

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: December 9, 2008
TO: Dale R. Buys, Regulatory Analyst IV, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance *DNV*
RE: Docket No: 080248-SU; Company Name: Tierra Verde Utilities, Inc.;
Audit Purpose: Rate Case; Company Code: SU682;
Audit Control No: 08-261-1-1;

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

DNV/tbm

Attachment: Audit Report

CC: Division of Regulatory Compliance (Salak, Mailhot, Harvey,
District Offices, File Folder)
Office of Commission Clerk (2)
General Counsel
Office of Public Counsel

Mr. Patrick C. Flynn
Tierra Verde Utilities, Inc.
200 Weathersfield Avenue
Altamonte Springs, FL 32714-4027

Christian W. Marcelli
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2180 West State Road 434, Suite 2118
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DOCUMENT NUMBER-DATE

11440 DEC 11 8

FPSC-COMMISSION CLERK

STATE OF FLORIDA



FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING

Tallahassee District Office

TIERRA VERDE UTILITIES, INC.

FILE AND SUSPEND RATE CASE

TEST YEAR ENDED DECEMBER 31, 2007

DOCKET NO. 080248-SU
AUDIT CONTROL NO. 08-261-1-1

A handwritten signature in black ink, appearing to read "Debra M. Dobiae", written over a horizontal line.

Debra M. Dobiae, Audit Manager

A handwritten signature in black ink, appearing to read "Lynn M. Deamer", written over a horizontal line.

Lynn M. Deamer, Audit Supervisor

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

**DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT**

November 12, 2008

TO: FLORIDA PUBLIC SERVICE COMMISSION

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the Minimum Filing Requirements (MFRs) prepared by Tierra Verde Utilities, Inc. in support for rate relief in Docket No. 080248-SU for the test period ending December 31, 2007.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed upon procedures and the report is intended only for internal Commission use.

I. OBJECTIVES AND PROCEDURES

RATE BASE:

A. Objective – Utility Plant in Service (UPIS): To determine that property exists and is owned by the utility. To determine that additions are authentic, recorded at original cost, and properly classified in compliance with Commission Rules and the NARUC Uniform System of Accounts. To verify that the proper retirements were made when a replacement item was put in service.

1. We reconciled the plant in service balance on MFR Schedule A-6 to the utility's books and to the prior Commission orders. We traced the additions and retirements by year to the utility's annual reports and general ledger.
2. We judgmentally selected a sample of additions and retirements from the general ledger. We tested the sample of plant in service additions for the following: date acquired, original cost, account recorded, and appropriate retirements. We tested the sample of retirements for the following: cost retired, account number, date of retirement or disposition, amount of accumulated depreciation retired, amount of proceeds/cost of removal, and amount of gain/loss recorded in utility books after disposal.

B. Objective – Land and Land Rights: To determine that utility land is recorded at original cost and is owned or secured under a long-term lease.

1. We verified that no change in land status has transpired since the last rate proceeding.
2. The cost of land is allocated and was reviewed in a separate audit of allocations.

C. Objective – Contributions in Aid of Construction (CIAC): To determine that utility CIAC balances are properly stated and are reflective of service availability charges authorized in the utility's approved Commission tariff.

1. We reconciled the beginning CIAC balances to the utility's books and the prior Commission orders. We read the utility's authorized tariff to determine the type and amount, if any, of service availability fees for new customer additions, and inquired if the utility had any special agreements, developer agreements, and whether or not it has received donated property as CIAC.
2. We sampled CIAC additions and reviewed the following: description of asset or fees received, date acquired, original cost, account number where recorded, and if the amount collected is authorized in the utility tariff. We

reconciled CIAC additions to the utility's general ledger. Audit Finding 1 addresses the CIAC balances in the filing.

D. Objective – Accumulated Depreciation and Depreciation Expense: To verify that accumulated depreciation and depreciation expense are calculated using the Commission authorized rates and that the calculations are correct.

1. We scheduled accumulated depreciation accruals to include beginning and ending balances by UPIS sub-account. We reviewed the methodology for calculating annual accumulated depreciation accruals, service lives used to determine the accrual multiplier, and the methodology for accounting for retirements and adjustments. We calculated current period depreciation expense by sub-account.
2. We reconciled accumulated depreciation accruals to the utility's general ledger. Audit Findings 2 and 4 address the accumulated depreciation balances and depreciation expense in the filing.

E. Objective – Accumulated Amortization on Contributions in Aid of Construction (CIAC) and Amortization Expense: To determine that CIAC accumulated amortization balances are properly stated and that annual accruals are reflective of depreciation rates authorized in the utility's last Commission rate case proceeding.

1. We reconciled beginning balances to the utility's books and the prior Commission orders. We scheduled accumulated amortization accruals to include beginning and ending balances by function or service. We reviewed the methodology for calculating annual accumulated amortization accruals, the methodology used to determine the accrual multiplier, and the methodology for accounting for retirements and adjustments. We calculated the current period amortization expense.
2. We reconciled accumulated amortization accruals to the utility's general ledger. Audit Finding 2 addresses the accumulated amortization of CIAC balances and amortization expense in the filing.

F. Objective – Working Capital: To determine that the Working Capital balance is properly calculated in compliance with Commission rules.

1. We recalculated the working capital allowance as 1/8 of operation and maintenance expenses as of December 31, 2007.

CAPITAL STRUCTURE:

A. Objective – Capital Structure: To determine that capital structure represents utility debt, capital stock, retained earnings, deferred taxes, customer deposits, and other available funds for investment in utility plant, inventory, and operations.

1. Utility debt and capital stock are allocated and were reviewed in a separate audit of allocations. We noted that the utility did not have any customer deposits. We traced the deferred income taxes to the utility's general ledger.

REVENUE AND EXPENSES:

A. Objective - Revenue: To verify that revenues earned from the utility property during the test year are recorded and included in the filed exhibits, to verify that the utility is billing the approved tariff rates, and that the revenues are classified in compliance with the Commission Rules and Uniform System of Accounts.

1. We tested the reasonableness of the utility revenues by multiplying average consumption times the number of customers for each class of service, and compared it to a schedule of utility revenues by customer class for the historical test year.
2. We reconciled revenues reported on the Regulatory Assessment Fee (RAF) filing to the utility's books and records, and recalculated the amount of RAF fees due based on the utility's revenues reported. We agreed revenue balances in the MFR to the utility trial balance.

B. Objective – Operation and Maintenance (O&M) Expenses: To determine that operation and maintenance costs are classified according to the Commission Rules and Uniform System of Accounts, that expenditures are appropriate for regulatory policy, that the amounts on the invoice agree with the general ledger, and that expenditures are recorded in the proper period.

1. We reconciled the general ledger Operation and Maintenance Expenses to the MFR Operation and Maintenance Expenses Schedule B-6.
2. Salaries and benefits are allocated and were reviewed in a separate audit of allocations.
3. For utility purchased sewage treatment, sludge removal expense, purchased power, and materials and supplies expenses, we traced amounts to the utility's books and records, obtained contracts, and reviewed a judgmental sample of invoices for the proper amount, proper period, and

proper classification. We determined whether the expenditures are non-utility related, non-recurring, unreasonable, or imprudent.

4. For utility contractual service expenses, transportation expense, and utility insurance expense, we traced amounts to the utility's books and records, and reviewed a judgmental sample of invoices for the proper amount, proper period, and proper classification. The major portion of these expenses are allocated and were reviewed in a separate audit of allocations.
5. For utility regulated commission expense - rate case amortization, we verified that the rate case amortization expense was in agreement with the prior Commission order. For miscellaneous expenses, we traced amounts to the utility's books and records, and reviewed a judgmental sample of invoices for the proper amount, proper period, and proper classification. Utility bad debt expense is allocated and was reviewed in a separate audit of allocations. Audit Finding 3 addresses the O&M Expenses in the filing.

C. Objective – Taxes other than Income Taxes: To determine the appropriate costs for taxes other than income taxes for the test year.

1. We verified real estate and tangible property tax incurred by the utility for the historical test year, and ensured that all property tax expense reflects the maximum discount available, and that real estate taxes incurred are only for utility property in service. We also reconciled taxes other than income amounts to the utility's general ledger. Audit Finding 5 addresses Taxes other than Income Taxes in the filing.

II. AUDIT FINDINGS

AUDIT FINDING NO. 1

SUBJECT: CONTRIBUTIONS IN AID OF CONSTRUCTION

AUDIT ANALYSIS: The utility provided a developer contract from June 2007 as support for its contributions in aid of construction which noted the following:

Developer agrees to pay Utility the Commission approved connection fees, inspection fee, and plan review fee for service to the Property in the amount of fifty thousand eight hundred fifty dollars and no cents (\$50,850.00).

The audit staff was unable to trace the contribution amount to the utility MFRs or the general ledger. When questioned about the contract, the utility stated that it had inadvertently booked the \$50,850 to the wrong utility number in its general ledger system on June 22, 2007, and therefore, CIAC is understated for the test year ended December 31, 2007.

EFFECT ON THE GENERAL LEDGER IF THE FINDING IS ACCEPTED: The following general ledger entries are needed to correct the utility general ledger balances as of December 31, 2007.

Utility Acct. No.	Account Description	Debit	Credit
4998	Retained Earnings-Prior Year	\$50,850	
3520	CIAC-S&I General Plant		\$50,850

EFFECT ON THE FILING IF THE FINDING IS ACCEPTED: The Account 271 Contributions in Aid of Construction year end balance should be increased by \$50,850. A related adjustment should be made to the simple average balance as well as the accumulated amortization and amortization expense.

AUDIT FINDING NO. 2

SUBJECT: ACCUMULATED DEPRECIATION, ACCUMULATED AMORTIZATION OF CIAC, AND AMORTIZATON EXPENSE

AUDIT ANALYSIS: The utility made the following journal entries to its 2007 general ledger when recording the adjustments ordered in FPSC Order No. PSC-07-0082-PAA-SU, issued January 29, 2007 (for audit findings 1 and 2):

Utility			
Acct. No.	Account Description	Debit	Credit
1)	JE# 15237 – 5/28/2007		
4030	AA of CIAC – Organization	\$163,691	
7205	Amort Expense-Organization	\$ 1,983	
2075	AD-S&I General Plant		\$122,840
4998	Retained Earnings-Prior Year		\$ 42,834
2)	JE# 24942 – 12/31/2007		
2075	AD-S&I General Plant	\$ 22,367	
7205	Amort Expense-Organization		\$ 65,201
4998	Retained Earnings-Prior Year	\$ 42,834	
3)	JE# 249544 – 12/31/2007		
3520	CIAC-S&I General Plant	\$100,473	
2075	AD-S&I General Plant		\$100,473
4)	JE# 249610 – 12/31/2007		
4050	AA of CIAC-S&I Pump Plt	\$100,473	
3520	CIAC-S&I General Plant		\$100,473

The audit staff has determined that entry #1 represented the summary adjustments of both audit findings as per the order except the amount posted to account 2075 AD-S&I General Plant should have been posted to account 2030 AD-Organization. Entry #2 incorrectly removed the retained earnings adjustment, increased amortization expense, and decreased accumulated depreciation. Entries #3 and #4 incorrectly duplicated the adjustment to accumulated amortization of CIAC plus increased accumulated depreciation. Furthermore, the utility recorded summary adjustments as noted in the order as opposed to the detailed CIAC reclassifications noted in the audit report issued under Docket No. 060255-SU. Until the CIAC reclassifications are recorded, amortization expense will be overstated due to the use of incorrect amortization rates. Though the overstatement of amortization expense is not material on an annual basis, it will become material over the lifetime of the asset. The following schedule represents the appropriate adjustments as of December 31, 2007:

Utility Acct #	Description	Balance 12/31/2007	Per Utility 12/31/2007	Difference
2030	AD-Organization 351.1	-	123,586	(123,586)
2050	AD-S&I Collection 354.2	(1,229,771)	-	(1,229,771)
2055	AD-S&I Pump Plt LS 354.3	(191,125)	(191,126)	1
2075	AD-S&I General Plant 354.7	(10,912)	(1,440,098)	1,429,186
		<u>(1,431,808)</u>	<u>(1,507,638)</u>	<u>75,830</u>
3500	CIAC-S&I Pump Plt LS 354.3	-	(311,984)	311,984
3520	CIAC-S&I General Plant 354.7	(680,709)	(299,844)	(380,865)
3550	CIAC-Sewer Force Mains/Srvc Lines 360.2	(180,845)	(186,067)	5,222
3555	CIAC-Sewer Gravity Mains/Manholes 361.2	(678,068)	(824,315)	66,634
3555	CIAC-Sewer Gravity Mains/Manholes 361.2	(79,613)	-	-
3565	CIAC-Services to Customers 363	(69,577)	-	(69,577)
3600	CIAC-T&D Equipment Lagoons 380.4	-	(1,822)	1,822
3705	CIAC-Sewer Tap	-	(64,331)	64,331
3720	CIAC-Sewer Plt Mod Fee	-	(450)	450
		<u>(1,688,812)</u>	<u>(1,688,812)</u>	<u>0</u>
4030	AA of CIAC - Organization 351.1	-	26,768	(26,768)
4050	AA of CIAC - S&I Pump Plt LS 354.3	-	333,696	(333,696)
4070	AA of CIAC - S&I General Plant 354.7	411,554	181,323	230,231
4100	AA of CIAC - Swr Force Mains/Srvc Lines 360.2	117,245	138,434	(21,189)
4105	AA of CIAC - Swr Gravity Mains/Manholes 361.2	561,968	573,101	47,667
4105	AA of CIAC - Swr Gravity Mains/Manholes 361.2	58,799	-	-
4115	AA of CIAC - Services to Customers 363	41,450	-	41,450
4150	AA of CIAC - T&D Equip Lagoons 380.4	-	1,317	(1,317)
4265	AA of CIAC - Sewer Tap	-	44,064	(44,064)
		<u>1,191,016</u>	<u>1,298,702</u>	<u>(107,686)</u>
7205	Amort Exp-Organization	-	(65,201)	65,201
7225	Amort Exp-S&I Pump Plt LS	-	(10,399)	10,399
7245	Amort Exp-S&I General Plant	(16,989)	(7,496)	(9,493)
7275	Amort Exp-Swr Force Main/Srvc Lines	(6,022)	(6,202)	180
7280	Amort Exp-Swr Gravity Mains/Manholes	(15,053)	(18,284)	580
7280	Amort Exp-Swr Gravity Mains/Manholes	(2,651)	-	-
7290	Amort Exp-Services to Customers	(1,830)	-	(1,830)
7325	Amort Exp-T&D Equip Lagoons	-	(52)	52
7430	Amort Exp-Sewer Tap	-	(2,114)	2,114
		<u>(42,545)</u>	<u>(109,749)</u>	<u>67,204</u>

EFFECT ON THE GENERAL LEDGER IF THE FINDING IS ACCEPTED: The following general ledger entries are needed to correct the utility general ledger balances as of December 31, 2007.

Utility Acct. No.	Account Description	Debit	Credit
2075	AD-S&I General Plant	\$1,429,186	
3500	CIAC-S&I Pump Plt LS	\$ 311,984	
3550	CIAC-Swr ForceMain/Srvc	\$ 5,222	
3555	CIAC-Swr Gravity/Manholes	\$ 66,634	
3600	CIAC-T&D Equip Lagoons	\$ 1,822	
3705	CIAC-Sewer Tap	\$ 64,331	
3720	CIAC-Sewer Plt Mod Fee	\$ 450	
4070	AA of CIAC-S&I Gen Plt	\$ 230,231	
4105	AA of CIAC- Swr Grav/Man	\$ 47,667	
4115	AA of CIAC-Serv to Cust	\$ 41,450	
7205	Amort Exp-Organization	\$ 65,201	
7225	Amort Exp-S&I Pump Plt LS	\$ 10,399	
7275	Amort Exp-Swr Force Main/Srvc	\$ 180	
7280	Amort Exp-Swr Grav/Man	\$ 580	
7325	Amort Exp-T&D Equip Lagoons	\$ 52	
7430	Amort Exp-Sewer Tap	\$ 2,114	
2030	AD-Organization		\$ 123,586
2050	AD-S&I Collection		\$1,229,771
3520	CIAC-S&I General Plant		\$ 380,865
3565	CIAC-Services to Customers		\$ 69,577
4030	AA of CIAC-Organization		\$ 26,768
4050	AA of CIAC-S&I Pump Plt LS		\$ 333,696
4100	AA of CIAC-Swr Force Main/Srvc		\$ 21,189
4150	AA of CIAC-T&D Equip Lagoons		\$ 1,317
4265	AA of CIAC-Sewer Tap		\$ 44,064
4998	Retained Earnings-Prior Year		\$ 35,347
7245	Amort Exp-S&I General Plant		\$ 9,493
7290	Amort Exp-Services to Customers		\$ 1,830

EFFECT ON THE FILING IF THE FINDING IS ACCEPTED: The Account 108 Accumulated Depreciation year end balance should be decreased by \$75,830, the Account 272 Accumulated Amortization of CIAC year end balance should be decreased by \$107,686, and Account 403 Depreciation Expense should be increased by \$67,204. A related adjustment should be made the simple average balances for Accumulated Depreciation and Accumulated Amortization of CIAC.

AUDIT FINDING NO. 3

SUBJECT: OPERATION & MAINTENANCE EXPENSES

AUDIT ANALYSIS: The utility recorded an estimated accrual of \$39,500 in Account 5455 Purchased Sewage Treatment in December 2006. The accrual was properly reversed in January 2007. The utility recorded \$45,158 for the actual invoice that was related to the accrual in January 2007. The difference between the accrual's reversal and the actual invoice causes the purchased sewage treatment expense balance to be overstated by \$5,658 (\$45,158 - \$39,500) for the 12-month period ended December 31, 2007.

The utility included \$114 in Account 6025 – Contractual Services-Legal for the 12-month period ended December 31, 2007. However, the amount is applicable to legal expense for the period of December 2006. While not material overall, it does represent 20% of all legal expenses and should be disallowed.

In addition, the utility recorded \$3,772 in Account 6065 Rate Case Amortization for the 12-month period ended December 31, 2007. However, the annual amortization expense amount approved in FPSC Order No. PSC-07-0082-PAA-SU, issued January 29, 2007 was \$23,522. Therefore, rate case amortization expense was understated by \$19,750 (\$23,522 - \$3,772).

EFFECT ON THE GENERAL LEDGER IF THE FINDING IS ACCEPTED: The following general ledger entries are needed to correct the utility general ledger balances as of December 31, 2007. The adjustment to Retained Earnings does not reflect the effect on income taxes.

Utility Acct. No	Account Description	Debit	Credit
6065	Rate Case Amortization	\$19,750	
4998	Retained Earnings		\$13,978
5455	Purchased Sewage Treatment		\$ 5,658
6025	Contractual Services-Legal		\$ 114

EFFECT ON THE FILING IF THE FINDING IS ACCEPTED: The utility's O&M expenses should be increased by \$13,978 for the 12-month period ended December 31, 2007. Additionally, the utility's working capital balance should be increased by \$1,747 which is 1/8th of the O&M expense increase noted above.

AUDIT FINDING NO. 4

SUBJECT: DEPRECIATION EXPENSE

AUDIT ANALYSIS: The utility included \$15,967 in Account 403 – Depreciation Expense for the period ended December 31, 2007. This amount represents an overstatement of depreciation expense and accumulated depreciation due to the use of incorrect depreciation rates for the following plant accounts:

NARUC Acct. No	Account Description	Plant Balance	Rate Used	Correct Rate
354.3	S&I Pump Plt Lift Stations	\$914,586	3.33%	3.13%
363.2	Services to Customers	\$177,588	3.33%	2.63%
380.4	T&D Equip Lagoons	\$ 2,144	2.86%	5.56%

In addition, in Account 6715 Dep Exp-Collection Sewers Gravity, the utility overstated depreciation expense by including a retirement in the amount of \$12,901. According to the NARUC Accounting Instructions:

When a retirement unit is retired from utility plant, with or without replacement, the book cost thereof shall be credited to the utility plant account in which it is included... If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to utility plant shall be charged to the accumulated depreciation applicable to such property.

The utility correctly recorded the effect on accumulated depreciation when it recorded the replacement in UPIS. Then it incorrectly adjusted accumulated depreciation when the utility adjusted depreciation expense. The general ledger entries needed to correct these errors are noted below.

EFFECT ON THE GENERAL LEDGER IF THE FINDING IS ACCEPTED: The following general ledger entries are needed to correct the utility general ledger balances as of December 31, 2007.

Utility Acct. No	Account Description	Debit	Credit
2055	AD-S&I Pump Plt LS	\$ 1,870	
6660	Dep Exp-S&I Pump Plt LS		\$ 1,870
2110	AD-Collection Swr Gravity/Manholes	\$12,901	
6715	Dep Exp-Collection Swr Gravity/Man		\$12,901
2120	AD-Services to Customers	\$ 1,254	
6725	Dep Exp-Services to Customers		\$ 1,254
6760	Dep Exp-T&D Lagoons	\$ 58	
2155	AD-T&D Lagoons		\$ 58

EFFECT ON THE FILING IF THE FINDING IS ACCEPTED: Account 108 Accumulated Depreciation and Account 403 Depreciation Expense should be decreased by \$15,967. A related adjustment should be made to the Accumulated Depreciation simple average balance.

AUDIT FINDING NO. 5

SUBJECT: TAXES OTHER THAN INCOME TAXES (TOTI)

AUDIT ANALYSIS: The utility recorded \$27,840 in Account 7540 Gross Receipt Tax (Regulatory Assessment Fees) for the 12-month period ended December 31, 2007. However, the fee should have been \$31,091 (\$690,922 x 0.045) based on the 2007 revenue recorded in the general ledger. Therefore, regulatory assessment fee expense was understated by \$3,251 (\$31,091 - \$27,840).

It should be noted that the utility paid the correct RAF, although, it paid the fees applicable to the December 2007 revenues in October 2008. The utility had just implemented a new general ledger system and had not calculated December revenues when the fees were originally due in January 2008.

The utility recorded an accrual for \$2,583 in Account 7550 Property & Other General Taxes for the 12-month period ended December 31, 2007. This amount represents the prior year's TOTI balance times 108% less the current year's TOTI balance: \$29,835 x 108% = \$32,222 less \$29,639 is \$2,583. Audit staff did not determine why 8% was used to increase the expense. Since the bulk of the TOTI balance is the utility's RAF fee expense which has already been adjusted, this accrual should be disallowed under Property & Other General Taxes as per the following:

	Utility	Audit	Adjustment
Real Estate & Personal Property Tax	4,482	1,899	(2,583)
Regulatory Assessment Fees	27,840	31,091	3,251
	32,322	32,990	668

EFFECT ON THE GENERAL LEDGER IF THE FINDING IS ACCEPTED: The following general ledger entries are needed to correct the utility general ledger balances as of December 31, 2007.

Utility			
Acct. No	Account Description	Debit	Credit
7540	Gross Receipt Tax	\$3,251	
4998	Retained Earnings-Prior Year		\$ 668
7550	Property & Other Genl Taxes		\$2,583

EFFECT ON THE FILING IF THE FINDING IS ACCEPTED: Account 408 Taxes other than Income Taxes should be increased by \$668.

III. EXHIBITS

EXHIBIT NO. 1 – RATE BASE

Schedule of Wastewater Rate Base

Florida Public Service Commission

Company: Tierra Verde Utilities, Inc.
 Docket No.: 880248-SU
 Historical Test Year Ended: December 31, 2007
 Interim Final

Schedule: A-2
 Page 1 of 1
 Preparer: John Hoy

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Average Amount Per Books	(3) A-3 Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service	\$ 3,901,999	\$ 177,075 (A)	\$ 4,078,074	A-3, A-6
2					
3	Utility Land & Land Rights	234	-	234	A-3, A-6
4					
5	Less: Non-Used & Useful Plant	-	-	-	A-7
6					
7	Construction Work in Progress	116,722	(116,722) (B)	-	A-3
8					
9	Less: Accumulated Depreciation	(2,135,206)	(17,501) (C)	(2,152,707)	A-3, A-10
10					
11	Less: CIAC	(1,687,658)		(1,687,658)	A-12
12					
13	Accumulated Amortization of CIAC	1,226,192		1,226,192	A-14
14					
15	Acquisition Adjustments	351,207	(351,207) (D)	-	-
16					
17	Accum. Amort. of Acq. Adjustments	(81,247)	81,247 (D)	-	-
18					
19	Advances For Construction				A-16
20					
21	Working Capital Allowance	-	108,618 (E)	108,618	A-17
22					
23	Total Rate Base	\$ 1,692,243	\$ (120,492)	\$ 1,571,751	

EXHIBIT NO. 2 – NET OPERATING INCOME

Schedule of Wastewater Net Operating Income

Florida Public Service Commission

Company: Tierra Verde Utilities, Inc.
 Docket No.: 080248-BU
 Historical Test Year Ended: December 31, 2007
 Interim [] Final [X]

Schedule: B-2
 Page 1 of 1
 Preparer: John Hoy

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 7) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

(1) Line No.	(2) Balance Per Books	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	(7) Supporting Schedule(s)
1	\$ 680,922	\$ 89,807 (A)	\$ 790,730	\$ 351,954 (A)	\$ 1,132,684	B-4, B-3
2						
3	845,324	207,606 (B)	852,929		852,929	B-5, B-3
4						
5	14,180	34,614 (C)	48,794		48,794	B-14, B-3
6						
7	-		-		-	
8						
9	35,338	9,351 (D)	44,689	15,838 (D)	60,527	B-15, B-3
10						
11	(43,791)	(38,939) (E)	(82,730)	126,480 (E)	43,750	C-1, B-3
12						
13	<u>851,051</u>	<u>212,832</u>	<u>863,883</u>	<u>142,318</u>	<u>1,006,001</u>	
14						
15	<u>\$ 39,871</u>	<u>\$ (122,825)</u>	<u>\$ (82,953)</u>	<u>\$ 208,836</u>	<u>\$ 126,683</u>	
16						
17						
18	<u>\$ 1,892,249</u>	<u>\$ (120,492)</u>	<u>\$ 1,571,751</u>		<u>\$ 1,571,751</u>	
19						
20						
21		<u>2.36 %</u>		<u>(5.25) %</u>	<u>8.06%</u>	

EXHIBIT NO. 3 – CAPTIAL STRUCTURE

Reconciliation of Capital Structure to Requested Rate Base
Simple Average Balance

Florida Public Service Commission

Company: Tierra Verde Utilities, Inc.
Docket No.: 080248-SU
Historical Test Year Ended: December 31, 2007
Interim Final

Schedule D-2
Page 1 of 1

Preparer: Kirsten E. Weeks

Explanation: Provide a reconciliation of the simple average structure to requested rate base. Explain all adjustments. Submit an additional schedule if a year-end basis is used.

Line No.	(1) Class of Capital	(2)	(3)	(4)	(5) Reconciliation Adjustments		(7)
		12/31/2006 Prior Year Balance	12/31/2007 Test Year Balance	Simple Average	Pro Rate	Pro Rate Percentage	Reconciled to Requested Rate Base
1	Long Term Debt	\$180,000,000	\$180,000,000	180,000,000	(179,197,989)	55.04%	802,011
2	Short Term Debt	-	18,500,000	7,750,000	(7,715,486)	2.37%	34,534
3	Preferred Stock	-	-	-	-	0.00%	-
4	Common Equity	120,191,844	158,372,419	139,282,132	(138,661,535)	42.59%	620,597
5	Customer Deposits	-	-	-	-	-	-
6	Tax Credits - Zero Cost	-	-	-	-	-	-
7	Tax Credits - Weighted Cost	-	-	-	-	-	-
8	Accumulated Deferred Income Taxes	118,923	112,284	114,609	-	n/a	114,609
9	Other (Explain)	-	-	-	-	-	-
10							
11	Total	300,308,767	353,984,713	327,146,741	(325,574,990)	100.00%	1,571,751
12							
13							
14							

Supporting Schedules: A-18, A-19, C-7, C-8, D-3, D-4, D-5, D-7
Recap Schedules: D-1