . The ICC included in test year revenues a normalized portion of the gain. This decision was overturned by the Illinois Appellate Court, Third District in Consumer Illinois Water Company v. Illinois Commerce Commission, et al.., Case No. 3-996-0317 (3d Dist., July 8, 1997). The Commission Order on Remand, November 19, 1997 increased rates by removing the gain from revenues. |
| **Montana** | If management of the utility has been efficient and effective and ratepayers have shouldered the risks of loss and the economic burdens associated with the property, the gain or loss is allocated to ratepayers. | Gain on CIAC allocated to ratepayers. | In 2 telephone and 1 electric case, a portion of the gain was allocated to ratepayers. |

## State Commission Policies on Gain on Sale

| | 1. What is commission policy regarding allocation between ratepayers and stockholders of gain on sale of facilities included in rate base? | . What is commission policy regarding llocation between ratepayers and tockholders of gain on sale of facilities ecorded as contributions in aid of onstruction? | ). Has the commission addressed an allocation of ;ain on sale? If so, what were the circumstances, ›utcome, and pertinent orders? |
|---|---|---|---|
| **lew York** | The Commission has only addressed the sal of land. Gains have been preserved in Account 117, Accumulated Gains and Losses from Disposition of Utility Land and Land Rights. If the balance in this account reflects gains, this balance is reflected as a rate base reduction. | ee response to Question No. 1. | See response to Question No.1. |
| **lorth Carolina** | Prior to 1990, "whoever assumes the risks associated with utility property should receive the gain" (Docket No. W-354, Sub 82, et al., dated Oct 16, 1990)<br><br>In Docket No. W-354, sub 133 & 134, it was determined that splitting gain on sale was "harmful to public interest" and all gai should go to shareholders.<br>(Order dated Sept. 7, 1994) | l/A | Docket No. W-354, Sub 82, et al. investor-owned water systems sold to a municipality: gain was allocated 50% to ratepayers/50% to shareholders.<br><br>Docket No. W-354, sub133 & 134: investor-owned water systems sold to municipal utility district: all gain allocated to shareholders<br><br>Docket No. W-354, sub 143 & 145: investor-owned water systems sold to municipal utility district: all gain allocated to shareholders. |
| **)hio** | All gain on sale of a portion of the utility's property is allocated to ratepayers. | This situation has not occurred and no policy has been set. | Cleveland Electric Illuminating sold property that was included in rate base. The gain was allocated to the ratepayers. Case No. 71-634-Y; Commission Opinion and Order dated 11/28/73. |

## State Commission Policies on Gain on Sale

| | 1. What is commission policy regarding allocation between ratepayers and stockholders of gain on sale of facilities included in rate base? | 2. What is commission policy regarding allocation between ratepayers and stockholders of gain on sale of facilities recorded as contributions in aid of construction? | 3. Has the commission addressed an allocation of gain on sale? If so, what were the circumstances, outcome, and pertinent orders? |
|---|---|---|---|
| **Oregon** | All or nearly all of the gain from property included in rate base should be credited to the customers. It uses a "benefits follows risk" approach. | Staff is not aware that the PUC has addressed this situation. Asset transfers would most likely be at zero cost, and customers would receive all of the gain. | Portland General Electric case dealing with a restructuring proposal: the PUC stated that PGE would be allocated 5 percent of the gain or loss from the sale of its assets, as incentive to maximize gains. The remainder of the gains would be allocated to customers. Order No. 99-0033 (Signed 1/27/99, Docket UE 102)<br><br>PacificCorp gain from sale of a major electric generating facility: The PUC rejected PacifiCorp's proposed use of depreciation reserve method (and resulting 64/36 ratepayer/ stockholder split of gain)<br><br>PUC ordered (consistent with its decision in Order 99-033) that shareholders were to retain the larger of 5 percent of the gain or the value of any extraordinary action taken by the Company to increase sale price. Order No. 00-112 (Docket No. UP 168 |
| **South Carolina** | All gain to Stockholders. The sale of facilities included in rate base are recorded below the line. The ratepayer is impacted by the removal of the facilities from rate base. | See response to Question No.1. | See response to Question No.1. |
| **Utah** | No set policy, but the general policy is that gain should follow risk. | See response to Question No.1. | The Commission has addressed the allocation of a gain on sale of utility property between ratepayers and stockholders on several occasions. The most recent case involved the sale of the Centralia Plant by PacificCorp. |

## State Commission Policies on Gain on Sale

| | 1. What is commission policy regarding allocation between ratepayers and stockholders of gain on sale of facilities included in rate base? | 2. What is commission policy regarding allocation between ratepayers and stockholders of gain on sale of facilities recorded as contributions in aid of construction? | 3. Has the commission addressed an allocation of gain on sale? If so, what were the circumstances, outcome, and pertinent orders? |
|---|---|---|---|
| **Washington** | 100% of the gain on sale allocated to ratepayers. Any deviation from this policy would be on case by case basis due to specific compelling circumstances | Allocation based on specific case issues. The most compelling issue with CIAC is with who made the contribution. In general, gain on sale of plant not contributed by ratepayers belongs to the shareholders. However, if the ratepayers contributed the funds or plant then the entire proceeds net of applicable taxes and sales costs, not just the gain, would be returned to ratepayers. | Sale of the Colstrip, Montana coal plant. The selling company wanted to amortize the gain over 5 years with no rate effect to ratepayers. The Commission held that the company would defer the gain with interest until its next filing. The gain would then be passed back to ratepayers through reduced rates.<br><br>The Commission also ordered the company to file a rate case at the end of 2001. (Third Supplemental Order in Docket UE-992067)<br><br>The sale of the Centralia coal plant: the selling parties proposed different methods to ultimately keep the gain. The Commission rejected these proposals. The plant in this case sold at an appreciated value. The Commission decided in this case to share only the appreciated portion of the proceeds 50/50 between ratepayers and shareholders. The remainder of the gain went to ratepayers. The shared portion of the appreciation is net of tax and sales costs incurred equally by both parties. (Second Supplemental order in Docket UE-991255, et al.) |

## State Commission Policies on Gain on Sale

| | 1. What is commission policy regarding allocation between ratepayers and stockholders of gain on sale of facilities included in rate base? | 2. What is commission policy regarding allocation between ratepayers and stockholders of gain on sale of facilities recorded as contributions in aid of construction? | 3. Has the commission addressed an allocation of gain on sale? If so, what were the circumstances, outcome, and pertinent orders? |
|---|---|---|---|
| **West Virginia** | Gains on sale are reflected above the line resulting in the gain flowing to the benefit of ratepayers. Substantial gains have been required to be deferred and amortized to the benefit of ratepayers. | A case specially on point has not been located. Staff's position is that the fact that it was contributed property should not alter the handling of the gain above the line unless it was contributed by the stockholders. | Three Commission orders dealing with sale of utility property. The gain was handled above the line. No court rulings as this issue has not been contested. |
| **Wisconsin** | No established policy or practice, but cites USOA "Unless otherwise ordered by the Commission, the gain or loss, if any, shall be included in Miscellaneous Credits or Debits to Surplus." One sale that did result in a large gain was voluntarily included as a test year revenue component and was allocated by the applicant 100% to ratepayers. | See response to Question No. 1. | See response to Question No. 1. |

| |
|---|
| **4. What factors were considered in determining the method used to allocate gain on sale between ratepayers and stockholders?** |
| Not applicable. |
| Not applicable. |
| Telecommunications docket in which gain on sale was resolved in a stipulation: Legal precedents, public interest, and desire to avoid costly litigation. (Order No. 28394) |
| Consistency with USOA-water treatment of land sale gain and past Commission decisions. (95-0307 & 95-0342)<br><br>Order on Remand: land sale gain above-the-line adjustment was eliminated and gain was recognized as a non-recurring event. |
| In all three cases, the allocation of gain was presented to the Commission as a stipulation. |

| **4. What factors were considered in determining the method used to allocate gain on sale between ratepayers and stockholders?** |
|---|
| See response to Question No. 1. |
| Reward follows risk and public interest |
| 1) The utility regularly disposed of property as its usefulness to the company ended; and 2) the property was in the utility's rate base, so it was appropriate for ratepayers to benefit from its sale. |

| **4. What factors were considered in determining the method used to allocate gain on sale between ratepayers and stockholders?** |
|---|
| The primary factor is that the property is held in rate base, and that "reward follows risk."<br>Incent utility to manage sale to maximize plant sale value. |
| See response to Question No. 1. |
| Adequate compensation of Utah customers for future risks of acquiring replacement power. |

| **4. What factors were considered in determining the method used to allocate gain on sale between ratepayers and stockholders?** |
| --- |
| Public interest.<br>Protection of ratepayers from loss.<br><br><br><br><br><br>Reward should follow risk.<br>Consideration of context in which asset is being sold. |

| |
|---|
| **4. What factors were considered in determining the method used to allocate gain on sale between ratepayers and stockholders?** |
| The fact that the property was utility property. |
| See response to Question No. 1. |

## Utilities, Inc. of Florida
## Gain on Sale

| | Orange County Druid Isle | | Seminole County Green Acres | | Total | |
|---|---|---|---|---|---|---|
| Proceed from Sales | $ | 159,000 | $ | 427,000 | $ | 586,000 |
| Deduction: | | | | | | |
| Book Basis of Plant | $ | 27,306 | $ | - | $ | 27,306 |
| Selling Costs | $ | 27,832 | $ | 18,422 | $ | 46,253 |
| Pre-Tax Gain | $ | 103,863 | $ | 408,579 | $ | 512,441 |
| Taxes @ 38.27%/.34% | $ | 39,748 | $ | 138,917 | $ | 178,665 |
| Net Gain | $ | 64,114 | $ | 269,662 | $ | 333,776 |
| Unsupported Legal Costs | $ | 14,566 | $ | - | | |
| Taxes @ 38.27% | $ | 5,574 | $ | - | | |
| Net Unsupported Legal Costs | $ | 8,992 | $ | - | | |
| Adjusted Net Gain | $ | 73,106 | $ | 269,662 | $ | 342,768 |
| Amortize Over 5-Years | $ | 14,621 | $ | 53,932 | $ | 68,554 |

**Utilities, Inc. of Florida**
**Organizational Chart**

- **NUON**
  - **Utilities, Inc.**
    - **Water Service Corporation**
    - **Western Region**
      - **Nevada**
        - -Spring Creek Utilities Corp.
        - -Sky Ranch Water Service Corp.
        - -Utilities, Inc. of Nevada
        - -Utilities, Inc. of Central Nevada
      - **Arizona**
        - -Bermuda Water Co.
    - **Mid-Atlantic Region**
      - **Maryland**
        - -Greenridge Utilities, Inc.
        - -Maryland Water Service Corp.
        - -Provinces Utilities, Inc.
        - -Utilities, Inc. of Maryland
      - **New Jersey**
        - -Montague Sewer Co.
        - -Montague Water Co.
      - **Virginia**
        - -Colchester Public Service Corp
        - -Massanutten Public Service Corp.
      - **Pennsylvania**
        - -Penn Estates Utilities, Inc.
        - -Utilities, Inc. of Pennsylvania
        - -Utilities, Inc.- Blue Mountain Lake
        - -Utilities, Inc.- Westgate
    - **Southeast Region**
      - **Georgia**
        - -Utilities, Inc. of Georgia
        - -Water Service Co. of GA
      - **South Carolina**
        - -Bio Tech, Inc.
        - -Carolina Water Services, Inc.
        - -South Carolina Utilities, Inc.
        - -Southland Utilities, Inc.
        - -Tega Cay Water Service, Inc.
        - -United Utility Companies, Inc.
        - -Utilities Services of SC
    - **Florida Region**
      - -Alafaya Utilities, Inc.
      - -Bayside Utility Services, Inc.
      - -Cypress Lakes Utilities, Inc.
      - -Eastlake Water Service, Inc.
      - -Labrador Utilities, Inc.
      - -Lake Groves Utilities, Inc.
      - -Lake Placid Utilities, Inc.
      - -Lake Utility Services, Inc.
      - -Mid-County Services, Inc.
      - -Miles Grant Water & Sewer
      - -Pebble Creek Utilities, Inc.
      - -Sandy Creek Utility Services, Inc.
      - -Sanlando Utilities, Inc.
      - -South Gate Utilities, Inc.
      - -Tierra Verde Utilities, Inc.
      - -Utilities, Inc. of Eagle Ridge
      - -Utilities, Inc. of Florida
      - -Utilities, Inc. of Longwood
      - -Utilities, Inc. of Sandalhaven
      - -Wedgefield Utilities, Inc.
    - **North Carolina/ Tennessee**
      - **North Carolina**
        - -Bradfield Fams Water Co.
        - -Carolina Pines Utilities, Inc.
        - -Carolina Trace Utilities, Inc.
        - -CWS Systems, Inc.
        - -Carolina Water Service, Inc. of NC
        - -Elk River Utilities, Inc.
        - -Nero Utility Services, Inc.
        - -North Topsail Utilities, Inc.
        - -Riverpointe Utility Corp.
        - -Transylvania Utilities, Inc.
        - -Watauga Vista Water Corp.
      - **Tennessee**
        - -Tennessee Water Service
    - **South Region**
      - **Louisiana**
        - -Louisiana Water Service, Inc.
        - -Utilities, Inc. of Louisiana
      - **Mississippi**
        - -Charleston Utilities, Inc.
    - **Midwest Region**
      - **Illinois**
        - -Apple Canyon Utility Co.
        - -Camelot Utilities, Inc.
        - -Cedar Bluff Utilities, Inc.
        - -Charmar Water Co.
        - -Cherry Hill Water Co.
        - -Clarendon Water Co.
        - -County Line Water Co.
        - -Del-Mar Water Co.
        - -Ferson Creek Utilities, Co.
        - -Galena Territory Utilities, Inc.
        - -Great Northern Utilities, Inc.
        - -Harbor Ridge Utilities, Inc.
        - -Holiday Hills Utilities, Inc.
        - -Killarney Water Co.
        - -Lake Holiday Utilities, Corp.
        - -Lake Marian Water Corp.
        - -Lake Wildwood Utilities, Corp.
        - -Mecina Utilities Corp.
        - -Northern Hills Water & Sewer Co.
        - -Valentine Water Service, Inc.
        - -Walk-Up Woods Water Co.
        - -Westlake Utilities, Inc.
        - -Whispering Hills Water Co.
        - -Wildwood Water Service Co.
      - **Indiana**
        - -Indiana Water Service, Inc.
        - -Twin Lakes Utilities, Inc.
        - -Water Service Co. of Indiana
      - **Ohio**
        - -Holiday Service Corp.
      - **Kentucky**
    - **Rick Bryan Biotech/ Unregulated Business**
    - **Joel Walzien Project Manager**

**Utilities, Inc. of Florida**
**Comparison of Customers, ERCs, Customer Equivalents, and Revenue**

| County | Customers Total | Percent Customer | Customer Equivalent (1) | Percent Customer Equivalent | ERCs | Percent ERCs | Revenue Total | Percent Revenue |
|---|---|---|---|---|---|---|---|---|
| Seminole | 4,081 | 44% | 3,360 | 43% | 4,240 | 42% | $ 964,039 | 48% |
| Marion | 540 | 6% | 498 | 6% | 1,095 | 11% | $ 208,910 | 10% |
| Pasco | 3,778 | 41% | 3,207 | 41% | 3,885 | 38% | $ 699,709 | 35% |
| Orange | 327 | 4% | 164 | 2% | 330 | 3% | $ 83,716 | 4% |
| Pinellas | 552 | 6% | 552 | 7% | 565 | 6% | $ 53,898 | 3% |
| Total | 9,278 | 100% | 7,781 | 100% | 10,115 | 100% | $ 2,010,272 | 100% |

(1) Customer Equivalent was used by UIF to allocate expenses between counties.

## Utilities, Inc. of Florida
## ERC Comparison

| | Residential ERCs | | General Service ERCs | | Multi-Family Dwelling ERCs | | Private Use Protection ERCs | | Other (Irrigation) ERCs | | Total ERCs | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water | Sewer | Water | Sewer | Water | Sewer | Water | Sewer | Water | Sewer | Water | Sewer |
| **Seminole County:** | | | | | | | | | | | | |
| Weathersfield | 698 | 698 | 20 | 12 | - | - | - | - | 16 | 9 | 734 | 719 |
| Oakland Shores | 233 | - | 11 | - | - | - | - | - | - | - | 244 | - |
| Little Wekiva | 61 | - | - | - | - | - | - | - | - | - | 61 | - |
| Park Ridge | 99 | - | 1 | - | - | - | - | - | 1 | - | 101 | - |
| Phillips | 73 | - | - | - | - | - | - | - | 1 | - | 74 | - |
| Ravenna Park | 346 | - | 22 | - | - | - | - | - | - | - | 368 | - |
| Crystal Lake | 169 | - | - | - | - | - | - | - | - | - | 169 | - |
| Lincoln Heights | - | 240 | - | 19 | - | - | - | - | - | - | - | 259 |
| Bear Lake | 216 | - | 15 | - | - | - | - | - | - | - | 231 | - |
| Jansen | 253 | - | 1 | - | - | - | - | - | 3 | - | 257 | - |
| Trailwoods | 304 | 298 | - | - | - | - | - | - | - | - | 304 | 298 |
| Oakland Hills | 186 | 185 | 25 | 25 | - | - | - | - | - | - | 211 | 210 |
| Total | 2,638 | 1,421 | 95 | 56 | - | - | - | - | 21 | 9 | 2,754 | 1,486 |
| **Pasco County:** | | | | | | | | | | | | |
| Wis-Bar | 138 | 166 | 2 | 2 | - | - | - | - | - | - | 140 | 168 |
| Buena Vista | 1,087 | - | 27 | - | - | - | - | - | - | - | 1,114 | - |
| Summertree | 830 | 830 | 16 | 14 | - | - | - | - | 155 | - | 1,001 | 844 |
| Orangewood | 561 | - | 48 | - | 3 | - | - | - | 6 | - | 618 | - |
| Total | 2,616 | 996 | 93 | 16 | 3 | - | - | - | 161 | - | 2,873 | 1,012 |
| **Orange County:** | | | | | | | | | | | | |
| Crescent Heights | 278 | - | 6 | - | - | - | - | - | - | - | 284 | - |
| Davis Shores | 46 | - | - | - | - | - | - | - | - | - | 46 | - |
| Total | 324 | - | 6 | - | - | - | - | - | - | - | 330 | - |
| **Marion County:** | | | | | | | | | | | | |
| Golden Hills | 893 | - | 30 | - | - | - | - | - | 10 | - | 933 | - |
| Crownwood | 88 | 69 | - | - | - | - | - | - | 5 | - | 93 | 69 |
| Total | 981 | 69 | 30 | - | - | - | - | - | 15 | - | 1,026 | 69 |
| **Pinellas County:** | | | | | | | | | | | | |
| Lake Tarpon | 530 | - | - | - | - | - | - | - | 35 | - | 565 | - |
| Total | 530 | - | - | - | - | - | - | - | 35 | - | 565 | - |
| Total All Systems | 7,089 | 2,486 | 224 | 72 | 3 | - | - | - | 232 | 9 | 7,548 | 2,567 |

**Utilities, Inc. of Florida**
**ERC Comparison**

| | Residential ERC Percent | | General Service ERC Percent | | Multi-Family Dwelling ERC Percent | | Private Use Protection ERC Percent | | Other (Irrigation) ERC Percent | | Total ERC Percent | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water | Sewer | Water | Sewer | Water | Sewer | Water | Sewer | Water | Sewer | Water | Sewer |
| **Seminole County:** | | | | | | | | | | | | |
| Weathersfield | 95% | 97% | 3% | 2% | 0% | 0% | 0% | 0% | 2% | 1% | 100% | 100% |
| Oakland Shores | 95% | | 5% | | 0% | | 0% | | 0% | | 100% | 0% |
| Little Wekiva | 100% | | 0% | | 0% | | 0% | | 0% | | 100% | 0% |
| Park Ridge | 98% | | 1% | | 0% | | 0% | | 1% | | 100% | 0% |
| Phillips | 99% | | 0% | | 0% | | 0% | | 1% | | 100% | 0% |
| Ravenna Park | 94% | | 6% | | 0% | | 0% | | 0% | | 100% | 0% |
| Crystal Lake | 100% | | 0% | | 0% | | 0% | | 0% | | 100% | 0% |
| Lincoln Heights | | 93% | | 7% | | 0% | | 0% | | 0% | 0% | 100% |
| Bear Lake | 94% | | 6% | | 0% | | 0% | | 0% | | 100% | 0% |
| Jansen | 98% | | 0% | | 0% | | 0% | | 1% | | 100% | 0% |
| Trailwoods | 100% | 100% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 100% | 100% |
| Oakland Hills | 88% | 88% | 12% | 12% | 0% | 0% | 0% | 0% | 0% | 0% | 100% | 100% |
| Total | 96% | 96% | 3% | 4% | 0% | 0% | 0% | 0% | 1% | 1% | 100% | 100% |
| **Pasco County:** | | | | | | | | | | | | |
| Wis-Bar | 99% | 99% | 1% | 1% | 0% | 0% | 0% | 0% | 0% | 0% | 100% | 100% |
| Buena Vista | 98% | | 2% | | 0% | | 0% | | 0% | | 100% | 0% |
| Summertree | 83% | 98% | 2% | 2% | 0% | 0% | 0% | 0% | 15% | 0% | 100% | 100% |
| Orangewood | 91% | | 8% | | 0% | | 0% | | 1% | | 100% | 0% |
| Total | 91% | 98% | 3% | 2% | 0% | 0% | 0% | 0% | 6% | 0% | 100% | 100% |
| **Orange County:** | | | | | | | | | | | | |
| Crescent Heights | 98% | | 2% | | 0% | | 0% | | 0% | | 100% | 0% |
| Davis Shores | 100% | | 0% | | 0% | | 0% | | 0% | | 100% | 0% |
| Total | 98% | 0% | 2% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 100% | 0% |
| **Marion County:** | | | | | | | | | | | | |
| Golden Hills | 96% | | 3% | | 0% | | 0% | | 1% | | 100% | 0% |
| Crownwood | 95% | 100% | 0% | 0% | 0% | 0% | 0% | 0% | 5% | 0% | 100% | 100% |
| Total | 96% | 100% | 3% | 0% | 0% | 0% | 0% | 0% | 1% | 0% | 100% | 100% |
| **Pinellas County:** | | | | | | | | | | | | |
| Lake Tarpon | 94% | | 0% | | 0% | | 0% | | 6% | | 100% | 0% |
| Total | 94% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 6% | 0% | 100% | 0% |
| Total All Systems | 94% | 97% | 3% | 3% | 0% | 0% | 0% | 0% | 3% | 0% | 100% | 100% |

**Utilities, Inc. of Florida**
**Revenue Comparison**

| | Seminole | | | | Marion | | | | Pasco | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | Water | Sewer | Total | Percent of Total | Water | Sewer | Total | Percent of Total | Water | Sewer | Total | Percent of Total |
| Residential | $ 559,523 | $ 361,159 | $ 920,681 | 96% | $ 136,143 | $ 33,626 | $ 169,770 | 81% | $ 361,678 | $ 275,947 | $ 637,625 | 91% |
| Commercial | $ 21,697 | $ 21,661 | $ 43,358 | 4% | $ 14,294 | $ 24,846 | $ 39,140 | 19% | $ 52,774 | $ 9,310 | $ 62,084 | 9% |
| Total | $ 581,220 | $ 382,820 | $ 964,039 | 100% | $ 150,437 | $ 58,472 | $ 208,910 | 100% | $ 414,452 | $ 285,257 | $ 699,709 | 100% |

| | Orange | | | | Pinellas | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | Water | Sewer | Total | Percent of Total | Water | Sewer | Total | Percent of Total | Water | Sewer | Total | Percent of Total |
| Residential | $ 82,532 | N/A | $ 82,532 | 99% | $ 50,133 | N/A | $ 50,133 | 93% | $ 1,190,009 | $ 670,732 | $ 1,860,741 | 93% |
| Commercial | $ 1,184 | N/A | $ 1,184 | 1% | $ 3,765 | N/A | $ 3,765 | 7% | $ 93,714 | $ 55,817 | $ 149,531 | 7% |
| Total | $ 83,716 | N/A | $ 83,716 | 100% | $ 53,898 | N/A | $ 53,898 | 100% | $ 1,283,723 | $ 726,549 | $ 2,010,272 | 100% |

**Utilities, Inc. of Florida**
**Subsidiary Revenue Statistics 2001**

| | | Water | | | | |
|---|---|---|---|---|---|---|
| Company Number | Company Name | Residential Revenue | Commercial Revenue | Total Revenue | Residential Revenue as Percent of Total | Commercial Revenue as Percent of Total |
| C-005 | Apple Canyon Utility Co. | $ 236,391 | $ 7,413 | $ 243,804 | 96.96% | 3.04% |
| C-006 | Camelot Utilities Co. | 84,067 | | 84,067 | 100.00% | 0.00% |
| C-007 | Charmar Water Co. | 21,057 | | 21,057 | 100.00% | 0.00% |
| C-008 | Cherry Hill Water Co. | 88,289 | | 88,289 | 100.00% | 0.00% |
| C-009 | Clarendon Water Co. | 132,673 | | 132,673 | 100.00% | 0.00% |
| C-011 | County Line Water Co. | 33,464 | | 33,464 | 100.00% | 0.00% |
| C-012 | Del Mar Water Co. | 21,650 | | 21,650 | 100.00% | 0.00% |
| C-013 | Ferson Creek Water Co. | 117,518 | 791 | 118,309 | 99.33% | 0.67% |
| C-014 | Galena Territory Utilities | 444,591 | 46,712 | 491,303 | 90.49% | 9.51% |
| C-015 | Killarney Water Co. | 78,716 | 299 | 79,015 | 99.62% | 0.38% |
| C-016 | Lake Holiday Utilities Corp. | 482,255 | 1,329 | 483,584 | 99.73% | 0.27% |
| C-017 | Lake Wildwood Utilities Corp. | 181,986 | 4,116 | 186,102 | 97.79% | 2.21% |
| C-018 | Northern Hills Water & Sewer Co. | 41,848 | | 41,848 | 100.00% | 0.00% |
| C-020 | Lake Marian Water Corporation | 121,643 | | 121,643 | 100.00% | 0.00% |
| C-022 | Valentine Water Service, Inc. | 32,363 | | 32,363 | 100.00% | 0.00% |
| C-023 | Walk Up Woods Water Co. | 63,797 | | 63,797 | 100.00% | 0.00% |
| C-024 | Whispering Hills Water Co. | 607,328 | | 607,328 | 100.00% | 0.00% |
| C-026 | Medina Utilities Corp. | | | - | | |
| C-028 | Cedar Bluff Utilities, Inc. | | | - | | |
| C-029 | Harbor Ridge Utilities, Inc. | 74,683 | 4,731 | 79,414 | 94.04% | 5.96% |
| C-030 | Great Northern Utilities, Inc. | 108,600 | | 108,600 | 100.00% | 0.00% |
| C-034 | Utilities, Inc. of Nevada | 459,338 | 14,134 | 473,472 | 97.01% | 2.99% |
| C-035 | Spring Creek Utilities Co. | 1,049,350 | 100,784 | 1,150,134 | 91.24% | 8.76% |
| C-036 | Louisiana Water Service, Inc. | 898,450 | 55,519 | 953,969 | 94.18% | 5.82% |
| C-038 | Utilities, Inc. of Louisiana | 434,139 | 281,373 | 715,512 | 60.68% | 39.32% |
| C-040 | Utilities, Inc. of Maryland | 428,932 | 1,532 | 430,464 | 99.64% | 0.36% |
| C-041 | Colchester Public Service Co. | | | - | | |
| C-042 | Green Ridge Utilities, Inc. | 261,855 | | 261,855 | 100.00% | 0.00% |
| C-043 | Province Utilities, Inc. | 320,640 | | 320,640 | 100.00% | 0.00% |
| C-044 | Maryland Water Services, Inc. | 210,877 | 8,836 | 219,713 | 95.98% | 4.02% |
| C-047 | Massanutten Public Service Corp. | 397,475 | 62,145 | 459,620 | 86.48% | 13.52% |
| C-050 | Holiday Service Corp | 224,775 | | 224,775 | 100.00% | 0.00% |
| C-052 | UI of Pennsylvania | | | - | | |
| C-053 | Penn Estates Utilities, Inc. | 304,552 | | 304,552 | 100.00% | 0.00% |
| C-055 | Utilities Inc. of Georgia | 1,292,173 | 47,349 | 1,339,522 | 96.47% | 3.53% |
| C-056 | Elk River Utilities, Inc. | 90,161 | 15,976 | 106,137 | 84.95% | 15.05% |
| C-057 | Montague Water Company | 243,840 | 26,635 | 270,475 | 90.15% | 9.85% |
| C-060 | Twin Lakes Utilities, Inc. | 684,261 | 7,033 | 691,294 | 98.98% | 1.02% |
| C-061 | Tierre Verde Utilities | | | - | | |
| C-062 | Lake Placid Utilities, Inc. | 29,702 | 13,116 | 42,818 | 69.37% | 30.63% |
| C-064 | Eastlake Water Service, Inc. | 112,806 | 7,579 | 120,385 | 93.70% | 6.30% |
| C-065 | Charleston Utilities, Inc. | 253,207 | 46,178 | 299,385 | 84.58% | 15.42% |
| C-066 | Pebble Creek Utilities, Inc. | 560,733 | 95,990 | 656,723 | 85.38% | 14.62% |
| C-067 | Alafaya Utilities, Inc. | | | - | | |
| C-068 | Utilities, Inc. of Longwood | | | - | | |
| C-069 | Wedgefield Utilities, Inc. | 372,929 | 16,398 | 389,327 | 95.79% | 4.21% |
| C-070 | Carolina Water Service, Inc. | 1,487,262 | 119,945 | 1,607,207 | 92.54% | 7.46% |
| C-072 | Cypress Lakes Util Inc-W&S | 97,074 | 10,301 | 107,375 | 90.41% | 9.59% |
| C-073 | Utilities, Inc. Eagle Ridge-S | | | - | | |
| C-074 | Southland Utilities, Inc. | 49,862 | | 49,862 | 100.00% | 0.00% |
| C-075 | United Utility Companies, Inc. | 31,563 | | 31,563 | 100.00% | 0.00% |
| C-077 | South Carolina Utilities, Inc. | | | - | | |
| C-079 | Tega Cay Water Service, Inc. | 350,044 | 5,340 | 355,384 | 98.50% | 1.50% |
| C-080 | Carolina Wtr Serv. Inc. of NC | 5,584,233 | 417,806 | 6,002,039 | 93.04% | 6.96% |
| C-081 | Riverpointe Utility Corp. | 75,304 | 1,769 | 77,073 | 97.70% | 2.30% |

**Utilities, Inc. of Florida**
**Subsidiary Revenue Statistics 2001**

| | | Water | | | | | |
|---|---|---|---|---|---|---|---|
| Company Number | Company Name | Residential Revenue | Commercial Revenue | Total Revenue | Residential Revenue as Percent of Total | Commercial Revenue as Percent of Total | |
| C-083 | CWS Systems, Inc. - Fairfield | 1,384,723 | 112,378 | 1,497,101 | 92.49% | 7.51% | |
| C-085 | Watauga Vista Water Corp. | 35,349 | | 35,349 | 100.00% | 0.00% | |
| C-086 | Carolina Trace Utilities, Inc. | 321,407 | 22,150 | 343,557 | 93.55% | 6.45% | |
| C-087 | Transylvania Utilities, Inc. | 251,090 | 5,892 | 256,982 | 97.71% | 2.29% | |
| C-088 | Mid-County Services, Inc. | | | - | | | |
| C-089 | Lake Utilities, Inc. | 694,825 | 22,892 | 717,717 | 96.81% | 3.19% | |
| C-090 | Utilities, Inc. of Florida | 1,184,192 | 99,531 | 1,283,723 | 92.25% | 7.75% | |
| C-091 | Miles Grant Water Sewer Co., Inc. | 247,239 | 12,103 | 259,342 | 95.33% | 4.67% | |
| C-092 | Tennessee Water Service, Inc. | 210,187 | | 210,187 | 100.00% | 0.00% | |
| C-101 | Sanlando Utilities Corp | 1,656,436 | 186,782 | 1,843,218 | 89.87% | 10.13% | |
| C-102 | Lake Groves Utilities, Inc. | 726,999 | 10,591 | 737,590 | 98.56% | 1.44% | |
| C-103 | Utilities Inc of Sandalhaven | | | - | | | |
| C-104 | Bayside Utility Services Inc. | 59,789 | 2,296 | 62,085 | 96.30% | 3.70% | |
| C-105 | South Gate Utilities, Inc. | 1,528,653 | 201,619 | 1,730,272 | 88.35% | 11.65% | |
| C-109 | Sandy Creek | | | - | | | |
| C-120 | North Topsail Utilities, Inc. | | | - | | | |
| C-121 | Carolina Pines Util Inc. | | | - | | | |
| C-122 | Bradfield Farms Water Company | 184,268 | | 184,268 | 100.00% | 0.00% | |
| C-123 | Nero Utility Services, Inc. | 20,594 | | 20,594 | 100.00% | 0.00% | |
| C-133 | Sky Ranch Water Services | 187,085 | 4,969 | 192,054 | 97.41% | 2.59% | |
| C-135 | Bermuda Water Company Inc. | 1,567,827 | 242,056 | 1,809,883 | 86.63% | 13.37% | |
| C-093 | Bio Tech, Inc.+ Contract Operations | N/A | N/A | N/A | N/A | N/A | N/A |
| Total | | $ 29,539,119 | $ 2,344,388 | $ 31,883,507 | 93% | 7% | |

(1) Information obtained from 2001 Annual Report.

## Utilities, Inc. of Florida
## Subsidiary Revenue Statistics 2001

| | | Sewer | | | | |
|---|---|---|---|---|---|---|
| Company Number | Company Name | Residential Revenue | Commercial Revenue | Total Revenue | Residential Revenue as Percent of Total | Commercial Revenue as Percent of Total |
| C-005 | Apple Canyon Utility Co. | | | $ - | | |
| C-006 | Camelot Utilities Co. | $ 98,491 | | 98,491 | 100.00% | 0.00% |
| C-007 | Charmar Water Co. | | | - | | |
| C-008 | Cherry Hill Water Co. | | | - | | |
| C-009 | Clarendon Water Co. | | | - | | |
| C-011 | County Line Water Co. | | | - | | |
| C-012 | Del Mar Water Co. | | | - | | |
| C-013 | Ferson Creek Water Co. | 131,419 | 868 | 132,287 | 99.34% | 0.66% |
| C-014 | Galena Territory Utilities | 164,469 | 32,656 | 197,125 | 83.43% | 16.57% |
| C-015 | Killarney Water Co. | | | - | | |
| C-016 | Lake Holiday Utilities Corp. | | | - | | |
| C-017 | Lake Wildwood Utilities Corp. | | | - | | |
| C-018 | Northern Hills Water & Sewer Co. | 47,156 | | 47,156 | 100.00% | 0.00% |
| C-020 | Lake Marian Water Corporation | | | - | | |
| C-022 | Valentine Water Service, Inc. | | | - | | |
| C-023 | Walk Up Woods Water Co. | | | - | | |
| C-024 | Whispering Hills Water Co. | | | - | | |
| C-026 | Medina Utilities Corp. | 227,551 | | 227,551 | 100.00% | 0.00% |
| C-028 | Cedar Bluff Utilities, Inc. | 45,776 | | 45,776 | 100.00% | 0.00% |
| C-029 | Harbor Ridge Utilities, Inc. | 26,547 | 840 | 27,387 | 96.93% | 3.07% |
| C-030 | Great Northern Utilities, Inc. | | | - | | |
| C-034 | Utilities, Inc. of Nevada | | | - | | |
| C-035 | Spring Creek Utilities Co. | 4,300 | | 4,300 | 100.00% | 0.00% |
| C-036 | Louisiana Water Service, Inc. | 857,063 | 49,625 | 906,688 | 94.53% | 5.47% |
| C-038 | Utilities, Inc. of Louisiana | 504,743 | 624,116 | 1,128,859 | 44.71% | 55.29% |
| C-040 | Utilities, Inc. of Maryland | 474,260 | 1,711 | 475,971 | 99.64% | 0.36% |
| C-041 | Colchester Public Service Co. | 160,253 | | 160,253 | 100.00% | 0.00% |
| C-042 | Green Ridge Utilities, Inc. | | | - | | |
| C-043 | Province Utilities, Inc. | | | - | | |
| C-044 | Maryland Water Services, Inc. | 227,752 | 18,396 | 246,148 | 92.53% | 7.47% |
| C-047 | Massanutten Public Service Corp. | 481,403 | 84,476 | 565,879 | 85.07% | 14.93% |
| C-050 | Holiday Service Corp | | | - | | |
| C-052 | UI of Pennsylvania | 507,580 | 8,294 | 515,874 | 98.39% | 1.61% |
| C-053 | Penn Estates Utilities, Inc. | 551,833 | | 551,833 | 100.00% | 0.00% |
| C-055 | Utilities Inc. of Georgia | 1,285,360 | 5,723 | 1,291,083 | 99.56% | 0.44% |
| C-056 | Elk River Utilities, Inc. | 41,879 | 7,308 | 49,187 | 85.14% | 14.86% |
| C-057 | Montague Water Company | 81,992 | 16,867 | 98,859 | 82.94% | 17.06% |
| C-060 | Twin Lakes Utilities, Inc. | 941,574 | 35,508 | 977,082 | 96.37% | 3.63% |
| C-061 | Tierre Verde Utilities | 491,240 | | 491,240 | 100.00% | 0.00% |
| C-062 | Lake Placid Utilities, Inc. | 52,729 | 14,809 | 67,538 | 78.07% | 21.93% |
| C-064 | Eastlake Water Service, Inc. | 133,247 | 6,919 | 140,166 | 95.06% | 4.94% |
| C-065 | Charleston Utilities, Inc. | | | - | | |
| C-066 | Pebble Creek Utilities, Inc. | 577,298 | 22,592 | 599,890 | 96.23% | 3.77% |
| C-067 | Alafaya Utilities, Inc. | 1,692,638 | 84,057 | 1,776,695 | 95.27% | 4.73% |
| C-068 | Utilities, Inc. of Longwood | 571,933 | 106,566 | 678,499 | 84.29% | 15.71% |
| C-069 | Wedgefield Utilities, Inc. | 415,028 | 11,594 | 426,622 | 97.28% | 2.72% |
| C-070 | Carolina Water Service, Inc. | 3,275,622 | 159,262 | 3,434,884 | 95.36% | 4.64% |
| C-072 | Cypress Lakes Util Inc-W&S | 223,018 | 6,414 | 229,432 | 97.20% | 2.80% |
| C-073 | Utilities, Inc. Eagle Ridge-S | 443,614 | 220,254 | 663,868 | 66.82% | 33.18% |
| C-074 | Southland Utilities, Inc. | | | - | | |
| C-075 | United Utility Companies, Inc. | 341,696 | | 341,696 | 100.00% | 0.00% |
| C-077 | South Carolina Utilities, Inc. | 86,072 | | 86,072 | 100.00% | 0.00% |
| C-079 | Tega Cay Water Service, Inc. | 565,726 | 15,647 | 581,373 | 97.31% | 2.69% |
| C-080 | Carolina Wtr Serv. Inc. of NC | 4,060,460 | 301,889 | 4,362,349 | 93.08% | 6.92% |
| C-081 | Riverpointe Utility Corp. | 60,504 | 508 | 61,012 | 99.17% | 0.83% |

## Utilities, Inc. of Florida
## Subsidiary Revenue Statistics 2001

| | | Sewer | | | | | |
|---|---|---|---|---|---|---|---|
| Company Number | Company Name | Residential Revenue | Commercial Revenue | Total Revenue | Residential Revenue as Percent of Total | Commercial Revenue as Percent of Total | |
| C-083 | CWS Systems, Inc. - Fairfield | 812,943 | 105,732 | 918,675 | 88.49% | 11.51% | |
| C-085 | Watauga Vista Water Corp. | | | - | | | |
| C-086 | Carolina Trace Utilities, Inc. | 362,216 | 6,613 | 368,829 | 98.21% | 1.79% | |
| C-087 | Transylvania Utilities, Inc. | 255,496 | 5,413 | 260,909 | 97.93% | 2.07% | |
| C-088 | Mid-County Services, Inc. | 1,051,132 | | 1,051,132 | 100.00% | 0.00% | |
| C-089 | Lake Utilities, Inc. | | | - | | | |
| C-090 | Utilities, Inc. of Florida | 672,330 | 54,219 | 726,549 | 92.54% | 7.46% | |
| C-091 | Miles Grant Water Sewer Co., Inc. | 304,283 | 9,727 | 314,010 | 96.90% | 3.10% | |
| C-092 | Tennessee Water Service, Inc. | | | - | | | |
| C-101 | Sanlando Utilities Corp | 2,731,366 | 233,996 | 2,965,362 | 92.11% | 7.89% | |
| C-102 | Lake Groves Utilities, Inc. | 500,333 | 10,957 | 511,290 | 97.86% | 2.14% | |
| C-103 | Utilities Inc of Sandalhaven | 172,118 | 23,054 | 195,172 | 88.19% | 11.81% | |
| C-104 | Bayside Utility Services Inc. | 82,988 | 4,740 | 87,728 | 94.60% | 5.40% | |
| C-105 | South Gate Utilities, Inc. | | | - | | | |
| C-109 | Sandy Creek | | | - | | | |
| C-120 | North Topsail Utilities, Inc. | 773,322 | 98,692 | 872,014 | 88.68% | 11.32% | |
| C-121 | Carolina Pines Util Inc. | 46,714 | 1,604 | 48,318 | 96.68% | 3.32% | |
| C-122 | Bradfield Farms Water Company | 268,267 | | 268,267 | 100.00% | 0.00% | |
| C-123 | Nero Utility Services, Inc. | 25,120 | | 25,120 | 100.00% | 0.00% | |
| C-133 | Sky Ranch Water Services | | | - | | | |
| C-135 | Bermuda Water Company Inc. | | | - | | | |
| C-093 | Bio Tech, Inc.+ Contract Operations | N/A | N/A | N/A | N/A | N/A | N/A |
| Total | | $ 27,910,854 | $ 2,391,646 | $ 30,302,500 | 92% | 8% | |

(1) Information obtained from 2001 Annual Report.

**Utilities, Inc. of Florida**
**Subsidiary Revenue Statistics 2001**

| | | Totals | | | | |
|---|---|---|---|---|---|---|
| Company Number | Company Name | Residential Revenue | Commercial Revenue | Total Revenue | Residential Revenue as Percent of Total | Commercial Revenue as Percent of Total |
| C-005 | Apple Canyon Utility Co. | $ 236,391 | $ 7,413 | $ 243,804 | 96.96% | 3.04% |
| C-006 | Camelot Utilities Co. | 182,558 | - | 182,558 | 100.00% | 0.00% |
| C-007 | Charmar Water Co. | 21,057 | - | 21,057 | 100.00% | 0.00% |
| C-008 | Cherry Hill Water Co. | 88,289 | - | 88,289 | 100.00% | 0.00% |
| C-009 | Clarendon Water Co. | 132,673 | - | 132,673 | 100.00% | 0.00% |
| C-011 | County Line Water Co. | 33,464 | - | 33,464 | 100.00% | 0.00% |
| C-012 | Del Mar Water Co. | 21,650 | - | 21,650 | 100.00% | 0.00% |
| C-013 | Ferson Creek Water Co. | 248,937 | 1,659 | 250,596 | 99.34% | 0.66% |
| C-014 | Galena Territory Utilities | 609,060 | 79,368 | 688,428 | 88.47% | 11.53% |
| C-015 | Killarney Water Co. | 78,716 | 299 | 79,015 | 99.62% | 0.38% |
| C-016 | Lake Holiday Utilities Corp. | 482,255 | 1,329 | 483,584 | 99.73% | 0.27% |
| C-017 | Lake Wildwood Utilities Corp. | 181,986 | 4,116 | 186,102 | 97.79% | 2.21% |
| C-018 | Northern Hills Water & Sewer Co. | 89,004 | - | 89,004 | 100.00% | 0.00% |
| C-020 | Lake Marian Water Corporation | 121,643 | - | 121,643 | 100.00% | 0.00% |
| C-022 | Valentine Water Service, Inc. | 32,363 | - | 32,363 | 100.00% | 0.00% |
| C-023 | Walk Up Woods Water Co. | 63,797 | - | 63,797 | 100.00% | 0.00% |
| C-024 | Whispering Hills Water Co. | 607,328 | - | 607,328 | 100.00% | 0.00% |
| C-026 | Medina Utilities Corp. | 227,551 | - | 227,551 | 100.00% | 0.00% |
| C-028 | Cedar Bluff Utilities, Inc. | 45,776 | - | 45,776 | 100.00% | 0.00% |
| C-029 | Harbor Ridge Utilities, Inc. | 101,230 | 5,571 | 106,801 | 94.78% | 5.22% |
| C-030 | Great Northern Utilities, Inc. | 108,600 | - | 108,600 | 100.00% | 0.00% |
| C-034 | Utilities, Inc. of Nevada | 459,338 | 14,134 | 473,472 | 97.01% | 2.99% |
| C-035 | Spring Creek Utilities Co. | 1,053,650 | 100,784 | 1,154,434 | 91.27% | 8.73% |
| C-036 | Louisiana Water Service, Inc. | 1,755,513 | 105,144 | 1,860,657 | 94.35% | 5.65% |
| C-038 | Utilities, Inc. of Louisiana | 938,882 | 905,489 | 1,844,371 | 50.91% | 49.09% |
| C-040 | Utilities, Inc. of Maryland | 903,192 | 3,243 | 906,435 | 99.64% | 0.36% |
| C-041 | Colchester Public Service Co. | 160,253 | - | 160,253 | 100.00% | 0.00% |
| C-042 | Green Ridge Utilities, Inc. | 261,855 | - | 261,855 | 100.00% | 0.00% |
| C-043 | Province Utilities, Inc. | 320,640 | - | 320,640 | 100.00% | 0.00% |
| C-044 | Maryland Water Services, Inc. | 438,629 | 27,232 | 465,861 | 94.15% | 5.85% |
| C-047 | Massanutten Public Service Corp. | 878,878 | 146,621 | 1,025,499 | 85.70% | 14.30% |
| C-050 | Holiday Service Corp | 224,775 | - | 224,775 | 100.00% | 0.00% |
| C-052 | UI of Pennsylvania | 507,580 | 8,294 | 515,874 | 98.39% | 1.61% |
| C-053 | Penn Estates Utilities, Inc. | 856,385 | - | 856,385 | 100.00% | 0.00% |
| C-055 | Utilities Inc. of Georgia | 2,577,533 | 53,072 | 2,630,605 | 97.98% | 2.02% |
| C-056 | Elk River Utilities, Inc. | 132,040 | 23,284 | 155,324 | 85.01% | 14.99% |
| C-057 | Montague Water Company | 325,832 | 43,502 | 369,334 | 88.22% | 11.78% |
| C-060 | Twin Lakes Utilities, Inc. | 1,625,835 | 42,541 | 1,668,376 | 97.45% | 2.55% |
| C-061 | Tierre Verde Utilities | 491,240 | - | 491,240 | 100.00% | 0.00% |
| C-062 | Lake Placid Utilities, Inc. | 82,431 | 27,925 | 110,356 | 74.70% | 25.30% |
| C-064 | Eastlake Water Service, Inc. | 246,053 | 14,498 | 260,551 | 94.44% | 5.56% |
| C-065 | Charleston Utilities, Inc. | 253,207 | 46,178 | 299,385 | 84.58% | 15.42% |
| C-066 | Pebble Creek Utilities, Inc. | 1,138,031 | 118,582 | 1,256,613 | 90.56% | 9.44% |
| C-067 | Alafaya Utilities, Inc. | 1,692,638 | 84,057 | 1,776,695 | 95.27% | 4.73% |
| C-068 | Utilities, Inc. of Longwood | 571,933 | 106,566 | 678,499 | 84.29% | 15.71% |
| C-069 | Wedgefield Utilities, Inc. | 787,957 | 27,992 | 815,949 | 96.57% | 3.43% |
| C-070 | Carolina Water Service, Inc. | 4,762,884 | 279,207 | 5,042,091 | 94.46% | 5.54% |
| C-072 | Cypress Lakes Util Inc-W&S | 320,092 | 16,715 | 336,807 | 95.04% | 4.96% |
| C-073 | Utilities, Inc. Eagle Ridge-S | 443,614 | 220,254 | 663,868 | 66.82% | 33.18% |
| C-074 | Southland Utilities, Inc. | 49,862 | - | 49,862 | 100.00% | 0.00% |
| C-075 | United Utility Companies, Inc. | 373,259 | - | 373,259 | 100.00% | 0.00% |
| C-077 | South Carolina Utilities, Inc. | 86,072 | - | 86,072 | 100.00% | 0.00% |
| C-079 | Tega Cay Water Service, Inc. | 915,770 | 20,987 | 936,757 | 97.76% | 2.24% |
| C-080 | Carolina Wtr Serv. Inc. of NC | 9,644,693 | 719,695 | 10,364,388 | 93.06% | 6.94% |
| C-081 | Riverpointe Utility Corp. | 135,808 | 2,277 | 138,085 | 98.35% | 1.65% |

## Utilities, Inc. of Florida
## Subsidiary Revenue Statistics 2001

| Company Number | Company Name | Residential Revenue | Commercial Revenue | Total Revenue | Residential Revenue as Percent of Total | Commercial Revenue as Percent of Total |
|---|---|---|---|---|---|---|
| | | Totals | | | | |
| C-083 | CWS Systems, Inc. - Fairfield | 2,197,666 | 218,110 | 2,415,776 | 90.97% | 9.03% |
| C-085 | Watauga Vista Water Corp. | 35,349 | - | 35,349 | 100.00% | 0.00% |
| C-086 | Carolina Trace Utilities, Inc. | 683,623 | 28,763 | 712,386 | 95.96% | 4.04% |
| C-087 | Transylvania Utilities, Inc. | 506,586 | 11,305 | 517,891 | 97.82% | 2.18% |
| C-088 | Mid-County Services, Inc. | 1,051,132 | - | 1,051,132 | 100.00% | 0.00% |
| C-089 | Lake Utilities, Inc. | 694,825 | 22,892 | 717,717 | 96.81% | 3.19% |
| C-090 | Utilities, Inc. of Florida | 1,856,522 | 153,750 | 2,010,272 | 92.35% | 7.65% |
| C-091 | Miles Grant Water Sewer Co., Inc. | 551,522 | 21,830 | 573,352 | 96.19% | 3.81% |
| C-092 | Tennessee Water Service, Inc. | 210,187 | - | 210,187 | 100.00% | 0.00% |
| C-101 | Sanlando Utilities Corp | 4,387,802 | 420,778 | 4,808,580 | 91.25% | 8.75% |
| C-102 | Lake Groves Utilities, Inc. | 1,227,332 | 21,548 | 1,248,880 | 98.27% | 1.73% |
| C-103 | Utilities Inc of Sandalhaven | 172,118 | 23,054 | 195,172 | 88.19% | 11.81% |
| C-104 | Bayside Utility Services Inc. | 142,777 | 7,036 | 149,813 | 95.30% | 4.70% |
| C-105 | South Gate Utilities, Inc. | 1,528,653 | 201,619 | 1,730,272 | 88.35% | 11.65% |
| C-109 | Sandy Creek | - | - | - | #DIV/0! | #DIV/0! |
| C-120 | North Topsail Utilities, Inc. | 773,322 | 98,692 | 872,014 | 88.68% | 11.32% |
| C-121 | Carolina Pines Util Inc. | 46,714 | 1,604 | 48,318 | 96.68% | 3.32% |
| C-122 | Bradfield Farms Water Company | 452,535 | - | 452,535 | 100.00% | 0.00% |
| C-123 | Nero Utility Services, Inc. | 45,714 | - | 45,714 | 100.00% | 0.00% |
| C-133 | Sky Ranch Water Services | 187,085 | 4,969 | 192,054 | 97.41% | 2.59% |
| C-135 | Bermuda Water Company Inc. | 1,567,827 | 242,056 | 1,809,883 | 86.63% | 13.37% |
| C-093 | Bio Tech, Inc.+ Contract Operations | N/A | N/A | N/A | N/A | N/A |
| Total | | $ 57,449,973 | $ 4,736,034 | $ 62,186,007 | 92% | 8% |

(1) Information obtained from 2001 Annual Report.

**Utilities, Inc. of Florida**
**Subsidiary Statistics 2001**

| Company Number | Company Name | Water Plant in Service | Water Accum. Depr. | Water Net Plant | Sewer Plant in Service | Sewer Accum. Depr. | Sewer Net Plant | Total Net Plant | Percent of Total |
|---|---|---|---|---|---|---|---|---|---|
| C-005 | Apple Canyon Utility Co. | $ 1,877,075 | $ 447,084 | $ 1,429,991 | | | | $ 1,429,991 | 0.41% |
| C-006 | Camelot Utilities Co. | 588,419 | 54,648 | 533,771 | $ 607,963 | $ 151,051 | $ 456,912 | 990,683 | 0.28% |
| C-007 | Charmar Water Co. | 81,283 | 9,142 | 72,141 | | | | 72,141 | 0.02% |
| C-008 | Cherry Hill Water Co. | 187,715 | 7,719 | 179,996 | | | | 179,996 | 0.05% |
| C-009 | Clarendon Water Co. | 436,866 | 36,946 | 399,920 | | | | 399,920 | 0.11% |
| C-011 | County Line Water Co. | 101,400 | 23,013 | 78,387 | | | | 78,387 | 0.02% |
| C-012 | Del Mar Water Co. | 60,651 | 13,870 | 46,781 | | | | 46,781 | 0.01% |
| C-013 | Ferson Creek Water Co. | 1,010,843 | 264,496 | 746,347 | 1,494,811 | 436,524 | 1,058,287 | 1,804,634 | 0.51% |
| C-014 | Galena Territory Utilities | 4,894,016 | 1,183,899 | 3,710,117 | 2,071,075 | 403,740 | 1,667,335 | 5,377,452 | 1.53% |
| C-015 | Killarney Water Co. | 242,047 | 75,587 | 166,460 | | | | 166,460 | 0.05% |
| C-016 | Lake Holiday Utilities Corp. | 1,918,174 | 524,297 | 1,393,877 | | | | 1,393,877 | 0.40% |
| C-017 | Lake Wildwood Utilities Corp. | 864,643 | 247,198 | 617,445 | | | | 617,445 | 0.18% |
| C-018 | Northern Hills Water & Sewer Co. | 379,553 | 108,654 | 270,899 | 446,689 | 159,779 | 286,910 | 557,809 | 0.16% |
| C-020 | Lake Marian Water Corporation | 537,736 | 164,727 | 373,009 | | | | 373,009 | 0.11% |
| C-022 | Valentine Water Service, Inc. | 104,629 | 10,346 | 94,283 | | | | 94,283 | 0.03% |
| C-023 | Walk Up Woods Water Co. | 178,267 | 45,654 | 132,613 | | | | 132,613 | 0.04% |
| C-024 | Whispering Hills Water Co. | 3,271,045 | 847,082 | 2,423,964 | | | | 2,423,964 | 0.69% |
| C-026 | Medina Utilities Corp. | | | 0 | 906,882 | 277,131 | 629,751 | 629,751 | 0.18% |
| C-028 | Cedar Bluff Utilities, Inc. | | | 0 | 430,770 | 119,646 | 311,124 | 311,124 | 0.09% |
| C-029 | Harbor Ridge Utilities, Inc. | 722,887 | 90,065 | 632,822 | 316,934 | 115,283 | 201,651 | 834,473 | 0.24% |
| C-030 | Great Northern Utilities, Inc. | 522,115 | 212,042 | 310,073 | | | | 310,073 | 0.09% |
| C-034 | Utilities, Inc. of Nevada | 1,515,136 | 212,410 | 1,302,726 | | | | 1,302,726 | 0.37% |
| C-035 | Spring Creek Utilities Co. | 4,885,970 | 354,952 | 4,531,018 | 359,944 | 57,996 | 301,948 | 4,832,966 | 1.37% |
| C-036 | Louisiana Water Service, Inc. | 5,327,174 | 490,570 | 4,836,604 | 6,829,436 | 730,236 | 6,099,200 | 10,935,804 | 3.11% |
| C-038 | Utilities, Inc. of Louisiana | 7,710,050 | 1,472,545 | 6,237,505 | 11,395,147 | 2,210,147 | 9,185,000 | 15,422,505 | 4.39% |
| C-040 | Utilities, Inc. of Maryland | 2,547,660 | 293,698 | 2,253,962 | 3,218,031 | 443,931 | 2,774,100 | 5,028,062 | 1.43% |
| C-041 | Colchester Public Service Co. | | | 0 | 939,341 | 143,478 | 795,863 | 795,863 | 0.23% |
| C-042 | Green Ridge Utilities, Inc. | 1,337,625 | 328,347 | 1,009,278 | | | | 1,009,278 | 0.29% |
| C-043 | Province Utilities, Inc. | 2,065,369 | 750,015 | 1,315,354 | | | | 1,315,354 | 0.37% |
| C-044 | Maryland Water Services, Inc. | 2,164,393 | 625,029 | 1,539,364 | 1,943,570 | 615,848 | 1,327,722 | 2,867,086 | 0.82% |
| C-047 | Massanutten Public Service Corp. | 5,137,996 | 312,126 | 4,825,870 | 6,170,398 | 490,956 | 5,679,442 | 10,505,312 | 2.99% |
| C-050 | Holiday Service Corp | 1,133,814 | 129,111 | 1,004,703 | | | | 1,004,703 | 0.29% |
| C-052 | UI of Pennsylvania | | | 0 | 4,192,755 | 1,153,976 | 3,038,779 | 3,038,779 | 0.86% |
| C-053 | Penn Estates Utilities, Inc. | 3,068,457 | 671,346 | 2,397,111 | 4,877,490 | 993,201 | 3,884,289 | 6,281,400 | 1.79% |

**Utilities, Inc. of Florida**
**Subsidiary Statistics 2001**

| Company Number | Company Name | Water Plant in Service | Water Accum. Depr. | Water Net Plant | Sewer Plant in Service | Sewer Accum. Depr. | Sewer Net Plant | Total Net Plant | Percent of Total |
|---|---|---|---|---|---|---|---|---|---|
| C-055 | Utilities Inc. of Georgia | 5,831,801 | 689,571 | 5,142,230 | 12,791,687 | 1,082,134 | 11,709,553 | 16,851,784 | 4.79% |
| C-056 | Elk River Utilities, Inc. | 1,712,337 | 330,402 | 1,381,935 | 328,619 | 124,619 | 204,000 | 1,585,935 | 0.45% |
| C-057 | Montague Water Company | 1,983,108 | 590,901 | 1,392,207 | | | 0 | 1,392,207 | 0.40% |
| C-060 | Twin Lakes Utilities, Inc. | 3,873,878 | 841,826 | 3,032,052 | 8,594,881 | 1,757,528 | 6,837,353 | 9,869,405 | 2.81% |
| C-061 | Tierre Verde Utilities | | | 0 | 2,982,558 | 1,666,829 | 1,315,729 | 1,315,729 | 0.37% |
| C-062 | Lake Placid Utilities, Inc. | 273,963 | 69,287 | 204,676 | 433,041 | 260,901 | 172,140 | 376,816 | 0.11% |
| C-064 | Eastlake Water Service, Inc. | 1,366,222 | 717,824 | 648,398 | 2,039,858 | 1,076,206 | 963,652 | 1,612,050 | 0.46% |
| C-065 | Charleston Utilities, Inc. | 925,106 | 147,904 | 777,202 | | | 0 | 777,202 | 0.22% |
| C-066 | Pebble Creek Utilities, Inc. | 1,511,518 | 367,530 | 1,143,988 | 4,341,311 | 1,177,621 | 3,163,690 | 4,307,678 | 1.23% |
| C-067 | Alafaya Utilities, Inc. | | | 0 | 14,129,303 | 4,157,367 | 9,971,936 | 9,971,936 | 2.84% |
| C-068 | Utilities, Inc. of Longwood | | | 0 | 3,411,156 | 1,246,319 | 2,164,837 | 2,164,837 | 0.62% |
| C-069 | Wedgefield Utilities, Inc. | 2,908,609 | 1,100,437 | 1,808,172 | 6,310,447 | 2,498,007 | 3,812,440 | 5,620,612 | 1.60% |
| C-070 | Carolina Water Service, Inc. | 10,824,167 | 1,549,014 | 9,275,153 | 22,088,507 | 2,266,618 | 19,821,889 | 29,097,043 | 8.28% |
| C-072 | Cypress Lakes Util Inc-W&S | 1,285,608 | 292,687 | 992,921 | 2,522,051 | 529,737 | 1,992,314 | 2,985,235 | 0.85% |
| C-073 | Utilities, Inc. Eagle Ridge-S | | | 0 | 5,373,477 | 2,021,131 | 3,352,346 | 3,352,346 | 0.95% |
| C-074 | Southland Utilities, Inc. | 292,057 | 16,883 | 275,174 | | | | 275,174 | 0.08% |
| C-075 | United Utility Companies, Inc. | 447,984 | 34,755 | 413,230 | 2,736,999 | 211,932 | 2,525,067 | 2,938,296 | 0.84% |
| C-077 | South Carolina Utilities, Inc. | | | | 533,398 | 136,237 | 397,161 | 397,161 | 0.11% |
| C-079 | Tega Cay Water Service, Inc. | 2,808,503 | 507,119 | 2,301,384 | 8,689,406 | 1,550,143 | 7,139,263 | 9,440,648 | 2.69% |
| C-080 | Carolina Wtr Serv. Inc. of NC | 41,569,735 | 5,688,267 | 35,881,468 | 25,069,629 | 4,334,937 | 20,734,692 | 56,616,159 | 16.10% |
| C-081 | Riverpointe Utility Corp. | 542,976 | 79,498 | 463,478 | 744,505 | 113,261 | 631,244 | 1,094,722 | 0.31% |
| C-083 | CWS Systems, Inc. - Fairfield | 9,623,321 | 1,677,454 | 7,945,867 | 8,067,855 | 1,344,648 | 6,723,207 | 14,669,074 | 4.17% |
| C-085 | Watauga Vista Water Corp. | 230,774 | 36,626 | 194,149 | | | | 194,149 | 0.06% |
| C-086 | Carolina Trace Utilities, Inc. | 1,843,604 | 172,507 | 1,671,098 | 3,770,573 | 527,345 | 3,243,227 | 4,914,325 | 1.40% |
| C-087 | Transylvania Utilities, Inc. | 3,304,188 | 733,080 | 2,571,108 | 4,766,525 | 1,319,146 | 3,447,379 | 6,018,487 | 1.71% |
| C-088 | Mid-County Services, Inc. | | | | 5,124,179 | 1,394,341 | 3,729,838 | 3,729,838 | 1.06% |
| C-089 | Lake Utilities, Inc. | 6,897,111 | 579,940 | 6,317,171 | | | | 6,317,171 | 1.80% |
| C-090 | Utilities, Inc. of Florida | 6,472,485 | 1,990,188 | 4,482,297 | 3,862,870 | 1,123,009 | 2,739,861 | 7,222,159 | 2.05% |
| C-091 | Miles Grant Water Sewer Co., Inc. | 1,212,425 | 381,910 | 830,515 | 2,034,538 | 412,813 | 1,621,725 | 2,452,240 | 0.70% |
| C-092 | Tennessee Water Service, Inc. | 1,486,400 | 139,359 | 1,347,041 | | | | 1,347,041 | 0.38% |
| C-101 | Sanlando Utilities Corp | 13,228,005 | 6,605,167 | 6,622,838 | 14,398,515 | 8,481,835 | 5,916,679 | 12,539,517 | 3.57% |
| C-102 | Lake Groves Utilities, Inc. | 4,016,266 | 421,642 | 3,594,624 | 6,024,898 | 496,142 | 5,528,757 | 9,123,381 | 2.60% |
| C-103 | Utilities Inc of Sandalhaven | | | | 1,938,531 | 573,549 | 1,364,982 | 1,364,982 | 0.39% |
| C-104 | Bayside Utility Services Inc. | 218,829 | 109,267 | 109,562 | 377,401 | 151,568 | 225,832 | 335,395 | 0.10% |

**Utilities, Inc. of Florida**
**Subsidiary Statistics 2001**

| Company Number | Company Name | Water Plant in Service | Water Accum. Depr. | Water Net Plant | Sewer Plant in Service | Sewer Accum. Depr. | Sewer Net Plant | Total Net Plant | Percent of Total |
|---|---|---|---|---|---|---|---|---|---|
| C-105 | South Gate Utilities, Inc. | 2,274,834 | 1,215,383 | 1,059,451 | | | | 1,059,451 | 0.30% |
| C-109 | Sandy Creek | 60,886 | (5,774) | 66,660 | 61,270 | (7,191) | 68,461 | 135,121 | 0.04% |
| C-120 | North Topsail Utilities, Inc. | | | | 8,106,966 | 1,078,537 | 7,028,429 | 7,028,429 | 2.00% |
| C-121 | Carolina Pines Util Inc. | 2,549 | | 2,549 | 391,892 | 285,965 | 105,926 | 108,476 | 0.03% |
| C-122 | Bradfield Farms Water Company | 1,698,587 | 291,932 | 1,406,655 | 1,794,020 | 294,425 | 1,499,595 | 2,906,250 | 0.83% |
| C-123 | Nero Utility Services, Inc. | 219,078 | 4,109 | 214,969 | 304,230 | 22,939 | 281,292 | 496,261 | 0.14% |
| C-133 | Sky Ranch Water Services | 2,211,422 | 208,290 | 2,003,132 | | | | 2,003,132 | 0.57% |
| C-135 | Bermuda Water Company Inc. | 8,363,037 | 2,885,643 | 5,477,394 | | | | 5,477,394 | 1.56% |
| | Contract Companies | | | | | | | | 0.00% |
| | New Companies | 9,701,888 | 1,999,577 | 7,702,311 | 11,431,839 | 2,584,218 | 8,847,621 | 16,549,933 | 4.71% |
| C-093 | Bio Tech, Inc. | | | | 1,067,275 | 98,544 | 968,731 | 968,731 | 0.28% |
| Total | | $ 206,096,271 | $ 42,476,821 | $ 163,619,451 | $ 242,845,447 | $ 54,896,285 | $ 187,949,162 | $ 351,568,613 | 100% |

**Utilities, Inc. of Florida**
**Subsidiary Statistics 2001**

| Company Number | Company Name | Water Revenue | Sewer Revenue | Total Revenue | Percent of Total | Customer Equivalent | Percent of Total | Weighted Factor |
|---|---|---|---|---|---|---|---|---|
| C-005 | Apple Canyon Utility Co. | $ 243,804 | | $ 243,804 | 0.37% | 1,188 | 0.61% | 0.46% |
| C-006 | Camelot Utilities Co. | 84,067 | $ 98,491 | 182,558 | 0.28% | 306 | 0.16% | 0.24% |
| C-007 | Charmar Water Co. | 21,057 | | 21,057 | 0.03% | 53 | 0.03% | 0.03% |
| C-008 | Cherry Hill Water Co. | 88,289 | | 88,289 | 0.13% | 235 | 0.12% | 0.10% |
| C-009 | Clarendon Water Co. | 135,061 | | 135,061 | 0.20% | 479 | 0.25% | 0.19% |
| C-011 | County Line Water Co. | 33,464 | | 33,464 | 0.05% | 120 | 0.06% | 0.04% |
| C-012 | Del Mar Water Co. | 21,650 | | 21,650 | 0.03% | 42 | 0.02% | 0.02% |
| C-013 | Ferson Creek Water Co. | 118,309 | 132,287 | 250,596 | 0.38% | 566 | 0.29% | 0.39% |
| C-014 | Galena Territory Utilities | 491,303 | 197,125 | 688,428 | 1.04% | 2,262 | 1.16% | 1.24% |
| C-015 | Killarney Water Co. | 79,015 | | 79,015 | 0.12% | 350 | 0.18% | 0.12% |
| C-016 | Lake Holiday Utilities Corp. | 483,583 | | 483,583 | 0.73% | 1,820 | 0.93% | 0.69% |
| C-017 | Lake Wildwood Utilities Corp. | 186,102 | | 186,102 | 0.28% | 743 | 0.38% | 0.28% |
| C-018 | Northern Hills Water & Sewer Co. | 41,848 | 47,156 | 89,004 | 0.13% | 265 | 0.14% | 0.14% |
| C-020 | Lake Marian Water Corporation | 121,643 | | 121,643 | 0.18% | 278 | 0.14% | 0.14% |
| C-022 | Valentine Water Service, Inc. | 32,363 | | 32,363 | 0.05% | 71 | 0.04% | 0.04% |
| C-023 | Walk Up Woods Water Co. | 63,797 | | 63,797 | 0.10% | 220 | 0.11% | 0.08% |
| C-024 | Whispering Hills Water Co. | 607,328 | | 607,328 | 0.92% | 2,185 | 1.12% | 0.91% |
| C-026 | Medina Utilities Corp. | | 227,551 | 227,551 | 0.34% | 505 | 0.26% | 0.26% |
| C-028 | Cedar Bluff Utilities, Inc. | | 45,776 | 45,776 | 0.07% | 132 | 0.07% | 0.08% |
| C-029 | Harbor Ridge Utilities, Inc. | 79,403 | 27,387 | 106,790 | 0.16% | 428 | 0.22% | 0.21% |
| C-030 | Great Northern Utilities, Inc. | 108,600 | | 108,600 | 0.16% | 360 | 0.18% | 0.15% |
| C-034 | Utilities, Inc. of Nevada | 473,472 | | 473,472 | 0.72% | 1,783 | 0.91% | 0.67% |
| C-035 | Spring Creek Utilities Co. | 1,150,135 | 4,300 | 1,154,435 | 1.75% | 3,664 | 1.88% | 1.67% |
| C-036 | Louisiana Water Service, Inc. | 953,969 | 906,688 | 1,860,657 | 2.81% | 6,816 | 3.50% | 3.14% |
| C-038 | Utilities, Inc. of Louisiana | 715,511 | 1,128,859 | 1,844,370 | 2.79% | 5,434 | 2.79% | 3.32% |
| C-040 | Utilities, Inc. of Maryland | 430,464 | 475,971 | 906,435 | 1.37% | 1,765 | 0.91% | 1.24% |
| C-041 | Colchester Public Service Co. | | 160,253 | 160,253 | 0.24% | 169 | 0.09% | 0.19% |
| C-042 | Green Ridge Utilities, Inc. | 261,855 | | 261,855 | 0.40% | 921 | 0.47% | 0.39% |
| C-043 | Province Utilities, Inc. | 320,640 | | 320,640 | 0.48% | 1,478 | 0.76% | 0.54% |
| C-044 | Maryland Water Services, Inc. | 219,713 | 246,148 | 465,861 | 0.70% | 1,629 | 0.84% | 0.79% |
| C-047 | Massanutten Public Service Corp. | 459,620 | 565,879 | 1,025,499 | 1.55% | 3,063 | 1.57% | 2.04% |
| C-050 | Holiday Service Corp | 224,775 | | 224,775 | 0.34% | 587 | 0.30% | 0.31% |
| C-052 | UI of Pennsylvania | | 515,873 | 515,873 | 0.78% | 1,183 | 0.61% | 0.75% |
| C-053 | Penn Estates Utilities, Inc. | 304,552 | 551,833 | 856,385 | 1.29% | 2,334 | 1.20% | 1.43% |

**Utilities, Inc. of Florida**
**Subsidiary Statistics 2001**

| Company Number | Company Name | Water Revenue | Sewer Revenue | Total Revenue | Percent of Total | Customer Equivalent | Percent of Total | Weighted Factor |
|---|---|---|---|---|---|---|---|---|
| C-055 | Utilities Inc. of Georgia | 1,339,523 | 1,291,083 | 2,630,606 | 3.98% | 6,573 | 3.37% | 4.05% |
| C-056 | Elk River Utilities, Inc. | 106,137 | 49,187 | 155,324 | 0.23% | 349 | 0.18% | 0.29% |
| C-057 | Montague Water Company | 270,475 | | 270,475 | 0.41% | 896 | 0.46% | 0.42% |
| C-060 | Twin Lakes Utilities, Inc. | 691,294 | 977,082 | 1,668,376 | 2.52% | 4,351 | 2.23% | 2.52% |
| C-061 | Tierre Verde Utilities | | 491,240 | 491,240 | 0.74% | 1,145 | 0.59% | 0.57% |
| C-062 | Lake Placid Utilities, Inc. | 42,818 | 67,539 | 110,357 | 0.17% | 326 | 0.17% | 0.15% |
| C-064 | Eastlake Water Service, Inc. | 120,384 | 140,167 | 260,551 | 0.39% | 1,371 | 0.70% | 0.52% |
| C-065 | Charleston Utilities, Inc. | 299,385 | | 299,385 | 0.45% | 1,744 | 0.89% | 0.52% |
| C-066 | Pebble Creek Utilities, Inc. | 656,723 | 599,890 | 1,256,613 | 1.90% | 2,109 | 1.08% | 1.40% |
| C-067 | Alafaya Utilities, Inc. | | 1,776,695 | 1,776,695 | 2.69% | 5,733 | 2.94% | 2.82% |
| C-068 | Utilities, Inc. of Longwood | | 678,499 | 678,499 | 1.03% | 1,825 | 0.94% | 0.86% |
| C-069 | Wedgefield Utilities, Inc. | 389,328 | 426,622 | 815,950 | 1.23% | 1,416 | 0.73% | 1.19% |
| C-070 | Carolina Water Service, Inc. | 1,607,207 | 3,434,884 | 5,042,091 | 7.62% | 14,040 | 7.20% | 7.70% |
| C-072 | Cypress Lakes Util Inc-W&S | 107,375 | 229,432 | 336,807 | 0.51% | 1,634 | 0.84% | 0.73% |
| C-073 | Utilities, Inc. Eagle Ridge-S | | 663,868 | 663,868 | 1.00% | 2,682 | 1.38% | 1.11% |
| C-074 | Southland Utilities, Inc. | 49,862 | | 49,862 | 0.08% | 181 | 0.09% | 0.08% |
| C-075 | United Utility Companies, Inc. | 31,563 | 341,696 | 373,259 | 0.56% | 1,332 | 0.68% | 0.69% |
| C-077 | South Carolina Utilities, Inc. | | 86,072 | 86,072 | 0.13% | 311 | 0.16% | 0.13% |
| C-079 | Tega Cay Water Service, Inc. | 355,383 | 581,373 | 936,757 | 1.42% | 2,535 | 1.30% | 1.80% |
| C-080 | Carolina Wtr Serv. Inc. of NC | 6,002,039 | 4,362,349 | 10,364,388 | 15.67% | 27,228 | 13.96% | 15.24% |
| C-081 | Riverpointe Utility Corp. | 77,073 | 61,012 | 138,085 | 0.21% | 260 | 0.13% | 0.22% |
| C-083 | CWS Systems, Inc. - Fairfield | 1,497,101 | 918,674 | 2,415,775 | 3.65% | 7,694 | 3.95% | 3.92% |
| C-085 | Watauga Vista Water Corp. | 35,349 | | 35,349 | 0.05% | 136 | 0.07% | 0.06% |
| C-086 | Carolina Trace Utilities, Inc. | 343,556 | 368,829 | 712,386 | 1.08% | 1,687 | 0.87% | 1.11% |
| C-087 | Transylvania Utilities, Inc. | 249,519 | 259,179 | 508,698 | 0.77% | 2,031 | 1.04% | 1.17% |
| C-088 | Mid-County Services, Inc. | | 1,051,132 | 1,051,132 | 1.59% | 3,160 | 1.62% | 1.42% |
| C-089 | Lake Utilities, Inc. | 717,717 | | 717,717 | 1.09% | 2,897 | 1.49% | 1.46% |
| C-090 | Utilities, Inc. of Florida | 1,283,723 | 726,549 | 2,010,272 | 3.04% | 7,781 | 3.99% | 3.03% |
| C-091 | Miles Grant Water Sewer Co., Inc. | 259,342 | 314,010 | 573,352 | 0.87% | 1,875 | 0.96% | 0.84% |
| C-092 | Tennessee Water Service, Inc. | 210,187 | | 210,187 | 0.32% | 505 | 0.26% | 0.32% |
| C-101 | Sanlando Utilities Corp | 1,843,218 | 2,965,362 | 4,808,579 | 7.27% | 18,603 | 9.54% | 6.79% |
| C-102 | Lake Groves Utilities, Inc. | 737,589 | 511,290 | 1,248,880 | 1.89% | 2,730 | 1.40% | 1.96% |
| C-103 | Utilities Inc of Sandalhaven | | 195,172 | 195,172 | 0.30% | 1,007 | 0.52% | 0.40% |
| C-104 | Bayside Utility Services Inc. | 62,086 | 87,728 | 149,813 | 0.23% | 431 | 0.22% | 0.18% |

**Utilities, Inc. of Florida**
**Subsidiary Statistics 2001**

| Company Number | Company Name | Water Revenue | Sewer Revenue | Total Revenue | Percent of Total | Customer Equivalent | Percent of Total | Weighted Factor |
|---|---|---|---|---|---|---|---|---|
| C-105 | South Gate Utilities, Inc. | 1,730,272 | | 1,730,272 | 2.62% | 2,913 | 1.49% | 1.47% |
| C-109 | Sandy Creek | 28,982 | 38,741 | 67,723 | 0.10% | 284 | 0.15% | 0.10% |
| C-120 | North Topsail Utilities, Inc. | | 872,014 | 872,014 | 1.32% | 2,337 | 1.20% | 1.51% |
| C-121 | Carolina Pines Util Inc. | | 48,318 | 48,318 | 0.07% | 143 | 0.07% | 0.06% |
| C-122 | Bradfield Farms Water Company | 184,268 | 268,267 | 452,536 | 0.68% | 1,552 | 0.80% | 0.77% |
| C-123 | Nero Utility Services, Inc. | 20,594 | 25,120 | 45,715 | 0.07% | 189 | 0.10% | 0.10% |
| C-133 | Sky Ranch Water Services | 192,053 | | 192,053 | 0.29% | 582 | 0.30% | 0.39% |
| C-135 | Bermuda Water Company Inc. | 1,809,882 | | 1,809,882 | 2.74% | 4,983 | 2.56% | 2.28% |
| | Contract Companies | | | | 0.00% | 359 | 0.18% | 0.06% |
| | New Companies | 1,576,227 | 1,537,576 | 3,113,802 | 4.71% | 9,634 | 4.94% | 4.78% |
| C-093 | Bio Tech, Inc. | | 884,342 | 884,342 | 1.34% | 32 | 0.02% | 0.54% |
| Total | | $33,483,628 | $ 32,662,569 | $ 66,146,197 | 100% | 195,020 | 100% | 100% |

## Utilities, Inc. of Florida
## Allocation Factors Between UIF Counties and Systems

| County | | Customers Water | Customers Sewer | Customer Equivalent (1) | Water Net Plant | Sewer Net Plant | Total Net Plant | Water Revenue | Sewer Revenue | Total Revenue |
|---|---|---|---|---|---|---|---|---|---|---|
| Seminole | Weathersfield | 709 | 705 | 1060 | | | | | | |
| Seminole | Oakland Shores | 225 | | 225 | | | | | | |
| Seminole | Little Wekiva | 61 | | 61 | | | | | | |
| Seminole | Park Ridge | 101 | | 101 | | | | | | |
| Seminole | Phillips Section | 74 | | 74 | | | | | | |
| Seminole | Crystal Lake | 171 | | 168 | | | | | | |
| Seminole | Ravenna Park/Lincoln Hts. | 348 | 242 | 469 | | | | | | |
| Seminole | Bear Lake Manor | 221 | | 221 | | | | | | |
| Seminole | Jansen | 249 | | 248 | | | | | | |
| Seminole | Trailwoods SWR. COLLECTION ONLY | 304 | 298 | 453 | | | | | | |
| Seminole | Oakland Hills SWR. COLLECT. ONLY | 187 | 186 | 280 | | | | | | |
| Seminole | Total | 2650 | 1431 | 3360 | $ 1,258,982 | $ 2,294,890 | $ 3,553,872 | $ 581,220 | $ 382,820 | $ 964,039 |
| | | | | | | | | | | |
| Marion | Crownwood | 89 | 70 | 124 | | | | | | |
| Marion | Golden Hills | 381 | | 374 | | | | | | |
| Marion | Total | 470 | 70 | 498 | $ 338,775 | $ 96,611 | $ 435,385 | $ 150,437 | $ 58,472 | $ 208,910 |
| | | | | | | | | | | |
| Pasco | Bartelt Wis Bar (est 6/00) | 140 | 170 | 225 | | | | | | |
| Pasco | Bartelt Buena Vista (est 6/00) | 1110 | | 1110 | | | | | | |
| Pasco | Summertree (PPW) COLLECTION ONLY | 892 | 856 | 1262 | | | | | | |
| Pasco | Orangewood | 610 | | 610 | | | | | | |
| Pasco | Total | 2752 | 1026 | 3207 | $ 1,113,605 | $ 705,888 | $ 1,819,493 | $ 414,452 | $ 285,257 | $ 699,709 |
| | | | | | | | | | | |
| Orange | Davis Shores | 44 | | 22 | | | | | | |
| Orange | Crescent Hts. DISTRIBUTION ONLY | 283 | | 142 | | | | | | |
| Orange | Total | 327 | 0 | 164 | $ 82,482 | | $ 82,482 | $ 83,716 | $ - | $ 83,716 |
| | | | | | | | | | | |
| Pinellas | Total | 552 | 0 | 552 | $ 304,924 | | $ 304,924 | $ 53,898 | | $ 53,898 |
| Total | | 6751 | 2527 | 7781 | $ 6,196,155 | $ 6,196,155 | $ 6,196,155 | $ 6,196,155 | $ 6,196,155 | $ 2,010,272 |

(1) Customer Equivalent was used by UIF to allocate expenses between counties.

**Utilities, Inc. of Florida**
**Allocation Factors Between UIF Counties and Systems**

| County | | Customers Water | Customers Sewer | Customer Equivalent (1) | Percent Customer Equivalent | Percent Total Net Plant | Percent Total Revenue | Percent Weighted Factor |
|---|---|---|---|---|---|---|---|---|
| Seminole | Weathersfield | 709 | 705 | 1060 | 13.62% | | | |
| Seminole | Oakland Shores | 225 | | 225 | 2.89% | | | |
| Seminole | Little Wekiva | 61 | | 61 | 0.78% | | | |
| Seminole | Park Ridge | 101 | | 101 | 1.30% | | | |
| Seminole | Phillips Section | 74 | | 74 | 0.95% | | | |
| Seminole | Crystal Lake | 171 | | 168 | 2.16% | | | |
| Seminole | Ravenna Park/Lincoln Hts. | 348 | 242 | 469 | 6.03% | | | |
| Seminole | Bear Lake Manor | 221 | | 221 | 2.84% | | | |
| Seminole | Jansen | 249 | | 248 | 3.19% | | | |
| Seminole | Trailwoods SWR. COLLECTION ONLY | 304 | 298 | 453 | 5.82% | | | |
| Seminole | Oakland Hills SWR. COLLECT. ONLY | 187 | 186 | 280 | 3.60% | | | |
| Seminole | Total | 2650 | 1431 | 3360 | 43.18% | 57.36% | 47.96% | 49.50% |
| | | | | | | | | |
| Marion | Crownwood | 89 | 70 | 124 | | | | |
| Marion | Golden Hills | 381 | | 374 | | | | |
| Marion | Total | 470 | 70 | 498 | 6.40% | 7.03% | 10.39% | 7.94% |
| | | | | | | | | |
| Pasco | Bartelt Wis Bar (est 6/00) | 140 | 170 | 225 | 2.89% | | | |
| Pasco | Bartelt Buena Vista (est 6/00) | 1110 | | 1110 | 14.27% | | | |
| Pasco | Summertree (PPW) COLLECTION ONLY | 892 | 856 | 1262 | 16.22% | | | |
| Pasco | Orangewood | 610 | | 610 | 7.84% | | | |
| Pasco | Total | 2752 | 1026 | 3207 | 41.22% | 29.36% | 34.81% | 35.13% |
| | | | | | | | | |
| Orange | Davis Shores | 44 | | 22 | 0.28% | | | |
| Orange | Crescent Hts. DISTRIBUTION ONLY | 283 | | 142 | 1.82% | | | |
| Orange | Total | 327 | 0 | 164 | 2.11% | 1.33% | 4.16% | 2.53% |
| | | | | | | | | |
| Pinellas | Total | 552 | 0 | 552 | 7.09% | 4.92% | 2.68% | 4.90% |
| Total | | 6751 | 2527 | 7781 | 100.00% | 100.00% | 100.00% | 100.00% |

(1) Customer Equivalent was used by UIF to allocate expenses between counties.

**Utilities, Inc. of Florida**
**Affiliate Expense Allocations and Adjustments**

| | | | | | OPC Primary Recommendation | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Seminole | | Marion | | Pasco | | Orange | Pinellas |
| | | Amounts Allocated | | | 49.50% | | 7.94% | | 35.13% | | 2.53% | 4.90% |
| G/L | | | Other | | 2650 | 1431 | 470 | 70 | 2752 | 1026 | 327 | 552 |
| Acct. | | | Companies/ | | 64.94% | 35.06% | 87.04% | 12.96% | 72.84% | 27.16% | 100.00% | 100.00% |
| No. | Description | UIF | Systems | Total | Water | Sewer | Water | Sewer | Water | Sewer | Water | Water |
| Water Service Corp. Allocated Expenses: | | | | | | | | | | | | |
| 508 | Salaries - Office | $ 24,585 | $ 914,001 | $ 938,586 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 524 | Outside Services | $ 15,166 | $ 457,401 | $ 472,567 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 531 | Pension & Benefits | $ 9,744 | $ 348,219 | $ 357,963 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 534 | Insurance | $ 35,738 | $ 913,731 | $ 949,469 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 553 | Office Supplies | $ 2,702 | $ 96,333 | $ 99,035 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 555 | Office Utilities | $ 1,341 | $ 46,509 | $ 47,850 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 557 | Office Maintenance | $ 3,309 | $ 114,802 | $ 118,111 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 559 | Miscellaneous | $ 5,731 | $ 184,801 | $ 190,532 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 604 | Operators Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Sub-Total O & M Expenses | $ 98,316 | $ 3,075,797 | $ 3,174,113 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 710 | Depreciation | $ 5,502 | $ 190,851 | $ 196,353 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 721 | Taxes Other Than Income | $ 8,759 | $ 303,827 | $ 312,586 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 748 | Other Income | $ (458) | $ (15,890) | $ (16,348) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 771 | Interest Expense | $ 11,091 | $ 372,393 | $ 383,484 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | | | | | $ - |
| | Total Expenses | $ 123,209 | $ 3,926,979 | $ 4,050,188 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Utilities, Inc. of Florida Allocated Expenses | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 553 | Office Supplies | $ (46,486) | $ 3,947 | $ 50,433 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 555 | Office Utilities | $ (11,724) | $ 1,753 | $ 13,477 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 559 | Miscellaneous | $ (41,516) | $ 6,203 | $ 47,719 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 650 | Transportation Expenses | $ (53,549) | $ 44,599 | $ 98,148 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 604 | Operators Expense | $ (4,891) | $ 730 | $ 5,621 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Sub-Total O & M Expenses | $ (158,166) | $ 57,233 | $ 215,399 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | | | | | $ - |
| 721 | Taxes Other Than Income | $ (4,092) | $ 610 | $ 4,702 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 710 | Depreciation | $ (90,099) | $ 51,174 | $ 141,273 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Total Expenses | $ (252,357) | $ 109,016 | $ 361,373 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

**Utilities, Inc. of Florida**
**Affiliate Expense Allocations and Adjustments**

| | | | | | OPC Alternative Recommendation | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Seminole | | Marion | | Pasco | | Orange | Pinellas |
| | | Amounts Allocated | | | 49.50% | | 7.94% | | 35.13% | | 2.53% | 4.90% |
| G/L Acct. No. | Description | UIF | Other Companies/ Systems | Total | 2650 64.94% Water | 1431 35.06% Sewer | 470 87.04% Water | 70 12.96% Sewer | 2741 76.20% Water | 856 23.80% Sewer | 327 100.00% Water | 552 100.00% Water |
| | Water Service Corp. Allocated Expenses: | | | | | | | | | | | |
| 508 | Salaries - Office | $ 24,585 | $ 914,001 | $ 938,586 | $ 7,902 | $ 4,267 | $ 1,699 | $ 253 | $ 6,581 | $ 2,055 | $ 623 | $ 1,204 |
| 524 | Outside Services | $ 15,166 | $ 457,401 | $ 472,567 | $ 4,875 | $ 2,632 | $ 1,048 | 156 | $ 4,060 | $ 1,268 | $ 384 | $ 743 |
| 531 | Pension & Benefits | $ 9,744 | $ 348,219 | $ 357,963 | $ 3,132 | $ 1,691 | $ 673 | 100 | $ 2,608 | $ 815 | $ 247 | $ 477 |
| 534 | Insurance | $ 35,738 | $ 913,731 | $ 949,469 | $ 11,487 | $ 6,203 | $ 2,470 | 368 | $ 9,567 | $ 2,988 | $ 906 | $ 1,751 |
| 553 | Office Supplies | $ 2,702 | $ 96,333 | $ 99,035 | $ 868 | $ 469 | $ 187 | 28 | $ 723 | $ 226 | $ 68 | $ 132 |
| 555 | Office Utilities | $ 1,341 | $ 46,509 | $ 47,850 | $ 431 | $ 233 | $ 93 | 14 | $ 359 | $ 112 | $ 34 | $ 66 |
| 557 | Office Maintenance | $ 3,309 | $ 114,802 | $ 118,111 | $ 1,064 | $ 574 | $ 229 | 34 | $ 886 | $ 277 | $ 84 | $ 162 |
| 559 | Miscellaneous | $ 5,731 | $ 184,801 | $ 190,532 | $ 1,842 | $ 995 | $ 396 | 59 | $ 1,534 | $ 479 | $ 145 | $ 281 |
| 604 | Operators Expense | $ - | $ - | $ - | $ - | $ - | $ - | 0 | $ - | $ - | $ - | $ - |
| | Sub-Total O & M Expenses | $ 98,316 | $ 3,075,797 | $ 3,174,113 | $ 31,600 | $ 17,064 | $ 6,794 | $ 1,012 | $ 26,318 | $ 8,219 | $ 2,492 | $ 4,816 |
| 710 | Depreciation | $ 5,502 | $ 190,851 | $ 196,353 | $ 1,768 | $ 955 | $ 380 | $ 57 | $ 1,473 | $ 460 | $ 139 | $ 270 |
| 721 | Taxes Other Than Income | $ 8,759 | $ 303,827 | $ 312,586 | $ 2,815 | $ 1,520 | $ 605 | 90 | $ 2,345 | $ 732 | $ 222 | $ 429 |
| 748 | Other Income | $ (458) | $ (15,890) | $ (16,348) | $ (147) | $ (80) | $ (32) | (5) | $ (123) | $ (38) | $ (12) | $ (22) |
| 771 | Interest Expense | $ 11,091 | $ 372,393 | $ 383,484 | $ 3,565 | $ 1,925 | $ 766 | 114 | $ 2,969 | $ 927 | $ 281 | $ 543 |
| | Total Expenses | $ 123,209 | $ 3,926,979 | $ 4,050,188 | $ 39,601 | $ 21,385 | $ 8,514 | $ 1,268 | $ 32,982 | $ 10,300 | $ 3,123 | $ 6,036 |
| | Utilities, Inc. of Florida Allocated Expenses | | | | | | | | | | | |
| 553 | Office Supplies | $ (46,486) | $ 3,947 | $ 50,433 | $ (14,941) | $ (8,068) | $ (3,212) | (478) | $ (12,444) | $ (3,886) | $ (1,178) | $ (2,277) |
| 555 | Office Utilities | $ (11,724) | $ 1,753 | $ 13,477 | $ (3,768) | $ (2,035) | $ (810) | (121) | $ (3,138) | $ (980) | $ (297) | $ (574) |
| 559 | Miscellaneous | $ (41,516) | $ 6,203 | $ 47,719 | $ (13,344) | $ (7,206) | $ (2,869) | (427) | $ (11,114) | $ (3,471) | $ (1,052) | $ (2,034) |
| 650 | Transportation Expenses | $ (53,549) | $ 44,599 | $ 98,148 | $ (17,211) | $ (9,294) | $ (3,700) | (551) | $ (14,335) | $ (4,477) | $ (1,357) | $ (2,623) |
| 604 | Operators Expense | $ (4,891) | $ 730 | $ 5,621 | $ (1,572) | $ (849) | $ (338) | (50) | $ (1,309) | $ (409) | $ (124) | $ (240) |
| | Sub-Total O & M Expenses | $ (158,166) | $ 57,233 | $ 215,399 | $ (50,837) | $ (27,452) | $ (10,930) | $ (1,628) | $ (42,340) | $ (13,223) | $ (4,009) | $ (7,748) |
| 721 | Taxes Other Than Income | $ (4,092) | $ 610 | $ 4,702 | $ (1,315) | $ (710) | $ (283) | (42) | $ (1,095) | $ (342) | $ (104) | $ (200) |
| 710 | Depreciation | $ (90,099) | $ 51,174 | $ 141,273 | $ (28,959) | $ (15,638) | $ (6,226) | (927) | $ (24,119) | $ (7,532) | $ (2,283) | $ (4,414) |
| | Total Expenses | $ (252,357) | $ 109,016 | $ 361,373 | $ (81,111) | $ (43,800) | $ (17,439) | $ (2,597) | $ (67,554) | $ (21,097) | $ (6,396) | $ (12,363) |

## Utilities, Inc. of Florida
## Affiliate Expense Allocations and Adjustments

| | | | | | Company Proposal | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Seminole | | Marion | | Pasco | | Orange | Pinellas |
| | | Amounts Allocated | | | 46.86% | | 6.94% | | 36.22% | | 2.29% | 7.70% |
| G/L | | | Other | | 2650 | 1431 | 470 | 70 | 2741 | 856 | 327 | 552 |
| Acct. | | | Companies/ | | 64.94% | 35.06% | 87.04% | 12.96% | 76.20% | 23.80% | 100.00% | 100.00% |
| No. | Description | UIF | Systems | Total | Water | Sewer | Water | Sewer | Water | Sewer | Water | Water |
| | **Water Service Corp. Allocated Expenses:** | | | | | | | | | | | |
| 508 | Salaries - Office | $ 24,585 | $ 914,001 | $ 938,586 | $ 9,526 | $ 5,143 | $ 1,892 | $ 282 | $ 8,640 | $ 2,698 | $ 716 | $ 2,410 |
| 524 | Outside Services | $ 15,166 | $ 457,401 | $ 472,567 | $ 5,864 | $ 3,166 | $ 1,165 | 173 | $ 5,318 | $ 1,661 | $ 441 | $ 1,483 |
| 531 | Pension & Benefits | $ 9,744 | $ 348,219 | $ 357,963 | $ 3,848 | $ 2,078 | $ 764 | 114 | $ 3,490 | $ 1,090 | $ 289 | $ 974 |
| 534 | Insurance | $ 35,738 | $ 913,731 | $ 949,469 | $ 10,996 | $ 5,936 | $ 2,184 | 325 | $ 9,972 | $ 3,115 | $ 826 | $ 2,782 |
| 553 | Office Supplies | $ 2,702 | $ 96,333 | $ 99,035 | $ 1,048 | $ 566 | $ 208 | 31 | $ 950 | $ 297 | $ 79 | $ 265 |
| 555 | Office Utilities | $ 1,341 | $ 46,509 | $ 47,850 | $ 537 | $ 290 | $ 107 | 16 | $ 487 | $ 152 | $ 40 | $ 136 |
| 557 | Office Maintenance | $ 3,309 | $ 114,802 | $ 118,111 | $ 1,324 | $ 715 | $ 263 | 39 | $ 1,201 | $ 375 | $ 100 | $ 335 |
| 559 | Miscellaneous | $ 5,731 | $ 184,801 | $ 190,532 | $ 2,411 | $ 1,302 | $ 479 | 71 | $ 2,187 | $ 683 | $ 181 | $ 610 |
| 604 | Operators Expense | $ - | $ - | $ - | $ - | $ - | $ - | 0 | $ - | $ - | $ - | $ - |
| | Sub-Total O & M Expenses | $ 98,316 | $ 3,075,797 | $3,174,113 | $ 35,554 | $ 19,195 | $ 7,063 | $ 1,052 | $ 32,245 | $ 10,071 | $ 2,672 | $ 8,994 |
| 710 | Depreciation | $ 5,502 | $ 190,851 | $ 196,353 | $ 2,201 | $ 1,189 | $ 437 | $ 65 | $ 1,997 | $ 624 | $ 165 | $ 557 |
| 721 | Taxes Other Than Income | $ 8,759 | $ 303,827 | $ 312,586 | $ 3,505 | $ 1,892 | $ 696 | 104 | $ 3,179 | $ 993 | $ 263 | $ 887 |
| 748 | Other Income | $ (458) | $ (15,890) | $ (16,348) | $ (183) | $ (99) | $ (36) | (5) | $ (166) | $ (52) | $ (14) | $ (46) |
| 771 | Interest Expense | $ 11,091 | $ 372,393 | $ 383,484 | $ 4,318 | $ 2,331 | $ 858 | 128 | $ 3,916 | $ 1,223 | $ 325 | $ 1,092 |
| | Total Expenses | $ 123,209 | $ 3,926,979 | $4,050,188 | $ 45,395 | $ 24,508 | $ 9,018 | $ 1,343 | $ 41,170 | $ 12,859 | $ 3,412 | $ 11,484 |
| | **Utilities, Inc. of Florida Allocated Expenses** | | | | | | | | | | | |
| 553 | Office Supplies | $ (46,486) | $ 3,947 | $ 50,433 | $(14,145) | $ (7,636) | $ (2,810) | (418) | $(12,828) | $ (4,007) | $ (1,063) | $ (3,578) |
| 555 | Office Utilities | $ (11,724) | $ 1,753 | $ 13,477 | $ (3,567) | $ (1,926) | $ (709) | (106) | $ (3,235) | $ (1,011) | $ (268) | $ (902) |
| 559 | Miscellaneous | $ (41,516) | $ 6,203 | $ 47,719 | $(12,632) | $ (6,820) | $ (2,509) | (374) | $(11,457) | $ (3,578) | $ (949) | $ (3,196) |
| 650 | Transportation Expenses | $ (53,549) | $ 44,599 | $ 98,148 | $(16,294) | $ (8,797) | $ (3,237) | (482) | $(14,777) | $ (4,616) | $ (1,225) | $ (4,122) |
| 604 | Operators Expense | $ (4,891) | $ 730 | $ 5,621 | $ (1,488) | $ (803) | $ (296) | (44) | $ (1,350) | $ (422) | $ (112) | $ (376) |
| | Sub-Total O & M Expenses | $ (158,166) | $ 57,233 | $ 215,399 | $(48,127) | $(25,983) | $ (9,561) | $ (1,424) | $(43,648) | $ (13,633) | $ (3,617) | $(12,175) |
| 721 | Taxes Other Than Income | $ (4,092) | $ 610 | $ 4,702 | $ (1,245) | $ (672) | $ (247) | (37) | $ (1,129) | $ (353) | $ (94) | $ (315) |
| 710 | Depreciation | $ (90,099) | $ 51,174 | $ 141,273 | $(27,415) | $(14,801) | $ (5,446) | (811) | $(24,864) | $ (7,766) | $ (2,061) | $ (6,936) |
| | Total Expenses | $ (252,357) | $ 109,016 | $ 361,373 | $(76,787) | $(41,456) | $(15,254) | $ (2,271) | $(69,641) | $ (21,751) | $ (5,771) | $(19,426) |

## Utilities, Inc. of Florida
## Affiliate Expense Allocations and Adjustments

| G/L Acct. No. | Description | Amounts Allocated | | | OPC Primary Recommended Adjustment | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Seminole | | Marion | | Pasco | | Orange | Pinellas |
| | | | | | 49.50% | | 7.94% | | 35.13% | | 2.53% | 4.90% |
| | | | | | 2650 | 1431 | 470 | 70 | 2741 | 856 | 327 | 552 |
| | | | | | 64.94% | 35.06% | 87.04% | 12.96% | 76.20% | 23.80% | 100.00% | 100.00% |
| | | UIF | Other Companies/ Systems | Total | Water | Sewer | Water | Sewer | Water | Sewer | Water | Water |
| | **Water Service Corp. Allocated Expenses:** | | | | | | | | | | | |
| 508 | Salaries - Office | $ 24,585 | $ 914,001 | $ 938,586 | $ (9,526) | $ (5,143) | $ (1,892) | $ (282) | $ (8,640) | $ (2,698) | $ (716) | $ (2,410) |
| 524 | Outside Services | $ 15,166 | $ 457,401 | $ 472,567 | $ (5,864) | $ (3,166) | $ (1,165) | $ (173) | $ (5,318) | $ (1,661) | $ (441) | $ (1,483) |
| 531 | Pension & Benefits | $ 9,744 | $ 348,219 | $ 357,963 | $ (3,848) | $ (2,078) | $ (764) | $ (114) | $ (3,490) | $ (1,090) | $ (289) | $ (974) |
| 534 | Insurance | $ 35,738 | $ 913,731 | $ 949,469 | $(10,996) | $ (5,936) | $ (2,184) | $ (325) | $ (9,972) | $ (3,115) | $ (826) | $ (2,782) |
| 553 | Office Supplies | $ 2,702 | $ 96,333 | $ 99,035 | $ (1,048) | $ (566) | $ (208) | $ (31) | $ (950) | $ (297) | $ (79) | $ (265) |
| 555 | Office Utilities | $ 1,341 | $ 46,509 | $ 47,850 | $ (537) | $ (290) | $ (107) | $ (16) | $ (487) | $ (152) | $ (40) | $ (136) |
| 557 | Office Maintenance | $ 3,309 | $ 114,802 | $ 118,111 | $ (1,324) | $ (715) | $ (263) | $ (39) | $ (1,201) | $ (375) | $ (100) | $ (335) |
| 559 | Miscellaneous | $ 5,731 | $ 184,801 | $ 190,532 | $ (2,411) | $ (1,302) | $ (479) | $ (71) | $ (2,187) | $ (683) | $ (181) | $ (610) |
| 604 | Operators Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Sub-Total O & M Expenses | $ 98,316 | $ 3,075,797 | $3,174,113 | $(35,554) | $(19,195) | $ (7,063) | $ (1,052) | $(32,245) | $(10,071) | $ (2,672) | $ (8,994) |
| | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 710 | Depreciation | $ 5,502 | $ 190,851 | $ 196,353 | $ (2,201) | $ (1,189) | $ (437) | $ (65) | $ (1,997) | $ (624) | $ (165) | $ (557) |
| 721 | Taxes Other Than Income | $ 8,759 | $ 303,827 | $ 312,586 | $ (3,505) | $ (1,892) | $ (696) | $ (104) | $ (3,179) | $ (993) | $ (263) | $ (887) |
| 748 | Other Income | $ (458) | $ (15,890) | $ (16,348) | $ 183 | $ 99 | $ 36 | $ 5 | $ 166 | $ 52 | $ 14 | $ 46 |
| 771 | Interest Expense | $ 11,091 | $ 372,393 | $ 383,484 | $ (4,318) | $ (2,331) | $ (858) | $ (128) | $ (3,916) | $ (1,223) | $ (325) | $ (1,092) |
| | Total Expenses | $ 123,209 | $ 3,926,979 | $4,050,188 | $(45,395) | $(24,508) | $ (9,018) | $ (1,343) | $(41,170) | $(12,859) | $ (3,412) | $(11,484) |
| | **Utilities, Inc. of Florida Allocated Expenses** | | | | | | | | | | | |
| 553 | Office Supplies | $ (46,486) | $ 3,947 | $ 50,433 | $ (797) | $ (432) | $ (402) | $ (60) | $ 384 | $ 121 | $ (115) | $ 1,301 |
| 555 | Office Utilities | $ (11,724) | $ 1,753 | $ 13,477 | $ (201) | $ (109) | $ (102) | $ (15) | $ 97 | $ 30 | $ (29) | $ 328 |
| 559 | Miscellaneous | $ (41,516) | $ 6,203 | $ 47,719 | $ (711) | $ (386) | $ (359) | $ (54) | $ 343 | $ 108 | $ (103) | $ 1,162 |
| 650 | Transportation Expenses | $ (53,549) | $ 44,599 | $ 98,148 | $ (918) | $ (497) | $ (464) | $ (69) | $ 443 | $ 139 | $ (132) | $ 1,499 |
| 604 | Operators Expense | $ (4,891) | $ 730 | $ 5,621 | $ (84) | $ (45) | $ (42) | $ (6) | $ 40 | $ 13 | $ (12) | $ 137 |
| | Sub-Total O & M Expenses | $ (158,166) | $ 57,233 | $ 215,399 | $ (2,710) | $ (1,469) | $ (1,369) | $ (204) | $ 1,308 | $ 410 | $ (391) | $ 4,427 |
| 721 | Taxes Other Than Income | $ (4,092) | $ 610 | $ 4,702 | $ (70) | $ (38) | $ (35) | $ (5) | $ 34 | $ 11 | $ (10) | $ 115 |
| 710 | Depreciation | $ (90,099) | $ 51,174 | $ 141,273 | $ (1,544) | $ (837) | $ (780) | $ (116) | $ 745 | $ 234 | $ (223) | $ 2,522 |
| | Total Expenses | $ (252,357) | $ 109,016 | $ 361,373 | $ (1,628) | $ (882) | $ (822) | $ (123) | $ 785 | $ 246 | $ (235) | $ 2,659 |

**Utilities, Inc. of Florida**
**Affiliate Expense Allocations and Adjustments**

| G/L Acct. No. | Description | Amounts Allocated UIF | Amounts Allocated Other Companies/ Systems | Amounts Allocated Total | OPC Alternative Adjustment Seminole 49.50% 2650 64.94% Water | Seminole 1431 35.06% Sewer | Marion 7.94% 470 87.04% Water | Marion 70 12.96% Sewer | Pasco 35.13% 2741 76.20% Water | Pasco 856 23.80% Sewer | Orange 2.53% 327 100.00% Water | Pinellas 4.90% 552 100.00% Water |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water Service Corp. Allocated Expenses: | | | | | | | | | | | |
| 508 | Salaries - Office | $ 24,585 | $ 914,001 | $ 938,586 | $ (1,624) | $ (876) | $ (193) | $ (29) | $ (2,058) | $ (643) | $ (93) | $ (1,206) |
| 524 | Outside Services | $ 15,166 | $ 457,401 | $ 472,567 | $ (989) | $ (533) | $ (117) | $ (17) | $ (1,258) | $ (393) | $ (56) | $ (740) |
| 531 | Pension & Benefits | $ 9,744 | $ 348,219 | $ 357,963 | $ (716) | $ (386) | $ (91) | $ (14) | $ (882) | $ (275) | $ (42) | $ (496) |
| 534 | Insurance | $ 35,738 | $ 913,731 | $ 949,469 | $ 491 | $ 266 | $ 285 | $ 43 | $ (406) | $ (127) | $ 79 | $ (1,031) |
| 553 | Office Supplies | $ 2,702 | $ 96,333 | $ 99,035 | $ (180) | $ (97) | $ (21) | $ (3) | $ (227) | $ (71) | $ (10) | $ (133) |
| 555 | Office Utilities | $ 1,341 | $ 46,509 | $ 47,850 | $ (106) | $ (57) | $ (14) | $ (2) | $ (128) | $ (40) | $ (6) | $ (70) |
| 557 | Office Maintenance | $ 3,309 | $ 114,802 | $ 118,111 | $ (261) | $ (141) | $ (34) | $ (5) | $ (315) | $ (98) | $ (16) | $ (173) |
| 559 | Miscellaneous | $ 5,731 | $ 184,801 | $ 190,532 | $ (569) | $ (307) | $ (83) | $ (12) | $ (653) | $ (204) | $ (36) | $ (329) |
| 604 | Operators Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Sub-Total O & M Expenses | $ 98,316 | $ 3,075,797 | $ 3,174,113 | $ (3,954) | $ (2,131) | $ (269) | $ (40) | $ (5,927) | $ (1,852) | $ (181) | $ (4,178) |
| | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 710 | Depreciation | $ 5,502 | $ 190,851 | $ 196,353 | $ (433) | $ (234) | $ (57) | $ (8) | $ (524) | $ (164) | $ (26) | $ (287) |
| 721 | Taxes Other Than Income | $ 8,759 | $ 303,827 | $ 312,586 | $ (690) | $ (372) | $ (91) | $ (14) | $ (834) | $ (261) | $ (41) | $ (458) |
| 748 | Other Income | $ (458) | $ (15,890) | $ (16,348) | $ 36 | $ 19 | $ 5 | $ 1 | $ 44 | $ 14 | $ 2 | $ 24 |
| 771 | Interest Expense | $ 11,091 | $ 372,393 | $ 383,484 | $ (753) | $ (406) | $ (91) | $ (14) | $ (947) | $ (296) | $ (43) | $ (549) |
| | Total Expenses | $ 123,209 | $ 3,926,979 | $ 4,050,188 | $ (5,794) | $ (3,123) | $ (504) | $ (75) | $ (8,188) | $ (2,559) | $ (289) | $ (5,448) |
| | Utilities, Inc. of Florida Allocated Expenses | | | | | | | | | | | |
| 553 | Office Supplies | $ (46,486) | $ 3,947 | $ 50,433 | $ (797) | $ (432) | $ (402) | $ (60) | $ 384 | $ 121 | $ (115) | $ 1,301 |
| 555 | Office Utilities | $ (11,724) | $ 1,753 | $ 13,477 | $ (201) | $ (109) | $ (102) | $ (15) | $ 97 | $ 30 | $ (29) | $ 328 |
| 559 | Miscellaneous | $ (41,516) | $ 6,203 | $ 47,719 | $ (711) | $ (386) | $ (359) | $ (54) | $ 343 | $ 108 | $ (103) | $ 1,162 |
| 650 | Transportation Expenses | $ (53,549) | $ 44,599 | $ 98,148 | $ (918) | $ (497) | $ (464) | $ (69) | $ 443 | $ 139 | $ (132) | $ 1,499 |
| 604 | Operators Expense | $ (4,891) | $ 730 | $ 5,621 | $ (84) | $ (45) | $ (42) | $ (6) | $ 40 | $ 13 | $ (12) | $ 137 |
| | Sub-Total O & M Expenses | $ (158,166) | $ 57,233 | $ 215,399 | $ (2,710) | $ (1,469) | $ (1,369) | $ (204) | $ 1,308 | $ 410 | $ (391) | $ 4,427 |
| | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 721 | Taxes Other Than Income | $ (4,092) | $ 610 | $ 4,702 | $ (70) | $ (38) | $ (35) | $ (5) | $ 34 | $ 11 | $ (10) | $ 115 |
| 710 | Depreciation | $ (90,099) | $ 51,174 | $ 141,273 | $ (1,544) | $ (837) | $ (780) | $ (116) | $ 745 | $ 234 | $ (223) | $ 2,522 |
| | Total Expenses | $ (252,357) | $ 109,016 | $ 361,373 | $ (4,324) | $ (2,344) | $ (2,185) | $ (326) | $ 2,087 | $ 655 | $ (624) | $ 7,063 |

**Utilities, Inc. of Florida**
**Rate Base Allocation and Adjustment**

| | Utilities, Inc. of Florida | 49.10% Seminole | 7.94% Marion | 35.13% Pasco | 2.53% Orange | 4.90% Pinellas |
|---|---|---|---|---|---|---|
| **Primary Recommended Adjustment** | | | | | | |
| Average 12/31/01 WSC Rate Base Per OPC | $0 | $0 | $0 | $0 | $0 | $0 |
| Average 12/31/01 WSC Rate Base Per Company | $82,012 | $32,395 | $5,658 | $33,215 | $3,994 | $6,750 |
| Adjustment to WSC Rate Base | ($82,012) | ($32,395) | ($5,658) | ($33,215) | ($3,994) | ($6,750) |
| **Alternative Recommended Adjustment** | | | | | | |
| Average 12/31/01 WSC Rate Base Per OPC | $66,486 | $32,645 | $5,279 | $23,356 | $1,682 | $3,258 |
| Average 12/31/01 WSC Rate Base Per Company | $82,012 | $32,395 | $5,658 | $33,215 | $3,994 | $6,750 |
| Adjustment to WSC Rate Base | ($15,526) | $250 | ($379) | ($9,859) | ($2,312) | ($3,492) |

| | | |
|---|---|---|
| Year-End Rate Base Per Co. | $ | 85,096 |
| Year-End Rate Base Per OPC | $ | 68,986 |
| Percent Relationship | | 81% |