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(LICENSED IN NEW YORK ONLY)

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RE: Docket No. 080247-SU; Utilities, Inc. of Eagle Ridge's Application for Increase in
Wastewater Rates in Lee County, Florida
Our File No.: 30057.158

Dear Ms. Cole:

Enclosed for filing in the above-referenced docket is the response of Utilities, Inc.
of Eagle Ridge, to Staff's audit report filed with the Clerk on December 9, 2008.

Feel free to contact us if you have any questions or concerns.

Very truly yours,



CHRISTIAN W. MARCELLI
Of Counsel

CM/tlc
Enclosures

cc: John Hoy, Chief Regulatory Officer (w/enclosures)
Patrick C. Flynn, Regional Director (w/enclosures)
Ms. Deborah Swain (w/enclosures)
Mr. Frank Seidman (w/enclosures)
Avy Crawford, Division of Economic Regulation (w/enclosures)
Lisa Bennett, Esquire, Office of General Counsel (w/enclosures)

UTILITIES, INC. OF EAGLE RIDGE
DOCKET NO. 080247-SU
AUDIT REPORT RESPONSES

Audit Finding No. 1 – Rate Case Adjustments From Prior Case Not Booked

The Company agrees with Audit Staff's Finding No. 1 in principle. However, the Company believes Audit Staff is incorrect with one of its depreciation rates. Account 1295 – Structures and Improvements – Pump Plant, is actually the Company's lift station account, and should therefore be depreciated at 4.00% annually pursuant to Rule 25-30.140, Florida Administrative Code. Audit Staff had proposed 3.13% as the annual depreciation rate. Additionally, account 1315 – Structures and Improvements – General should actually be classified under 1300 – Structures and Improvements – Treatment. Audit Staff has proposed 3.13% as the annual depreciation rate for this account, which is correct. This also affects amortization of CIAC on CIAC accounts 3500 and 3505 for lift stations and general plant, respectively. The Company has prepared its own workpapers showing the journal entries related to these adjustments, and how the depreciation and amortization were calculated, as well as the simple average needed for the filing. These workpapers are attached hereto as w/p 1 and w/p 1(a).

Effect on filing: Plant should be decreased (credited) for \$106,671. Accumulated depreciation should be decreased (debited) for \$361,128. CIAC should be increased (credited) for \$252,084. Accumulated amortization of CIAC should be decreased (credited) for \$446,422. Depreciation expense should be increased (debited) for \$2,518. Amortization expense for CIAC should be increased (credited) for \$11,087.

Effect on general ledger: Plant should be decreased (credited) for \$106,671. Accumulated depreciation should be decreased (debited) for \$359,870. CIAC should be increased (credited) for \$252,084. Accumulated amortization of CIAC should be decreased (credited) for \$440,870. Depreciation expense should be increased (debited) for \$2,518. Amortization expense for CIAC should be increased (credited) for \$11,187.

Audit Finding No. 2 – Corrections to Prior Rate Case Ordered Adjustments

The Company agrees that additional adjustments are necessary to remedy the prior rate case adjustments ordered in Docket No. 030445-SU, but disagrees with Audit Staff as to what these adjustments are. The Company has proposed several adjustments. First, the Company notes that the \$17,597 originally booked to lagoons should have been booked to treatment plant, as the audit report suggests. While this is only a reclass entry, the Company wanted to ensure that the adjustment was in the correct account. Second, the Company recognizes that the

incorrect accumulated depreciation was booked in 2005, as the audit report states. In response to this, the Company has created a workpaper that shows what the accumulated depreciation should be rolled forward through 2007, as well as the associated depreciation expense. The audit report shows that the Company booked the correct UPIS adjustments in Docket No. 030445-SU. These adjustments are shown on Schedule No. 1-B on page 17 of Order No. PSC-04-1107-PAA-SU. The relevant UPIS adjustments booked by the Company (excluding the retirement adjustment) were adjustment 1 for (\$14,583) to organization and adjustment 2 for (\$27,081) to gravity mains and treatment plant. While Audit Staff mentions an adjustment of \$19,120 to treatment plant, it is evident that his adjustment was not ordered by the PSC, and therefore is not included in the Company's workpaper. The Company's workpaper rolls accumulated depreciation on these adjustments forward through 2007. Finally, the Company booked the total retirement entry of (\$306,117) to treatment plant and structures and improvements – reclaimed water distribution. However, as Audit Staff shows, these adjustments should have been booked in 2002, and instead were booked in 2005. Therefore, three years of accrued A/D must be removed. All the adjustments mentioned above are shown in the workpapers attached hereto as w/p 2 and w/p 2(a).

Effect on filing: Accumulated depreciation should be increased (credited) for \$46,571. Depreciation expense should be decreased (credited) for \$18,565.

Effect on general ledger: Accumulated depreciation should be increased (credited) for \$37,289. Depreciation expense should be decreased (credited) for \$18,565.

Audit Finding No. 3 – 2003 CIAC Allocation Adjustment

The Company agrees that a reclassification must be done in order to correctly state the CIAC balances. The Company agrees with Audit Staff's plant reclassification portion of its journal entry, but notes that account 3520 is really 3505 – CIAC – Structures and Improvements - Treatment. Audit Staff is amortizing this account correctly at 3.13%. However, the Company disagrees with the accumulated amortization portion in total because it appears Audit Staff has an incorrect calculation. Audit Staff proposed a rate of 4.41% for amortization of tap fees on page 23 of the audit report. While the Company agrees with this rate, it appears that Audit Staff's calculation is incorrect, as $\$55,438 * 4.41\% = \$2,441$, as opposed to \$2,227 shown on page 23. In addition, the Company notes that it has broken down the journal entry by subdivision for Eagle Ridge and Cross Creek. The Company has also rolled forward the accumulated amortization based on Audit Staff's recalculation of CIAC through 2007 instead of proposing a 2003 journal entry. Rolling the entry forward through 2007 allows for adjustments to the test year to correct accumulated amortization and amortization expense. It also allows for an averaging

calculation for the filing. In addition, by rolling Audit Staff's CIAC calculation forward through 2007 for accumulated amortization and amortization expense, it effectively takes care of Audit Staff's Finding No. 4. All the adjustments mentioned above are shown in the workpapers attached hereto as w/p 3, w/p 3(a), and w/p 3(b).

Effect on filing: Accumulated amortization of CIAC should be increased (debited) by \$54,137. Amortization expense for CIAC should be increased (credited) by \$18,643.

Effect on general ledger: Accumulated amortization of CIAC should be increased (debited) by \$63,458. Amortization expense for CIAC should be increased (credited) by \$18,643.

Audit Finding No. 4 – Adjustment to Accumulated Amortization

The Company's rollforward of accumulated amortization of CIAC through 2007 and adjusting of accumulated amortization of CIAC and amortization expense for CIAC in Audit Staff's Finding No. 3 resolves Audit Staff's Finding No. 4.

Audit Finding No. 5 – Misclassified Easement

The Company agrees that the easement was misclassified. However, the easement was for \$11,411, rather than \$11,415, as mentioned by Audit Staff, and since lift station is collection plant, the reclassified land should be booked as land – collection plant. In addition, the easement was booked in January of 2006, so it began depreciating that month. Therefore, the Company proposes to remove two years of accumulated depreciation rather than the one and a half years proposed by Audit Staff. All the adjustments mentioned above are shown in the workpapers attached hereto as w/p 5 and w/p 5(a).

Effect on filing: Accumulated depreciation should be decreased (debited) by \$685. Depreciation expense should be decreased (credited) by \$456.

Effect on general ledger: Accumulated depreciation should be decreased (debited) by \$913. Depreciation expense should be decreased (credited) by \$456.

Audit Finding No. 6 – Construction Projects Retirements Not Recorded

The Company agrees that generally speaking, a retirement should be recorded for these types of occurrences. However, the original sand filter was installed in 1984, which is 23 years prior to the test year. The Company and Staff should use the Handy-Whitman index to determine the proper retirement for this plant.

Audit Finding No. 7 – Correction to Net Depreciation Expense

The Company's entries in Audit Staff's Finding No. 7 encompass all depreciation expense adjustments and accumulated depreciation rollforward adjustments pertaining to Finding Nos. 7 and 8. All the adjustments and calculations mentioned above are shown in the workpapers attached hereto as w/p 7, w/p 7(a), and w/p 7(b).

Audit Finding No. 8 – Corrections to Accumulated Depreciation

The Company agrees that it has been using incorrect depreciation rates and also believes these rates should be corrected. The Company also agrees with Audit Staff's reclassification of the \$3,348 to sewage treatment plant. The Company has completed a rollforward similar to Audit Staff's, but including plant balances for the years 2003-2006, showing what the depreciation calculations for each year should be. There are some differences between the Company's attached workpaper and Staff's workpapers, but the Company believes that its workpapers are correct, based on the plant balances each year, and the fact that the Company is using the correct depreciation rates in these workpapers. The Company's workpaper is also broken down by subdivision. The Company's rollforward does not include any allocated plant, Commission-ordered adjustments, or any other adjustments to which it has agreed within this audit report. Any Commission-ordered adjustments or proposed adjustments in this audit report have already been accounted for already in Finding Nos. 1 through 7 above. Any additional adjustment made in this audit finding would result in double counting. Finally, the effects on the filing and on the general ledger have been incorporated into the Company's response to Audit Staff's Finding No. 7, so as to properly use the 2006 adjustments calculated in Finding No. 8's workpapers into the simple average calculation in audit finding no. 7.

Effect on filing: Accumulated depreciation should be increased (credited) by \$255,862. Depreciation expense should be increased (debited) by \$39,510.

Effect on general ledger: Accumulated depreciation should be increased (credited) by \$285,384. Depreciation expense should be increased (debited) by \$39,510.

Audit Finding No. 1 - Rate Base Adjustments From Prior Rate Case Not Booked

Entry #1

Location: Docket No. 080247-SU audit report pg. 6-14

Entry Description: To correct UPIS from Transfer and Docket No. 030445-SU not booked, including roll forward depreciation on the UPIS

Notes: Company has used different depreciation rate than audit staff for a/c 1295 and 1315, see w/p 1(a)

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
1295	249100	Structures & Improvements - Lift Station	44,486	
1300	249100	Structures & Improvements - Treatment	8,925	
1345	249100	Service Lines	16,535	
1395	249100	Treatment Disposal Equipment - Lagoon	111,762	
1470	249100	Tools, Shop, & Garage Equipment	32,669	
2030	249100	A/D - Organization	8,394	
2040	249100	A/D - Franchises - Intangibles	30,296	
2110	249100	A/D - Gravity Mains	491	
2160	249100	A/D - Treatment Disposal Equipment - Treatment Plant	1,976	
?	249100	Balancing Entry	109,053	
6660	249100	Dep Exp - Structures & Improvements - Lift Station	1,779	
6665	249100	Dep Exp - Structures & Improvements - Treatment	279	
6710	249100	Dep Exp - Service Lines	435	
6760	249100	Dep Exp - Treatment Disposal Equipment - Lagoon	6,214	
6835	249100	Dep Exp - Tools, Shop, & Garage Equipment	2,042	
1245	249100	Organization		67,149
1250	249100	Franchises - Intangibles		242,370
1350	249100	Gravity Mains		4,421
1400	249100	Treatment Disposal Equipment - Treatment Plant		7,108
2055	249100	A/D - Structures & Improvements - Lift Station		8,897
2060	249100	A/D - Structures & Improvements - Treatment		1,397
2105	249100	A/D - Service Lines		2,174
2155	249100	A/D - Treatment Disposal Equipment - Lagoon		31,070
2230	249100	A/D - Tools, Shop, & Garage Equipment		10,209
6640	249100	Dep Exp - Organization		1,679
6645	249100	Dep Exp - Franchises - Intangibles		6,059
6715	249100	Dep Exp - Gravity Mains		98
6765	249100	Dep Exp - Treatment Disposal Equipment - Treatment Plant		395

Audit Finding No. 1 - Rate Base Adjustments From Prior Rate Case Not Booked

Entry #2

Location: Docket No. 080247-SU audit report pg. 6-14

Entry Description: To correct CIAC from Transfer and Docket No. 030445-SU not booked, including roll forward amortization on the CIAC

Notes: Company has used different depreciation rate than audit staff for a/c 3500 and 3520, see w/p 1(a)

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
4050	249100	A/A of CIAC - Structures & Improvements - Lift Station	2,240	
4055	249100	A/A of CIAC - Structures & Improvements - Treatment	114	
4065	249100	A/A of CIAC - Structures & Improvements - Reclaimed Distribution	410	
4100	249100	A/A of CIAC - Service Lines	892	
4100	249100	A/A of CIAC - Force Mains	875	
4105	249100	A/A of CIAC - Gravity Mains	7,653	
4105	249100	A/A of CIAC - Manholes	149	
4150	249100	A/A of CIAC - Treatment Disposal Equipment - Lagoon	86	
4155	249100	A/A of CIAC - Treatment Disposal Equipment - Treatment Plant	42,962	
4175	249100	A/A of CIAC - Outfall Lines	134	
?	249100	Balancing Entry	207,671	
3500	249100	CIAC - Structures & Improvements - Lift Station		11,198
3505	249100	CIAC - Structures & Improvements - Treatment		2,620
3515	249100	CIAC - Structures & Improvements - Reclaimed Distribution		731
3550	249100	CIAC - Service Lines		6,785
3550	249100	CIAC - Force Mains		5,255
3555	249100	CIAC - Gravity Mains		68,942
3555	249100	CIAC - Manholes		896
3600	249100	CIAC - Treatment Disposal Equipment - Lagoon		310
3605	249100	CIAC - Treatment Disposal Equipment - Treatment Plant		154,540
3625	249100	CIAC - Outfall Lines		807
7225	249100	Amort Exp - CIAC - Structures & Improvements - Lift Station		448
7230	249100	Amort Exp - CIAC - Structures & Improvements - Treatment		23
7240	249100	Amort Exp - CIAC - Structures & Improvements - Reclaimed Distribution		82
7275	249100	Amort Exp - CIAC - Service Lines		178
7275	249100	Amort Exp - CIAC - Force Mains		175
7280	249100	Amort Exp - CIAC - Gravity Mains		1,531
7280	249100	Amort Exp - CIAC - Manholes		30
7325	249100	Amort Exp - CIAC - Treatment Disposal Equipment - Lagoon		17
7330	249100	Amort Exp - CIAC - Treatment Disposal Equipment - Treatment Plant		8,592
7350	249100	Amort Exp - CIAC - Outfall Lines		27

Audit Finding No. 1 - Rate Base Adjustments From Prior Rate Case Not Booked

Entry #3

Location: Docket No. 080247-SU audit report pg. 6-14

Entry Description: To correct A/D from Transfer and Docket No. 030445-SU not booked

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
2030	249100	A/D - Organization	4,079	
2030	249100	A/D - Organization	9,043	
2040	249100	A/D - Franchises - Intangibles	30,733	
2055	249100	A/D - Structures & Improvements - Lift Station	56,164	
2060	249100	A/D - Structures & Improvements - Treatment	6,169	
2105	249100	A/D - Force Mains	5,372	
2110	249100	A/D - Gravity Mains	20,719	
2110	249100	A/D - Manholes	655	
2160	249100	A/D - Treatment Disposal Equipment - Treatment Plant	300,803	
2180	249100	A/D - Outfall Lines	3,105	
2070	249100	A/D - Structures & Improvements - Reclaimed Distribution		412
2105	249100	A/D - Service Lines		12,906
2155	249100	A/D - Treatment Disposal Equipment - Lagoon		31,559
2215	249100	A/D - Office Structure		790
2220	249100	A/D - Office Furniture & Equipment		9
2230	249100	A/D - Tools, Shop, & Garage Equipment		14,832
2235	249100	A/D - Laboratory Equipment		3,874
?	249100	Balancing Entry		372,460

Audit Finding No. 1 - Rate Base Adjustments From Prior Rate Case Not Booked

Entry #4

Location: Docket No. 080247-SU audit report pg. 6-14

Entry Description: To correct A/A from Transfer and Docket No. 030445-SU not booked

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
?	249100	Balancing Entry	496,386	
4050	249100	A/A of CIAC - Structures & Improvements - Lift Station		21,765
4055	249100	A/A of CIAC - Structures & Improvements - Treatment		5,092
4070	249100	A/A of CIAC - Structures & Improvements - General		1,420
4100	249100	A/A of CIAC - Service Lines		13,188
4100	249100	A/A of CIAC - Force Mains		10,215
4105	249100	A/A of CIAC - Gravity Mains		134,007
4105	249100	A/A of CIAC - Manholes		1,742
4150	249100	A/A of CIAC - Treatment Disposal Equipment - Lagoon		603
4155	249100	A/A of CIAC - Treatment Disposal Equipment - Treatment Plant		300,387
4175	249100	A/A of CIAC - Outfall Lines		1,569
4265	249100	A/A of CIAC - Sewer Tap		6,398

Effect on Filing

UPIS	should be decreased by	(106,671) credit
A/D	should be decreased by	361,128 debit
CIAC	should be increased by	(252,084) credit
A/A of CIAC	should be decreased by	(446,422) credit
Dep Expense	should be increased by	2,518 debit
Amort Expense	should be increased by	(11,103) credit

UTILITIES, INC. OF EAGLE RIDGE
DOCKET NO. 080247-SU
AUDIT REPORT RESPONSE WORKPAPERS

w/p 1(a)

Audit Finding No. 1

Roll Forward A/D For Plant Through 2007 (Entry 1)

			(a)	(b)	(c)	(d)	(e)	
Object A/C	Business Unit	Description	UPIS Adjustment	Years to Roll Forward	Depreciation Rate	Roll Forward A/D Adjustment	Depreciation Expense	
(1)	1245	249100	Organization	(67,149)	5	2.50%	8,394 debit	(1,679) credit
(2)	1250	249100	Franchises	(242,370)	5	2.50%	30,296 debit	(6,059) credit
(3)	1295	249100	Structures & Improvements - Pump Plant	44,486	5	4.00%	(8,897) credit	1,779 debit
(4)	1300	249100	Structures & Improvements - Treatment	8,925	5	3.13%	(1,397) credit	279 debit
(5)	1345	249100	Service Lines	16,535	5	2.63%	(2,174) credit	435 debit
(6)	1350	249100	Gravity Mains	(4,421)	5	2.22%	491 debit	(98) credit
(7)	1395	249100	Treatment Disposal Equipment - Lagoon	111,762	5	5.56%	(31,070) credit	6,214 debit
(8)	1400	249100	Treatment Disposal Equipment - Treatment Plant	(7,108)	5	5.56%	1,976 debit	(395) credit
(9)	1470	249100	Tools, Shop, & Garage Equipment	32,669	5	6.25%	(10,209) credit	2,042 debit

Roll Forward A/D For Plant Through 2006

			(a)	(b)	(c)	(d)	
Object A/C	Business Unit	Description	UPIS Adjustment	Years to Roll Forward	Depreciation Rate	Roll Forward A/D Adjustment	
(10)	1245	249100	Organization	(67,149)	4	2.50%	6,715 debit
(11)	1250	249100	Franchises	(242,370)	4	2.50%	24,237 debit
(12)	1295	249100	Structures & Improvements - Pump Plant	44,486	4	4.00%	(7,118) credit
(13)	1300	249100	Structures & Improvements - Treatment	8,925	4	3.13%	(1,117) credit
(14)	1345	249100	Service Lines	16,535	4	2.63%	(1,739) credit
(15)	1350	249100	Gravity Mains	(4,421)	4	2.22%	393 debit
(16)	1395	249100	Treatment Disposal Equipment - Lagoon	111,762	4	5.56%	(24,856) credit
(17)	1400	249100	Treatment Disposal Equipment - Treatment Plant	(7,108)	4	5.56%	1,581 debit
(18)	1470	249100	Tools, Shop, & Garage Equipment	32,669	4	6.25%	(8,167) credit

Averaging Adjustment For Filing

			(a)	(b)	(c)	
Object A/C	Business Unit	Description	A/D Adjustment at 2006	A/D Adjustment at 2007	Simple Average Adjustment	
(19)	1245	249100	Organization	6,715	8,394	7,554
(20)	1250	249100	Franchises	24,237	30,296	27,267
(21)	1295	249100	Structures & Improvements - Pump Plant	(7,118)	(8,897)	(8,007)
(22)	1300	249100	Structures & Improvements - Treatment	(1,117)	(1,397)	(1,257)
(23)	1345	249100	Service Lines	(1,739)	(2,174)	(1,957)
(24)	1350	249100	Gravity Mains	393	491	442
(25)	1395	249100	Treatment Disposal Equipment - Lagoon	(24,856)	(31,070)	(27,963)
(26)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,581	1,976	1,778
(27)	1470	249100	Tools, Shop, & Garage Equipment	(8,167)	(10,209)	(9,188)

UTILITIES, INC. OF EAGLE RIDGE
DOCKET NO. 080247-SU
AUDIT REPORT RESPONSE WORKPAPERS

w/p 1(a)

Audit Finding No. 1

Roll Forward A/A of CIAC Through 2007 (Entry 2)

			(a)	(b)	(c)	(d)	(e)	
Object A/C	Business Unit	Description	CIAC Adjustment	Years to Roll Forward	Depreciation Rate	Roll Forward A/A Adjustment	Amortization Expense	
(28)	3500	249100	CIAC - Structures & Improvements - Lift Station	(11,198)	5	4.00%	2,240 debit	(448) credit
(29)	3515	249100	CIAC - Structures & Improvements - Reclaimed Distribution	(2,620)	5	3.13%	410 debit	(82) credit
(30)	3505	249100	CIAC - Structures & Improvements - Treatment	(731)	5	3.13%	114 debit	(23) credit
(31)	3550	249100	CIAC - Service Lines	(6,785)	5	2.63%	892 debit	(178) credit
(32)	3550	249100	CIAC - Force Mains	(5,255)	5	3.33%	875 debit	(175) credit
(33)	3555	249100	CIAC - Gravity Mains	(68,942)	5	2.22%	7,653 debit	(1,531) credit
(34)	3555	249100	CIAC - Manholes	(896)	5	3.33%	149 debit	(30) credit
(35)	3600	249100	CIAC - Treatment Disposal Equipment - Lagoon	(310)	5	5.56%	86 debit	(17) credit
(36)	3605	249100	CIAC - Treatment Disposal Equipment - Treatment Plant	(154,540)	5	5.56%	42,962 debit	(8,592) credit
(37)	3625	249100	CIAC - Outfall Lines	(807)	5	3.33%	134 debit	(27) credit

Roll Forward A/A of CIAC Through 2006

			(a)	(b)	(c)	(d)	
Object A/C	Business Unit	Description	CIAC Adjustment	Years to Roll Forward	Depreciation Rate	Roll Forward A/A Adjustment	
(38)	3500	249100	CIAC - Structures & Improvements - Lift Station	(11,198)	4	4.00%	1,792 debit
(39)	3515	249100	CIAC - Structures & Improvements - Reclaimed Distribution	(2,620)	4	3.13%	328 debit
(40)	3505	249100	CIAC - Structures & Improvements - Treatment	(731)	4	3.13%	92 debit
(41)	3550	249100	CIAC - Service Lines	(6,785)	4	2.63%	714 debit
(42)	3550	249100	CIAC - Force Mains	(5,255)	4	3.33%	700 debit
(43)	3555	249100	CIAC - Gravity Mains	(68,942)	4	2.22%	6,122 debit
(44)	3555	249100	CIAC - Manholes	(896)	4	3.33%	119 debit
(45)	3600	249100	CIAC - Treatment Disposal Equipment - Lagoon	(310)	4	5.56%	69 debit
(46)	3605	249100	CIAC - Treatment Disposal Equipment - Treatment Plant	(154,540)	4	5.56%	34,370 debit
(47)	3625	249100	CIAC - Outfall Lines	(807)	4	3.33%	107 debit

Averaging Adjustment For Filing

			(a)	(b)	(c)	
Object A/C	Business Unit	Description	A/A Adjustment at 2006	A/A Adjustment at 2007	Simple Average Adjustment	
(48)	3500	249100	CIAC - Structures & Improvements - Lift Station	1,792	2,240	2,016
(49)	3515	249100	CIAC - Structures & Improvements - Reclaimed Distribution	328	410	369
(50)	3505	249100	CIAC - Structures & Improvements - Treatment	92	114	103
(51)	3550	249100	CIAC - Service Lines	714	892	803
(52)	3550	249100	CIAC - Force Mains	700	875	787
(53)	3555	249100	CIAC - Gravity Mains	6,122	7,653	6,887
(54)	3555	249100	CIAC - Manholes	119	149	134
(55)	3600	249100	CIAC - Treatment Disposal Equipment - Lagoon	69	86	78
(56)	3605	249100	CIAC - Treatment Disposal Equipment - Treatment Plant	34,370	42,962	38,666
(57)	3625	249100	CIAC - Outfall Lines	107	134	121

UTILITIES, INC. OF EAGLE RIDGE
DOCKET NO. 080247-SU
AUDIT REPORT RESPONSE WORKPAPERS

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Audit Finding No. 2 - Corrections to Prior Rate Case Ordered Adjustments

Entry #5

Location: Docket No. 080247-SU audit report pg. 15-18

Entry Description: To reclass COA that was booked into lagoons, but should have been booked into treatment plant, and to remove the related COA for A/D in lagoons

Notes: Adjustment for A/D for \$17,597 credit to treatment plant will be made in entry #6

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
1395	249100	Treatment Disposal Equipment - Lagoon	17,597	
?	249100	Balancing Entry	15,884	
1400	249100	Treatment Disposal Equipment - Treatment Plant		17,597
2155	249100	A/D - Treatment Disposal Equipment - Lagoon		15,884

Entry #6

Location: Docket No. 080247-SU audit report pg. 15-18

Entry Description: To correct and rollforward the A/D on the UPIS COA that was made in 2005 (excluding retirement entries)

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
2030	249100	A/D - Organization	724	
2110	249100	A/D - Gravity Mains	1,298	
?	249100	Balancing Entry	72,358	
2160	249100	A/D - Treatment Disposal Equipment - Treatment Plant		72,604
6640	249100	Dep Exp - Organization		362
6715	249100	Dep Exp - Gravity Mains		60
6765	249100	Dep Exp - Treatment Disposal Equipment - Treatment Plant		1,355

Entry #7

Location: Docket No. 080247-SU audit report pg. 15-18

Entry Description: To correct and rollforward the A/D on the UPIS COA retirement entries made in 2005

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
2160	249100	A/D - Treatment Disposal Equipment - Treatment Plant	49,475	
2070	249100	A/D - Structures & Improvements - Reclaimed Distribution		298
?	249100	Balancing Entry		32,388
6670	249100	Dep Exp - Structures & Improvements - Reclaimed Distribution		297
6765	249100	Dep Exp - Treatment Disposal Equipment - Treatment Plant		16,492

Effect on Filing

A/D	should be increased by	(46,571) credit
Dep Expense	should be decreased by	(18,565) credit

Audit Finding No. 2

Roll Forward A/D For Plant Through 2007 (No Retirements) (Entry 6)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)			
<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>UPIS Adjustment</u>	<u>A/D to remove in 2002 (per order)</u>	<u>Years to Roll Forward</u>	<u>Depreciation Rate</u>	<u>Roll Forward A/D</u>	<u>Total A/D</u>	<u>A/D booked in 2005</u>	<u>Adjustment</u>	<u>Depreciation Expense</u>	
(1)	1245	249100	Organization	(14,483)	543	5	2.50%	1,810	2,353	1,629	724 debit	(362)
(2)	1350	249100	Gravity Mains	(2,713)	4,371	5	2.22%	301	4,672	3,374	1,298 debit	(60)
(3)	1400	249100	Treatment Disposal Equipment - Treatment Plant	(24,368)	68	5	5.56%	6,774	6,842	79,446	(72,604) credit	(1,355)

Roll Forward A/D For Plant Through 2006 (No Retirements)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)			
<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>UPIS Adjustment</u>	<u>A/D to remove in 2002 (per order)</u>	<u>Years to Roll Forward</u>	<u>Depreciation Rate</u>	<u>Roll Forward A/D</u>	<u>Total A/D</u>	<u>A/D booked in 2005</u>	<u>Adjustment</u>	
(4)	1245	249100	Organization	(14,483)	543	4	2.50%	1,448	1,991	1,629	362 debit
(5)	1350	249100	Gravity Mains	(2,713)	4,371	4	2.22%	241	4,612	3,374	1,238 debit
(6)	1400	249100	Treatment Disposal Equipment - Treatment Plant	(24,368)	68	4	5.56%	5,419	5,487	79,446	(73,959) credit

Averaging Adjustment For Filing

	(a)	(b)	(c)			
<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>A/D Adjustment at 2006</u>	<u>A/D Adjustment at 2007</u>	<u>Simple Average Adjustment</u>	
(7)	1245	249100	Organization	362	724	543
(8)	1350	249100	Gravity Mains	1,238	1,298	1,268
(9)	1400	249100	Treatment Disposal Equipment - Treatment Plant	(73,959)	(72,604)	(73,281)

Roll Forward A/D For Retired Plant Through 2007 (Entry 7)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)			
<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>UPIS Adjustment</u>	<u>A/D to remove in 2002 (per order)</u>	<u>Years to Roll Forward</u>	<u>Depreciation Rate</u>	<u>Roll Forward A/D</u>	<u>Total A/D</u>	<u>A/D booked in 2005</u>	<u>Adjustment</u>	<u>Depreciation Expense</u>	
(10)	1400	249100	Treatment Disposal Equipment - Treatment Plant	(296,612)	296,612	3	5.56%	49,475	346,087	296,612	49,475 debit	(16,492)
(11)	1310	249100	Structures & Improvements - Reclaimed Distribution	(9,505)	9,505	3	3.12%	890	10,395	10,693	(298) credit	(297)

Roll Forward A/D For Retired Plant Through 2006

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)			
<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>UPIS Adjustment</u>	<u>A/D to remove in 2002 (per order)</u>	<u>Years to Roll Forward</u>	<u>Depreciation Rate</u>	<u>Roll Forward A/D</u>	<u>Total A/D</u>	<u>A/D booked in 2005</u>	<u>Adjustment</u>	
(12)	1400	249100	Treatment Disposal Equipment - Treatment Plant	(296,612)	296,612	2	5.56%	32,983	329,595	296,612	32,983 debit
(13)	1310	249100	Structures & Improvements - Reclaimed Distribution	(9,505)	9,505	2	3.12%	593	10,098	10,693	(595) credit

Averaging Adjustment For Filing

	(a)	(b)	(c)			
<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>A/D Adjustment at 2006</u>	<u>A/D Adjustment at 2007</u>	<u>Simple Average Adjustment</u>	
(14)	1400	249100	Treatment Disposal Equipment - Treatment Plant	32,983	49,475	41,229
(15)	1310	249100	Structures & Improvements - Reclaimed Distribution	(595)	(298)	(447)

Audit Finding No. 3 - CIAC Allocation Adjustment

Entry #8

Location: Docket No. 080247-SU audit report pg. 19-25

Entry Description: To correct the CIAC reclass entry made by the Company in 2003.

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
3500	249100	CIAC - Structures & Improvements - Lift Station	38,313	
3505	249100	CIAC - Structures & Improvements - Treatment	6,864	
3515	249100	CIAC - Structures & Improvements - Reclaimed Distribution	901	
3550	249100	CIAC - Service Lines	20,505	
3550	249100	CIAC - Force Mains	88,210	
3555	249100	CIAC - Gravity Mains	68,076	
3555	249100	CIAC - Manholes	63	
3600	249100	CIAC - Treatment Disposal Equipment - Lagoon	382	
3605	249100	CIAC - Treatment Disposal Equipment - Treatment Plant	132,602	
3500	249101	CIAC - Structures & Improvements - Lift Station		21,000
3505	249101	CIAC - Structures & Improvements - Treatment		7,339
3550	249101	CIAC - Service Lines		417
3550	249101	CIAC - Force Mains		3,618
3555	249101	CIAC - Gravity Mains		41,245
3555	249101	CIAC - Manholes		2,539
3605	249101	CIAC - Treatment Disposal Equipment - Treatment Plant		181,628
3625	249101	CIAC - Outfall Lines		2,425
3705	249100	CIAC - Sewer Tap		95,704

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Entry #9

Location: Docket No. 080247-SU audit report pg. 19-25

Entry Description: To reclassify and correct the A/A of CIAC balance at 12/31/07 and amortization expense at 12/31/07.

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
4030	249100	A/A of CIAC - Organization	306,910	
4030	249101	A/A of CIAC - Organization	26,972	
4050	249101	A/A of CIAC - Structures & Improvements - Lift Station	588	
4065	249100	A/A of CIAC - Structures & Improvements - Reclaimed Distribution	5,244	
4100	249101	A/A of CIAC - Service Lines	408	
4105	249101	A/A of CIAC - Manholes	3,357	
4105	249101	A/A of CIAC - Gravity Mains	53,982	
4150	249100	A/A of CIAC - Treatment Disposal Equipment - Lagoon	179	
4155	249101	A/A of CIAC - Treatment Disposal Equipment - Treatment Plant	161,204	
4265	249100	A/A of CIAC - Sewer Tap	1,188	
7225	249100	Amort Exp - CIAC - Structures & Improvements - Lift Station	888	
7275	249100	Amort Exp - CIAC - Service Lines	1,332	
7275	249100	Amort Exp - CIAC - Force Mains	2,942	
7280	249100	Amort Exp - CIAC - Manholes	2,786	
?	249100	Balancing Entry	41,986	
4050	249100	A/A of CIAC - Structures & Improvements - Lift Station		23,743
4055	249100	A/A of CIAC - Structures & Improvements - Treatment		38,324
4055	249101	A/A of CIAC - Structures & Improvements - Treatment		133,519
4100	249100	A/A of CIAC - Service Lines		21,995
4100	249100	A/A of CIAC - Force Mains		46,962
4100	249101	A/A of CIAC - Force Mains		6,557
4105	249100	A/A of CIAC - Manholes		111
4105	249100	A/A of CIAC - Gravity Mains		130,756
4155	249100	A/A of CIAC - Treatment Disposal Equipment - Treatment Plant		94,384
4175	249101	A/A of CIAC - Outfall Lines		221
7225	249101	Amort Exp - CIAC - Structures & Improvements - Lift Station		1,346
7240	249100	Amort Exp - CIAC - Structures & Improvements - Reclaimed Distribution		317
7230	249100	Amort Exp - CIAC - Structures & Improvements - Treatment		2,439
7230	249101	Amort Exp - CIAC - Structures & Improvements - Treatment		3,890
7275	249101	Amort Exp - CIAC - Force Mains		120
7280	249100	Amort Exp - CIAC - Gravity Mains		1,297
7280	249101	Amort Exp - CIAC - Gravity Mains		1,012
7280	249101	Amort Exp - CIAC - Manholes		94
7325	249100	Amort Exp - CIAC - Treatment Disposal Equipment - Lagoon		105
7330	249100	Amort Exp - CIAC - Treatment Disposal Equipment - Treatment Plant		2,408
7330	249101	Amort Exp - CIAC - Treatment Disposal Equipment - Treatment Plant		12,870
7350	249101	Amort Exp - CIAC - Outfall Lines		80
7430	249100	Amort Exp - CIAC - Sewer Tap		612
?	249101	Balancing Entry		86,801

Effect on Filing

A/A of CIAC	should be increased by	54,137 debit
Amort Expense	should be increased by	(18,643) credit

Audit Finding No. 3

A/A For CIAC Redistribution in 2003 (Entry 8)

Object A/C	Business Unit	Description	(a) CIAC at 2003 Recalculation by Staff	(b) Depreciation Rate	(c) Calculated Amortization Expense	
(1)	3500	249100	CIAC - Structures & Improvements - Lift Station	(58,401)	4.00%	2,336
(2)	3500	249101	CIAC - Structures & Improvements - Lift Station	(96,967)	4.00%	3,879
(3)	3515	249100	CIAC - Structures & Improvements - Reclaimed Distribution	(10,139)	3.13%	317
(4)	3505	249100	CIAC - Structures & Improvements - Treatment	(2,461)	3.13%	77
(5)	3505	249101	CIAC - Structures & Improvements - Treatment	(33,890)	3.13%	1,061
(6)	3550	249100	CIAC - Service Lines	(92,216)	2.63%	2,425
(7)	3550	249101	CIAC - Service Lines	(1,927)	2.63%	51
(8)	3550	249100	CIAC - Force Mains	(56,211)	3.33%	1,872
(9)	3550	249101	CIAC - Force Mains	(16,707)	3.33%	556
(10)	3555	249100	CIAC - Gravity Mains	(766,125)	2.22%	17,008
(11)	3555	249101	CIAC - Gravity Mains	(190,453)	2.22%	4,228
(12)	3555	249100	CIAC - Manholes	(708)	3.33%	24
(13)	3555	249101	CIAC - Manholes	(11,724)	3.33%	390
(14)	3600	249100	CIAC - Treatment Disposal Equipment - Lagoon	(4,302)	5.56%	239
(15)	3605	249100	CIAC - Treatment Disposal Equipment - Treatment Plant	(1,305,570)	5.56%	72,590
(16)	3605	249101	CIAC - Treatment Disposal Equipment - Treatment Plant	(838,678)	5.56%	46,630
(17)	3625	249101	CIAC - Outfall Lines	(11,197)	3.33%	373
(18)	3705	249100	CIAC - Sewer Tap	(55,348)	4.41%	2,441

Roll Forward A/A For CIAC Through 2007

Object A/C	Business Unit	Description	(a) CIAC at 2004 (Using Staff Reclassification)	(b) Depreciation Rate	(c) Calculated A/A at 2003	(d) 2004 Amortization	(e) 2004 A/A
(19)	3500	249100	CIAC - Structures & Improvements - Lift Station	(58,401)	4.00%	2,336	27,724
(20)	3500	249101	CIAC - Structures & Improvements - Lift Station	(96,967)	4.00%	3,879	88,341
(21)	3515	249100	CIAC - Structures & Improvements - Reclaimed Distribution	(10,139)	3.13%	4,319	4,637
(22)	3505	249100	CIAC - Structures & Improvements - Treatment	(2,461)	3.13%	1,048	1,125
(23)	3505	249101	CIAC - Structures & Improvements - Treatment	(33,890)	3.13%	29,520	1,061
(24)	3550	249100	CIAC - Service Lines	(92,216)	2.63%	38,825	2,425
(25)	3550	249101	CIAC - Service Lines	(1,927)	2.63%	1,679	51
(26)	3550	249100	CIAC - Force Mains	(56,211)	3.33%	24,059	1,872
(27)	3550	249101	CIAC - Force Mains	(16,707)	3.33%	14,553	556
(28)	3555	249100	CIAC - Gravity Mains	(766,125)	2.22%	319,414	17,008
(29)	3555	249101	CIAC - Gravity Mains	(190,453)	2.22%	165,891	4,228
(30)	3555	249100	CIAC - Manholes	(708)	3.33%	303	24
(31)	3555	249101	CIAC - Manholes	(11,724)	3.33%	10,212	390
(32)	3600	249100	CIAC - Treatment Disposal Equipment - Lagoon	(4,302)	5.56%	1,937	239
(33)	3605	249100	CIAC - Treatment Disposal Equipment - Treatment Plant	(1,305,570)	5.56%	587,926	72,590
(34)	3605	249101	CIAC - Treatment Disposal Equipment - Treatment Plant	(838,678)	5.56%	730,517	46,630
(35)	3625	249101	CIAC - Outfall Lines	(11,197)	3.33%	9,753	373
(36)	3705	249100	CIAC - Sewer Tap	(56,752)	4.41%	24,288	2,502

Object A/C	Business Unit	Description	(a) CIAC at 2005 (Using Staff Reclassification)	(b) Depreciation Rate	(c) Calculated A/A at 2004	(d) 2005 Amortization	(e) 2005 A/A
(37)	3500	249100	CIAC - Structures & Improvements - Lift Station	(58,401)	4.00%	27,724	2,336
(38)	3500	249101	CIAC - Structures & Improvements - Lift Station	(96,967)	4.00%	88,341	3,879
(39)	3515	249100	CIAC - Structures & Improvements - Reclaimed Distribution	(10,139)	3.13%	4,637	317
(40)	3505	249100	CIAC - Structures & Improvements - Treatment	(1,078,759)	3.13%	545,654	33,765
(41)	3505	249101	CIAC - Structures & Improvements - Treatment	(888,400)	3.13%	544,430	18,417
(42)	3550	249100	CIAC - Service Lines	(92,216)	2.63%	41,250	2,425
(43)	3550	249101	CIAC - Service Lines	(1,927)	2.63%	1,729	51
(44)	3550	249100	CIAC - Force Mains	(56,211)	3.33%	25,931	1,872
(45)	3550	249101	CIAC - Force Mains	(16,707)	3.33%	15,109	556
(46)	3555	249100	CIAC - Gravity Mains	(766,125)	2.22%	336,422	17,008
(47)	3555	249101	CIAC - Gravity Mains	(190,453)	2.22%	170,119	4,228
(48)	3555	249100	CIAC - Manholes	(708)	3.33%	327	24
(49)	3555	249101	CIAC - Manholes	(11,724)	3.33%	10,602	390
(50)	3600	249100	CIAC - Treatment Disposal Equipment - Lagoon	(4,302)	5.56%	2,176	239
(51)	3605	249100	CIAC - Treatment Disposal Equipment - Treatment Plant	(229,272)	5.56%	115,987	12,748
(52)	3605	249101	CIAC - Treatment Disposal Equipment - Treatment Plant	(284,168)	5.56%	263,298	15,800
(53)	3625	249101	CIAC - Outfall Lines	(11,197)	3.33%	10,126	373
(54)	3705	249100	CIAC - Sewer Tap	(58,808)	4.41%	26,790	2,593

Audit Finding No. 3

Object A/C	Business Unit	Description	(a) CIAC at 2006 (Using Staff Reclassification)	(b) Depreciation Rate	(c) Calculated A/A at 2005	(d) 2006 Amortization	(e) 2006 A/A	(f) 2006 Per Books A/A	(g) Adjustment
(55)	3480	249100	CIAC - Organization	-	2.50%	-	-	(306,910)	306,910 debit
(56)	3480	249101	CIAC - Organization	-	2.50%	-	-	(26,972)	26,972 debit
(57)	3500	249100	CIAC - Structures & Improvements - Lift Station	(58,401)	4.00%	30,060	2,336	32,396	55,251 (22,855) credit
(58)	3500	249101	CIAC - Structures & Improvements - Lift Station	(96,967)	4.00%	92,219	3,879	96,098	96,856 (788) debit
(59)	3515	249100	CIAC - Structures & Improvements - Reclaimed Distribution	(10,139)	3.13%	4,954	317	5,271	345 4,926 debit
(60)	3505	249100	CIAC - Structures & Improvements - Treatment	(1,078,759)	3.13%	579,419	33,765	613,185	653,948 (40,763) credit
(61)	3505	249101	CIAC - Structures & Improvements - Treatment	(588,400)	3.13%	562,847	18,417	588,264	718,673 (137,409) debit
(62)	3550	249100	CIAC - Service Lines	(92,216)	2.63%	43,675	2,425	46,101	66,791 (20,690) credit
(63)	3550	249101	CIAC - Service Lines	(1,927)	2.63%	1,780	51	1,831	1,396 435 debit
(64)	3550	249100	CIAC - Force Mains	(56,211)	3.33%	27,803	1,872	29,675	74,461 (44,787) credit
(65)	3550	249101	CIAC - Force Mains	(16,707)	3.33%	15,665	556	16,222	22,132 (5,910) debit
(66)	3555	249100	CIAC - Gravity Mains	(766,125)	2.22%	353,430	17,008	370,438	500,732 (130,294) credit
(67)	3555	249101	CIAC - Gravity Mains	(190,453)	2.22%	174,347	4,228	178,575	124,478 54,097 debit
(68)	3555	249100	CIAC - Manholes	(708)	3.33%	350	24	374	496 (122) credit
(69)	3555	249101	CIAC - Manholes	(11,724)	3.33%	10,992	390	11,383	8,208 3,175 debit
(70)	3600	249100	CIAC - Treatment Disposal Equipment - Lagoon	(4,302)	5.56%	2,416	239	2,655	2,582 73 debit
(71)	3605	249100	CIAC - Treatment Disposal Equipment - Treatment Plant	(229,272)	5.56%	128,734	12,748	141,482	238,274 (96,792) credit
(72)	3605	249101	CIAC - Treatment Disposal Equipment - Treatment Plant	(284,168)	5.56%	279,097	15,800	294,897	146,564 148,334 debit
(73)	3625	249101	CIAC - Outfall Lines	(11,197)	3.33%	10,499	373	10,872	11,173 (302) credit
(74)	3705	249100	CIAC - Sewer Tap	(58,808)	4.41%	29,383	2,593	31,976	31,400 576 debit

Object A/C	Business Unit	Description	(a) CIAC at 2007 (Using Staff Reclassification)	(b) Depreciation Rate	(c) Calculated A/A at 2006	(d) 2007 Amortization	(e) 2007 A/A	(f) 2007 Per Books A/A	(g) Adjustment
(75)	3480	249100	CIAC - Organization	-	2.50%	-	-	(306,910)	306,910 debit
(76)	3480	249101	CIAC - Organization	-	2.50%	-	-	(26,972)	26,972 debit
(77)	3500	249100	CIAC - Structures & Improvements - Lift Station	(58,401)	4.00%	32,396	2,336	34,732	58,475 (23,743) credit
(78)	3500	249101	CIAC - Structures & Improvements - Lift Station	(96,967)	4.00%	96,998	3,879	99,977	99,389 588 debit
(79)	3515	249100	CIAC - Structures & Improvements - Reclaimed Distribution	(10,139)	3.13%	5,271	317	5,589	345 5,244 debit
(80)	3505	249100	CIAC - Structures & Improvements - Treatment	(1,078,759)	3.13%	613,185	33,765	646,950	685,274 (38,324) credit
(81)	3505	249101	CIAC - Structures & Improvements - Treatment	(588,400)	3.13%	581,264	18,417	599,681	733,200 (133,519) credit
(82)	3550	249100	CIAC - Service Lines	(92,216)	2.63%	46,101	2,425	48,526	70,520 (21,995) credit
(83)	3550	249101	CIAC - Service Lines	(1,927)	2.63%	1,831	51	1,881	1,474 408 debit
(84)	3550	249100	CIAC - Force Mains	(56,211)	3.33%	29,675	1,872	31,547	78,509 (46,962) credit
(85)	3550	249101	CIAC - Force Mains	(16,707)	3.33%	16,222	556	16,778	23,335 (6,557) credit
(86)	3555	249100	CIAC - Gravity Mains	(766,125)	2.22%	370,438	17,008	387,446	518,202 (130,756) credit
(87)	3555	249101	CIAC - Gravity Mains	(190,453)	2.22%	178,575	4,228	182,803	128,821 53,982 debit
(88)	3555	249100	CIAC - Manholes	(708)	3.33%	374	24	398	509 (111) credit
(89)	3555	249101	CIAC - Manholes	(11,724)	3.33%	11,383	390	11,773	8,416 3,357 debit
(90)	3600	249100	CIAC - Treatment Disposal Equipment - Lagoon	(4,302)	5.56%	2,416	239	2,894	2,715 179 debit
(91)	3605	249100	CIAC - Treatment Disposal Equipment - Treatment Plant	(229,272)	5.56%	141,482	12,748	154,229	248,613 (94,384) credit
(92)	3605	249101	CIAC - Treatment Disposal Equipment - Treatment Plant	(284,168)	5.56%	294,897	15,800	310,697	149,493 161,204 debit
(93)	3625	249101	CIAC - Outfall Lines	(11,197)	3.33%	10,872	373	11,244	11,466 (221) credit
(94)	3705	249100	CIAC - Sewer Tap	(58,808)	4.41%	31,976	2,593	34,570	33,382 1,188 debit

Average Adjustment For Filine

Object A/C	Business Unit	Description	(a) A/A Adjustment at 2006	(b) A/A Adjustment at 2007	(c) Simple Average Adjustment
(95)	4030	249100	A/A of CIAC - Organization	306,910	306,910
(96)	4030	249100	A/A of CIAC - Organization	26,972	26,972
(97)	4050	249100	A/A of CIAC - Structures & Improvements - Lift Station	(22,855)	(23,743)
(98)	4050	249101	A/A of CIAC - Structures & Improvements - Lift Station	(758)	588
(99)	4065	249100	A/A of CIAC - Structures & Improvements - Reclaimed Distribution	4,926	5,244
(100)	4055	249100	A/A of CIAC - Structures & Improvements - Treatment	(40,763)	(38,324)
(101)	4055	249101	A/A of CIAC - Structures & Improvements - Treatment	(137,409)	(133,519)
(102)	4100	249100	A/A of CIAC - Service Lines	(20,690)	(21,342)
(103)	4100	249101	A/A of CIAC - Service Lines	435	421
(104)	4100	249100	A/A of CIAC - Force Mains	(44,787)	(46,962)
(105)	4100	249101	A/A of CIAC - Force Mains	(5,910)	(6,234)
(106)	4105	249100	A/A of CIAC - Gravity Mains	(130,294)	(130,756)
(107)	4105	249101	A/A of CIAC - Gravity Mains	54,097	53,982
(108)	4105	249100	A/A of CIAC - Manholes	(122)	(111)
(109)	4105	249101	A/A of CIAC - Manholes	3,175	3,266
(110)	4150	249100	A/A of CIAC - Treatment Disposal Equipment - Lagoon	73	126
(111)	4155	249100	A/A of CIAC - Treatment Disposal Equipment - Treatment Plant	(96,792)	(94,384)
(112)	4155	249101	A/A of CIAC - Treatment Disposal Equipment - Treatment Plant	148,334	154,769
(113)	4175	249101	A/A of CIAC - Outfall Lines	(302)	(262)
(114)	4265	249100	A/A of CIAC - Sewer Tap	576	1,188

Audit Finding No. 3

Amortization Expense Adjustment

Object A/C	Business Unit	Description	(a)	(b)	(c)
			2007 Amortization (Per Calculation)	2007 Amortization (Per Books)	Amortization Expense Adjustment
(115)	7205	249100 Amort Exp - CIAC - Organization	-	-	-
(116)	7205	249100 Amort Exp - CIAC - Organization	-	-	-
(117)	7225	249100 Amort Exp - CIAC - Structures & Improvements - Lift Station	(2,336)	(3,224)	888 debit
(118)	7225	249101 Amort Exp - CIAC - Structures & Improvements - Lift Station	(3,879)	(2,532)	(1,346) credit
(119)	7240	249100 Amort Exp - CIAC - Structures & Improvements - Reclaimed Distribut	(317)	-	(317) credit
(120)	7230	249100 Amort Exp - CIAC - Structures & Improvements - Treatment	(33,765)	(31,326)	(2,439) credit
(121)	7230	249101 Amort Exp - CIAC - Structures & Improvements - Treatment	(18,417)	(14,527)	(3,890) credit
(122)	7275	249100 Amort Exp - CIAC - Service Lines	(2,425)	(3,758)	1,332 debit
(123)	7275	249101 Amort Exp - CIAC - Service Lines	(51)	(50)	(1) credit
(124)	7275	249100 Amort Exp - CIAC - Force Mains	(1,872)	(4,814)	2,942 debit
(125)	7275	249101 Amort Exp - CIAC - Force Mains	(556)	(436)	(120) credit
(126)	7280	249100 Amort Exp - CIAC - Gravity Mains	(17,008)	(15,711)	(1,297) credit
(127)	7280	249101 Amort Exp - CIAC - Gravity Mains	(4,228)	(3,216)	(1,012) credit
(128)	7280	249100 Amort Exp - CIAC - Manholes	(24)	(2,810)	2,786 debit
(129)	7280	249101 Amort Exp - CIAC - Manholes	(390)	(297)	(94) credit
(130)	7325	249100 Amort Exp - CIAC - Treatment Disposal Equipment - Lagoon	(239)	(134)	(105) credit
(131)	7330	249100 Amort Exp - CIAC - Treatment Disposal Equipment - Treatment Plant	(12,748)	(10,339)	(2,408) credit
(132)	7330	249101 Amort Exp - CIAC - Treatment Disposal Equipment - Treatment Plant	(15,800)	(2,930)	(12,870) credit
(133)	7350	249101 Amort Exp - CIAC - Outfall Lines	(373)	(292)	(80) credit
(134)	7430	249100 Amort Exp - CIAC - Sewer Tap	(2,593)	(1,981)	(612) credit

Notes:

- (1) After audit staff's redistribution, a reclass entry to move CIAC out of treatment plant and into structures and improvements was made. Since this was after the 2002/2003 redistribution, A/A of CIAC needed to be reclassified as well. In order to calculate the A/A of CIAC reclass, the Company did the following:
The Company noted that approximately 82.44% of the CIAC balance in treatment plant was moved to structures and improvements in 2005 for Eagle Ridge
The Company removed 82.44% to the ending balance in A/A of CIAC - treatment plant in 2004 and reclassified that amount into A/A of CIAC - structures and improvements - treatment for Eagle Ridge
The Company noted that approximately 66.12% of the CIAC balance in treatment plant was moved to structures and improvements in 2005 for Cross Creek
The Company removed 66.12% to the ending balance in A/A of CIAC - treatment plant in 2004 and reclassified that amount into A/A of CIAC - structures and improvements - treatment for Cross Creek
If this entry was not prepared, the A/A of CIAC in treatment plant would have had a great balance than the CIAC for treatment plant.

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Audit Finding No. 3

Distribution of Assets Between Eagle Ridge and Cross Creek

	(a) 2002 Eagle Ridge	(b) % Eagle Ridge	(c) 2002 Cross Creek	(d) % Cross Creek	(e) Total
(1) Lift Station	85,404	37.59%	141,804	62.41%	227,208
(2) Reclaimed Water Distribution	14,827	100.00%	-	0.00%	14,827
(3) Structures & Improvements - Treatment	3,599	6.77%	49,561	93.23%	53,159
(4) Service Lines	134,854	97.95%	2,818	2.05%	137,673
(5) Force Mains	82,202	77.09%	24,433	22.91%	106,634
(6) Gravity Mains	1,120,370	80.09%	278,515	19.91%	1,398,885
(7) Manholes	1,036	5.70%	17,144	94.30%	18,180
(8) Lagoon	6,291	100.00%	-	0.00%	6,291
(9) Treatment Plant	1,909,246	60.89%	1,226,469	39.11%	3,135,715
(10) Outfall Lines	-	0.00%	16,375	100.00%	16,375

CIAC Adjustment for Reclassification Entry

	(a) Balance Per Staff at 2003	(b) Eagle Ridge Calculated CIAC	(c) Eagle Ridge CIAC Per Books at 2003	(d) Eagle Ridge Adjustment	(e) Cross Creek Calculated CIAC	(f) Cross Creek Per Books at 2003	(g) Cross Creek Adjustment
(11) Lift Station	(155,368)	(58,401)	(96,713)	38,313	(96,967)	(75,968)	(21,000)
(12) Reclaimed Water Distribution	(10,139)	(10,139)	(11,040)	901	-	-	-
(13) Structures & Improvements - Treatment	(36,351)	(2,461)	(9,325)	6,864	(33,890)	(26,551)	(7,339)
(14) Service Lines	(94,143)	(92,216)	(112,721)	20,505	(1,927)	(1,510)	(417)
(15) Force Mains	(72,918)	(56,211)	(144,421)	88,210	(16,707)	(13,089)	(3,618)
(16) Gravity Mains	(956,578)	(766,125)	(834,202)	68,076	(190,453)	(149,207)	(41,245)
(17) Manholes	(12,432)	(708)	(771)	63	(11,724)	(9,184)	(2,539)
(18) Lagoon	(4,302)	(4,302)	(4,684)	382	-	-	-
(19) Treatment Plant	(2,144,248)	(1,305,570)	(1,438,172)	132,602	(838,678)	(657,049)	(181,628)
(20) Outfall Lines	(11,197)	-	-	-	(11,197)	(8,772)	(2,425)

A/A of CIAC Adjustment for Reclassification Entry

	(a) Eagle Ridge Calculated CIAC	(b) % to Total Eagle Ridge	(c) Eagle Ridge A/A of CIAC Allocation at 2002	(d) Cross Creek CIAC	(e) % to Total Cross Creek	(f) Cross Creek A/A of CIAC Allocation at 2002
(21) Lift Station	(58,401)	2.48%	23,052	(96,967)	8.07%	84,462
(22) Reclaimed Water Distribution	(10,139)	0.43%	4,002	-	0.00%	-
(23) Structures & Improvements - Treatment	(2,461)	0.10%	971	(33,890)	2.82%	29,520
(24) Service Lines	(92,216)	3.92%	36,399	(1,927)	0.16%	1,679
(25) Force Mains	(56,211)	2.39%	22,188	(16,707)	1.39%	14,553
(26) Gravity Mains	(766,125)	32.58%	302,406	(190,453)	15.85%	165,891
(27) Manholes	(708)	0.03%	280	(11,724)	0.98%	10,212
(28) Lagoon	(4,302)	0.18%	1,698	-	0.00%	-
(29) Treatment Plant	(1,305,570)	55.52%	515,336	(838,678)	69.80%	730,517
(30) Outfall Lines	-	0.00%	-	(11,197)	0.93%	9,753
(31) Sewer Tap	(55,348)	2.35%	21,847	-	0.00%	-

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Audit Finding No. 5 - CIAC Allocation Adjustment

Entry #10

Location: Docket No. 080247-SU audit report pg. 31-32

Entry Description: To reclassify an easement recorded in 2006, and to remove the corresponding A/D and depreciation expense.

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
1265	249100	Land & Land Rights - Collection Plant	11,411	
2055	249100	A/D - Structures & Improvements - Lift Station	913	
1295	249100	Structures & Improvements - Lift Station		11,411
?	249100	Balancing Entry		456
6660	249100	Dep Exp - Structures & Improvements - Lift Station		456

Effect on Filing

A/D	should be decreased by	685 debit
Dep Exp	should be decreased by	456 credit

Audit Finding No. 5

Roll Forward A/D For Misclassified Easement for 2007

			(a)	(b)	(c)	(d)	(e)	
<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>UPIS Adjustment</u>	<u>Years to Roll Forward</u>	<u>Depreciation Rate</u>	<u>Roll Forward A/D Adjustment</u>	<u>Depreciation Expense</u>	
(1)	1295	249100	Structures & Improvements - Lift Station	(11,411)	2	4.00%	913 debit	(456) credit

Roll Forward A/D For Misclassified Easement for 2007

			(a)	(b)	(c)	(d)	
<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>UPIS Adjustment</u>	<u>Years to Roll Forward</u>	<u>Depreciation Rate</u>	<u>Roll Forward A/D Adjustment</u>	
(2)	1295	249100	Structures & Improvements - Lift Station	(11,411)	1	4.00%	456 debit

Averaging Adjustment For Filing

			(a)	(b)	(c)	
<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>A/D Adjustment at 2006</u>	<u>A/D Adjustment at 2007</u>	<u>Simple Average Adjustment</u>	
(3)	1295	249100	Structures & Improvements - Lift Station	456	913	685

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Audit Finding No. 7 - Correction to Net Depreciation Expense

Entry #11

Location: Docket No. 080247-SU audit report pg. 34-46

Entry Description: To correct depreciation expense using the correct rates per rule 25-30.140.

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
6640	249100	Dep Exp - Organization	1,604	
6640	249100	Dep Exp - Organization	225	
6660	249100	Dep Exp - Structures & Improvements - Lift Station	1,109	
6660	249101	Dep Exp - Structures & Improvements - Lift Station	946	
6705	249100	Dep Exp - Structures & Improvements - Reclaimed Distribution	135	
6715	249100	Dep Exp - Gravity Mains	21	
6715	249101	Dep Exp - Gravity Mains	5	
6715	249100	Dep Exp - Manholes	14	
6715	249101	Dep Exp - Manholes	191	
6760	249100	Dep - ExpTreatment Disposal Equipment - Lagoon	178	
6765	249100	Dep Exp - Treatment Disposal Equipment - Treatment Plant	29,712	
6765	249101	Dep Exp - Treatment Disposal Equipment - Treatment Plant	6,266	
6840	249100	Dep Exp - Laboratory Equipment	41	
6840	249101	Dep Exp - Laboratory Equipment	6	
6860	249100	Dep Exp - Other Tangible Sewer Plant	287	
?	249100	Balancing Entry		32,177
?	249101	Balancing Entry		7,334
6665	249100	Dep Exp - Structures & Improvements - Treatment		49
6665	249101	Dep Exp - Structures & Improvements - Treatment		37
6710	249100	Dep Exp - Service Lines		1,086
6710	249101	Dep Exp - Service Lines		42
6710	249100	Dep Exp - Force Mains		16
6710	249101	Dep Exp - Force Mains		2
6785	249101	Dep Exp - Outfall Lines		1

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Audit Finding No. 7 - Correction to Net Depreciation Expense

Entry #12

Location: Docket No. 080247-SU audit report pg. 34-46

Entry Description: To correct test year accumulated depreciation using the correct rates per rule 25-30.140.

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
1295	249100	A/D - Structures & Improvements - Lift Station	45,024	
1345	249101	A/D - Service Lines	5,065	
1345	249101	A/D - Force Mains	11,285	
1350	249100	A/D - Gravity Mains	12,080	
1350	249100	A/D - Manholes	217	
1420	249101	A/D - Outfall Lines	1	
?	249100	Balancing Entry	143,891	
?	249101	Balancing Entry	142,032	
1245	249100	A/D - Organization		3,310
1245	249101	A/D - Organization		1,086
1295	249101	A/D - Structures & Improvements - Lift Station		58,758
1300	249100	A/D - Structures & Improvements - Treatment		48,129
1300	249101	A/D - Structures & Improvements - Treatment		34,668
1310	249100	A/D - Structures & Improvements - Reclaimed Distribution		675
1345	249100	A/D - Service Lines		1,888
1345	249100	A/D - Force Mains		11,826
1350	249101	A/D - Manholes		320
1350	249101	A/D - Gravity Mains		12,250
1395	249100	A/D - Treatment Disposal Equipment - Lagoon		877
1400	249100	A/D - Treatment Disposal Equipment - Treatment Plant		126,218
1400	249101	A/D - Treatment Disposal Equipment - Treatment Plant		48,924
1455	249100	A/D - Office Structures & Improvements		2,273
1455	249101	A/D - Office Structures & Improvements		1
1460	249100	A/D - Office Furniture & Equipment		11
1460	249101	A/D - Office Furniture & Equipment		31
1470	249100	A/D - Tools, Shop, & Miscellaneous Equipment		4,492
1470	249101	A/D - Tools, Shop, & Miscellaneous Equipment		12
1475	249100	A/D - Laboratory Equipment		267
1475	249101	A/D - Laboratory Equipment		2,331
1500	249100	A/D - Other Tangible Sewer Plant		640
1540	249100	A/D - Reuse Transmission & Distribution System		606

Effect on Filing

A/D	should be increased by	(255,862) credit
Dep Exp	should be increased by	39,510 debit

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w/p 7(a)

Audit Finding No. 7

Monthly Depreciation Expense for 2007 (1)

	<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	(a) <u>Jan 2007 Balance</u>	(b) <u>Depreciation Rate</u>	(c) <u>Depreciation Expense</u>
(1)	1245	249100	Organization	64,151	2.50%	134
(2)	1245	249101	Organization	34,439	2.50%	72
(3)	1250	249100	Franchises	243,953	2.50%	508
(4)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-
(5)	1295	249100	Structures & Improvements - Lift Station	159,841	4.00%	533
(6)	1295	249101	Structures & Improvements - Lift Station	141,833	4.00%	473
(7)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	4,050
(8)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	3,021
(9)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	39
(10)	1345	249100	Service Lines	155,317	2.63%	340
(11)	1345	249101	Service Lines	5,985	2.63%	13
(12)	1345	249100	Force Mains	193,964	3.33%	538
(13)	1345	249101	Force Mains	24,433	3.33%	68
(14)	1350	249100	Gravity Mains	1,124,220	2.22%	2,080
(15)	1350	249101	Gravity Mains	285,435	2.22%	528
(16)	1350	249100	Manholes	1,065	3.33%	3
(17)	1350	249101	Manholes	17,144	3.33%	48
(18)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	30
(19)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,087,105	5.56%	5,037
(20)	1400	249101	Treatment Disposal Equipment - Treatment Plant	226,395	5.56%	1,049
(21)	1420	249101	Outfall Lines	16,375	3.33%	45
(22)	1455	249100	Office Structures & Improvements	931	2.50%	2
(23)	1455	249101	Office Structures & Improvements	2,398	2.50%	5
(24)	1460	249100	Office Furniture & Equipment	814	6.67%	5
(25)	1460	249101	Office Furniture & Equipment	780	6.67%	4
(26)	1470	249100	Tools, Shop, & Miscellaneous Equipment	55,110	6.25%	287
(27)	1470	249101	Tools, Shop, & Miscellaneous Equipment	190	6.25%	1
(28)	1475	249100	Laboratory Equipment	9,879	6.67%	55
(29)	1475	249101	Laboratory Equipment	1,488	6.67%	8
(30)	1500	249100	Other Tangible Sewer Plant	3,524	10.00%	29
(31)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	51
(32)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-

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Audit Finding No. 7

				(a)	(b)	(c)
Object A/C	Business Unit	Description		Feb 2007 Balance	Depreciation Rate	Depreciation Expense
(33)	1245	249100	Organization	64,151	2.50%	134
(34)	1245	249101	Organization	34,439	2.50%	72
(35)	1250	249100	Franchises	243,953	2.50%	508
(36)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-
(37)	1295	249100	Structures & Improvements - Lift Station	160,966	4.00%	537
(38)	1295	249101	Structures & Improvements - Lift Station	141,833	4.00%	473
(39)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	4,050
(40)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	3,021
(41)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	39
(42)	1345	249100	Service Lines	155,336	2.63%	340
(43)	1345	249101	Service Lines	5,985	2.63%	13
(44)	1345	249100	Force Mains	193,964	3.33%	538
(45)	1345	249101	Force Mains	24,433	3.33%	68
(46)	1350	249100	Gravity Mains	1,124,220	2.22%	2,080
(47)	1350	249101	Gravity Mains	285,435	2.22%	528
(48)	1350	249100	Manholes	1,065	3.33%	3
(49)	1350	249101	Manholes	17,144	3.33%	48
(50)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	30
(51)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,087,497	5.56%	5,039
(52)	1400	249101	Treatment Disposal Equipment - Treatment Plant	226,786	5.56%	1,051
(53)	1420	249101	Outfall Lines	16,375	3.33%	45
(54)	1455	249100	Office Structures & Improvements	931	2.50%	2
(55)	1455	249101	Office Structures & Improvements	2,398	2.50%	5
(56)	1460	249100	Office Furniture & Equipment	814	6.67%	5
(57)	1460	249101	Office Furniture & Equipment	780	6.67%	4
(58)	1470	249100	Tools, Shop, & Miscellaneous Equipment	55,525	6.25%	289
(59)	1470	249101	Tools, Shop, & Miscellaneous Equipment	190	6.25%	1
(60)	1475	249100	Laboratory Equipment	9,879	6.67%	55
(61)	1475	249101	Laboratory Equipment	1,488	6.67%	8
(62)	1500	249100	Other Tangible Sewer Plant	3,524	10.00%	29
(63)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	51
(64)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-

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Audit Finding No. 7

Object A/C	Business Unit	Description	(a) Mar 2007 Balance	(b) Depreciation Rate	(c) Depreciation Expense	
(65)	1245	249100	Organization	64,151	2.50%	134
(66)	1245	249101	Organization	34,439	2.50%	72
(67)	1250	249100	Franchises	243,953	2.50%	508
(68)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-
(69)	1295	249100	Structures & Improvements - Lift Station	162,776	4.00%	543
(70)	1295	249101	Structures & Improvements - Lift Station	141,833	4.00%	473
(71)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	4,050
(72)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	3,021
(73)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	39
(74)	1345	249100	Service Lines	155,336	2.63%	340
(75)	1345	249101	Service Lines	5,985	2.63%	13
(76)	1345	249100	Force Mains	193,964	3.33%	538
(77)	1345	249101	Force Mains	24,433	3.33%	68
(78)	1350	249100	Gravity Mains	1,124,220	2.22%	2,080
(79)	1350	249101	Gravity Mains	285,435	2.22%	528
(80)	1350	249100	Manholes	1,315	3.33%	4
(81)	1350	249101	Manholes	17,144	3.33%	48
(82)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	30
(83)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,090,653	5.56%	5,053
(84)	1400	249101	Treatment Disposal Equipment - Treatment Plant	229,192	5.56%	1,062
(85)	1420	249101	Outfall Lines	16,375	3.33%	45
(86)	1455	249100	Office Structures & Improvements	931	2.50%	2
(87)	1455	249101	Office Structures & Improvements	2,398	2.50%	5
(88)	1460	249100	Office Furniture & Equipment	814	6.67%	5
(89)	1460	249101	Office Furniture & Equipment	780	6.67%	4
(90)	1470	249100	Tools, Shop, & Miscellaneous Equipment	55,525	6.25%	289
(91)	1470	249101	Tools, Shop, & Miscellaneous Equipment	190	6.25%	1
(92)	1475	249100	Laboratory Equipment	9,879	6.67%	55
(93)	1475	249101	Laboratory Equipment	1,488	6.67%	8
(94)	1500	249100	Other Tangible Sewer Plant	3,524	10.00%	29
(95)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	51
(96)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-

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w/p 7(a)

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Object A/C	Business Unit	Description	(a) Apr 2007 Balance	(b) Depreciation Rate	(c) Depreciation Expense	
(97)	1245	249100	Organization	64,151	2.50%	134
(98)	1245	249101	Organization	34,439	2.50%	72
(99)	1250	249100	Franchises	243,953	2.50%	508
(100)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-
(101)	1295	249100	Structures & Improvements - Lift Station	162,934	4.00%	543
(102)	1295	249101	Structures & Improvements - Lift Station	141,833	4.00%	473
(103)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	4,050
(104)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	3,021
(105)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	39
(106)	1345	249100	Service Lines	155,336	2.63%	340
(107)	1345	249101	Service Lines	5,985	2.63%	13
(108)	1345	249100	Force Mains	193,964	3.33%	538
(109)	1345	249101	Force Mains	24,433	3.33%	68
(110)	1350	249100	Gravity Mains	1,124,220	2.22%	2,080
(111)	1350	249101	Gravity Mains	285,435	2.22%	528
(112)	1350	249100	Manholes	1,315	3.33%	4
(113)	1350	249101	Manholes	17,144	3.33%	48
(114)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	30
(115)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,092,064	5.56%	5,060
(116)	1400	249101	Treatment Disposal Equipment - Treatment Plant	229,192	5.56%	1,062
(117)	1420	249101	Outfall Lines	16,375	3.33%	45
(118)	1455	249100	Office Structures & Improvements	931	2.50%	2
(119)	1455	249101	Office Structures & Improvements	2,398	2.50%	5
(120)	1460	249100	Office Furniture & Equipment	814	6.67%	5
(121)	1460	249101	Office Furniture & Equipment	780	6.67%	4
(122)	1470	249100	Tools, Shop, & Miscellaneous Equipment	55,525	6.25%	289
(123)	1470	249101	Tools, Shop, & Miscellaneous Equipment	190	6.25%	1
(124)	1475	249100	Laboratory Equipment	9,879	6.67%	55
(125)	1475	249101	Laboratory Equipment	1,488	6.67%	8
(126)	1500	249100	Other Tangible Sewer Plant	3,524	10.00%	29
(127)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	51
(128)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-

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w/p 7(a)

Audit Finding No. 7

Object A/C	Business Unit	Description	(a) May 2007 Balance	(b) Depreciation Rate	(c) Depreciation Expense	
(129)	1245	249100	Organization	64,151	2.50%	134
(130)	1245	249101	Organization	34,439	2.50%	72
(131)	1250	249100	Franchises	243,953	2.50%	508
(132)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-
(133)	1295	249100	Structures & Improvements - Lift Station	165,329	4.00%	551
(134)	1295	249101	Structures & Improvements - Lift Station	141,833	4.00%	473
(135)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	4,050
(136)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	3,021
(137)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	39
(138)	1345	249100	Service Lines	155,336	2.63%	340
(139)	1345	249101	Service Lines	5,985	2.63%	13
(140)	1345	249100	Force Mains	193,964	3.33%	538
(141)	1345	249101	Force Mains	24,433	3.33%	68
(142)	1350	249100	Gravity Mains	1,124,220	2.22%	2,080
(143)	1350	249101	Gravity Mains	285,435	2.22%	528
(144)	1350	249100	Manholes	1,315	3.33%	4
(145)	1350	249101	Manholes	17,144	3.33%	48
(146)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	30
(147)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,092,613	5.56%	5,062
(148)	1400	249101	Treatment Disposal Equipment - Treatment Plant	229,192	5.56%	1,062
(149)	1420	249101	Outfall Lines	16,375	3.33%	45
(150)	1455	249100	Office Structures & Improvements	931	2.50%	2
(151)	1455	249101	Office Structures & Improvements	2,398	2.50%	5
(152)	1460	249100	Office Furniture & Equipment	814	6.67%	5
(153)	1460	249101	Office Furniture & Equipment	780	6.67%	4
(154)	1470	249100	Tools, Shop, & Miscellaneous Equipment	55,525	6.25%	289
(155)	1470	249101	Tools, Shop, & Miscellaneous Equipment	190	6.25%	1
(156)	1475	249100	Laboratory Equipment	9,879	6.67%	55
(157)	1475	249101	Laboratory Equipment	1,488	6.67%	8
(158)	1500	249100	Other Tangible Sewer Plant	3,524	10.00%	29
(159)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	51
(160)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-

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w/p 7(a)

Audit Finding No. 7

Object A/C	Business Unit	Description	(a) Jun 2007 Balance	(b) Depreciation Rate	(c) Depreciation Expense	
(161)	1245	249100	Organization	64,151	2.50%	134
(162)	1245	249101	Organization	34,439	2.50%	72
(163)	1250	249100	Franchises	243,953	2.50%	508
(164)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-
(165)	1295	249100	Structures & Improvements - Lift Station	167,942	4.00%	560
(166)	1295	249101	Structures & Improvements - Lift Station	141,833	4.00%	473
(167)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	4,050
(168)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	3,021
(169)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	39
(170)	1345	249100	Service Lines	155,336	2.63%	340
(171)	1345	249101	Service Lines	5,985	2.63%	13
(172)	1345	249100	Force Mains	193,964	3.33%	538
(173)	1345	249101	Force Mains	24,433	3.33%	68
(174)	1350	249100	Gravity Mains	1,124,220	2.22%	2,080
(175)	1350	249101	Gravity Mains	285,435	2.22%	528
(176)	1350	249100	Manholes	1,315	3.33%	4
(177)	1350	249101	Manholes	17,144	3.33%	48
(178)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	30
(179)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,099,809	5.56%	5,096
(180)	1400	249101	Treatment Disposal Equipment - Treatment Plant	232,154	5.56%	1,076
(181)	1420	249101	Outfall Lines	16,375	3.33%	45
(182)	1455	249100	Office Structures & Improvements	931	2.50%	2
(183)	1455	249101	Office Structures & Improvements	2,398	2.50%	5
(184)	1460	249100	Office Furniture & Equipment	814	6.67%	5
(185)	1460	249101	Office Furniture & Equipment	780	6.67%	4
(186)	1470	249100	Tools, Shop, & Miscellaneous Equipment	55,915	6.25%	291
(187)	1470	249101	Tools, Shop, & Miscellaneous Equipment	631	6.25%	3
(188)	1475	249100	Laboratory Equipment	9,879	6.67%	55
(189)	1475	249101	Laboratory Equipment	1,488	6.67%	8
(190)	1500	249100	Other Tangible Sewer Plant	3,524	10.00%	29
(191)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	51
(192)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-

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Audit Finding No. 7

Object A/C	Business Unit	Description	(a) Jul 2007 Balance	(b) Depreciation Rate	(c) Depreciation Expense	
(193)	1245	249100	Organization	64,151	2.50%	134
(194)	1245	249101	Organization	34,439	2.50%	72
(195)	1250	249100	Franchises	243,953	2.50%	508
(196)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-
(197)	1295	249100	Structures & Improvements - Lift Station	167,942	4.00%	560
(198)	1295	249101	Structures & Improvements - Lift Station	141,833	4.00%	473
(199)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	4,050
(200)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	3,021
(201)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	39
(202)	1345	249100	Service Lines	155,541	2.63%	341
(203)	1345	249101	Service Lines	5,985	2.63%	13
(204)	1345	249100	Force Mains	193,964	3.33%	538
(205)	1345	249101	Force Mains	24,433	3.33%	68
(206)	1350	249100	Gravity Mains	1,124,220	2.22%	2,080
(207)	1350	249101	Gravity Mains	285,435	2.22%	528
(208)	1350	249100	Manholes	1,315	3.33%	4
(209)	1350	249101	Manholes	17,144	3.33%	48
(210)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	30
(211)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,100,112	5.56%	5,097
(212)	1400	249101	Treatment Disposal Equipment - Treatment Plant	232,154	5.56%	1,076
(213)	1420	249101	Outfall Lines	16,375	3.33%	45
(214)	1455	249100	Office Structures & Improvements	931	2.50%	2
(215)	1455	249101	Office Structures & Improvements	2,398	2.50%	5
(216)	1460	249100	Office Furniture & Equipment	814	6.67%	5
(217)	1460	249101	Office Furniture & Equipment	780	6.67%	4
(218)	1470	249100	Tools, Shop, & Miscellaneous Equipment	55,983	6.25%	292
(219)	1470	249101	Tools, Shop, & Miscellaneous Equipment	631	6.25%	3
(220)	1475	249100	Laboratory Equipment	9,879	6.67%	55
(221)	1475	249101	Laboratory Equipment	1,488	6.67%	8
(222)	1500	249100	Other Tangible Sewer Plant	3,524	10.00%	29
(223)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	51
(224)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-

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Object A/C	Business Unit	Description	(a) Aug 2007 Balance	(b) Depreciation Rate	(c) Depreciation Expense	
(225)	1245	249100	Organization	64,151	2.50%	134
(226)	1245	249101	Organization	34,439	2.50%	72
(227)	1250	249100	Franchises	243,953	2.50%	508
(228)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-
(229)	1295	249100	Structures & Improvements - Lift Station	169,196	4.00%	564
(230)	1295	249101	Structures & Improvements - Lift Station	141,833	4.00%	473
(231)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	4,050
(232)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	3,021
(233)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	39
(234)	1345	249100	Service Lines	155,955	2.63%	342
(235)	1345	249101	Service Lines	5,985	2.63%	13
(236)	1345	249100	Force Mains	193,964	3.33%	538
(237)	1345	249101	Force Mains	24,433	3.33%	68
(238)	1350	249100	Gravity Mains	1,124,220	2.22%	2,080
(239)	1350	249101	Gravity Mains	285,435	2.22%	528
(240)	1350	249100	Manholes	1,315	3.33%	4
(241)	1350	249101	Manholes	17,144	3.33%	48
(242)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	30
(243)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,101,046	5.56%	5,102
(244)	1400	249101	Treatment Disposal Equipment - Treatment Plant	232,154	5.56%	1,076
(245)	1420	249101	Outfall Lines	16,375	3.33%	45
(246)	1455	249100	Office Structures & Improvements	931	2.50%	2
(247)	1455	249101	Office Structures & Improvements	2,398	2.50%	5
(248)	1460	249100	Office Furniture & Equipment	814	6.67%	5
(249)	1460	249101	Office Furniture & Equipment	780	6.67%	4
(250)	1470	249100	Tools, Shop, & Miscellaneous Equipment	55,983	6.25%	292
(251)	1470	249101	Tools, Shop, & Miscellaneous Equipment	631	6.25%	3
(252)	1475	249100	Laboratory Equipment	9,879	6.67%	55
(253)	1475	249101	Laboratory Equipment	1,488	6.67%	8
(254)	1500	249100	Other Tangible Sewer Plant	3,524	10.00%	29
(255)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	51
(256)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-

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Object A/C	Business Unit	Description	(a) Sep 2007 Balance	(b) Depreciation Rate	(c) Depreciation Expense	
(257)	1245	249100	Organization	64,151	2.50%	134
(258)	1245	249101	Organization	34,439	2.50%	72
(259)	1250	249100	Franchises	243,953	2.50%	508
(260)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-
(261)	1295	249100	Structures & Improvements - Lift Station	169,196	4.00%	564
(262)	1295	249101	Structures & Improvements - Lift Station	141,833	4.00%	473
(263)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	4,050
(264)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	3,021
(265)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	39
(266)	1345	249100	Service Lines	155,955	2.63%	342
(267)	1345	249101	Service Lines	5,985	2.63%	13
(268)	1345	249100	Force Mains	193,964	3.33%	538
(269)	1345	249101	Force Mains	24,433	3.33%	68
(270)	1350	249100	Gravity Mains	1,124,220	2.22%	2,080
(271)	1350	249101	Gravity Mains	285,435	2.22%	528
(272)	1350	249100	Manholes	1,315	3.33%	4
(273)	1350	249101	Manholes	17,144	3.33%	48
(274)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	30
(275)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,105,082	5.56%	5,120
(276)	1400	249101	Treatment Disposal Equipment - Treatment Plant	233,933	5.56%	1,084
(277)	1420	249101	Outfall Lines	16,375	3.33%	45
(278)	1455	249100	Office Structures & Improvements	2,473	2.50%	5
(279)	1455	249101	Office Structures & Improvements	2,398	2.50%	5
(280)	1460	249100	Office Furniture & Equipment	814	6.67%	5
(281)	1460	249101	Office Furniture & Equipment	780	6.67%	4
(282)	1470	249100	Tools, Shop, & Miscellaneous Equipment	55,983	6.25%	292
(283)	1470	249101	Tools, Shop, & Miscellaneous Equipment	631	6.25%	3
(284)	1475	249100	Laboratory Equipment	9,879	6.67%	55
(285)	1475	249101	Laboratory Equipment	1,488	6.67%	8
(286)	1500	249100	Other Tangible Sewer Plant	3,524	0	29
(287)	1540	249100	Reuse Transmission & Distribution System	26,401	0	51
(288)	1540	249101	Reuse Transmission & Distribution System	-	0	-

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Audit Finding No. 7

Object A/C	Business Unit	Description	(a) Oct 2007 Balance	(b) Depreciation Rate	(c) Depreciation Expense	
(289)	1245	249100	Organization	64,151	2.50%	134
(290)	1245	249101	Organization	34,439	2.50%	72
(291)	1250	249100	Franchises	243,953	2.50%	508
(292)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-
(293)	1295	249100	Structures & Improvements - Lift Station	170,322	4.00%	568
(294)	1295	249101	Structures & Improvements - Lift Station	141,833	4.00%	473
(295)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	4,050
(296)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	3,021
(297)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	39
(298)	1345	249100	Service Lines	155,955	2.63%	342
(299)	1345	249101	Service Lines	5,985	2.63%	13
(300)	1345	249100	Force Mains	193,964	3.33%	538
(301)	1345	249101	Force Mains	24,433	3.33%	68
(302)	1350	249100	Gravity Mains	1,124,220	2.22%	2,080
(303)	1350	249101	Gravity Mains	285,435	2.22%	528
(304)	1350	249100	Manholes	1,315	3.33%	4
(305)	1350	249101	Manholes	17,144	3.33%	48
(306)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	30
(307)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,109,017	5.56%	5,138
(308)	1400	249101	Treatment Disposal Equipment - Treatment Plant	234,985	5.56%	1,089
(309)	1420	249101	Outfall Lines	16,375	3.33%	45
(310)	1455	249100	Office Structures & Improvements	2,473	2.50%	5
(311)	1455	249101	Office Structures & Improvements	2,398	2.50%	5
(312)	1460	249100	Office Furniture & Equipment	814	6.67%	5
(313)	1460	249101	Office Furniture & Equipment	780	6.67%	4
(314)	1470	249100	Tools, Shop, & Miscellaneous Equipment	55,983	6.25%	292
(315)	1470	249101	Tools, Shop, & Miscellaneous Equipment	631	6.25%	3
(316)	1475	249100	Laboratory Equipment	9,879	6.67%	55
(317)	1475	249101	Laboratory Equipment	1,488	6.67%	8
(318)	1500	249100	Other Tangible Sewer Plant	3,524	10.00%	29
(319)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	51
(320)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-

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Object A/C	Business Unit	Description	(a) Nov 2007 Balance	(b) Depreciation Rate	(c) Depreciation Expense	
(321)	1245	249100	Organization	64,151	2.50%	134
(322)	1245	249101	Organization	34,439	2.50%	72
(323)	1250	249100	Franchises	243,953	2.50%	508
(324)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-
(325)	1295	249100	Structures & Improvements - Lift Station	170,905	4.00%	570
(326)	1295	249101	Structures & Improvements - Lift Station	142,515	4.00%	475
(327)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	4,050
(328)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	3,021
(329)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	39
(330)	1345	249100	Service Lines	157,428	2.63%	345
(331)	1345	249101	Service Lines	5,985	2.63%	13
(332)	1345	249100	Force Mains	193,964	3.33%	538
(333)	1345	249101	Force Mains	24,433	3.33%	68
(334)	1350	249100	Gravity Mains	1,124,220	2.22%	2,080
(335)	1350	249101	Gravity Mains	285,435	2.22%	528
(336)	1350	249100	Manholes	1,315	3.33%	4
(337)	1350	249101	Manholes	17,144	3.33%	48
(338)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	30
(339)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,113,454	5.56%	5,159
(340)	1400	249101	Treatment Disposal Equipment - Treatment Plant	238,021	5.56%	1,103
(341)	1420	249101	Outfall Lines	16,375	3.33%	45
(342)	1455	249100	Office Structures & Improvements	2,473	2.50%	5
(343)	1455	249101	Office Structures & Improvements	2,398	2.50%	5
(344)	1460	249100	Office Furniture & Equipment	814	6.67%	5
(345)	1460	249101	Office Furniture & Equipment	780	6.67%	4
(346)	1470	249100	Tools, Shop, & Miscellaneous Equipment	55,983	6.25%	292
(347)	1470	249101	Tools, Shop, & Miscellaneous Equipment	631	6.25%	3
(348)	1475	249100	Laboratory Equipment	9,879	6.67%	55
(349)	1475	249101	Laboratory Equipment	1,488	6.67%	8
(350)	1500	249100	Other Tangible Sewer Plant	3,524	10.00%	29
(351)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	51
(352)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-

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Object A/C	Business Unit	Description	(a) Dec 2007 Balance	(b) Depreciation Rate	(c) Depreciation Expense	
(353)	1245	249100	Organization	64,151	2.50%	134
(354)	1245	249101	Organization	34,439	2.50%	72
(355)	1250	249100	Franchises	243,953	2.50%	508
(356)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-
(357)	1295	249100	Structures & Improvements - Lift Station	170,905	4.00%	570
(358)	1295	249101	Structures & Improvements - Lift Station	142,651	4.00%	476
(359)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	4,050
(360)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	3,021
(361)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	39
(362)	1345	249100	Service Lines	157,428	2.63%	345
(363)	1345	249101	Service Lines	5,985	2.63%	13
(364)	1345	249100	Force Mains	193,964	3.33%	538
(365)	1345	249101	Force Mains	24,433	3.33%	68
(366)	1350	249100	Gravity Mains	1,124,220	2.22%	2,080
(367)	1350	249101	Gravity Mains	285,435	2.22%	528
(368)	1350	249100	Manholes	1,315	3.33%	4
(369)	1350	249101	Manholes	17,144	3.33%	48
(370)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	30
(371)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,113,657	5.56%	5,160
(372)	1400	249101	Treatment Disposal Equipment - Treatment Plant	238,021	5.56%	1,103
(373)	1420	249101	Outfall Lines	16,375	3.33%	45
(374)	1455	249100	Office Structures & Improvements	2,473	2.50%	5
(375)	1455	249101	Office Structures & Improvements	2,398	2.50%	5
(376)	1460	249100	Office Furniture & Equipment	814	6.67%	5
(377)	1460	249101	Office Furniture & Equipment	780	6.67%	4
(378)	1470	249100	Tools, Shop, & Miscellaneous Equipment	55,983	6.25%	292
(379)	1470	249101	Tools, Shop, & Miscellaneous Equipment	631	6.25%	3
(380)	1475	249100	Laboratory Equipment	9,879	6.67%	55
(381)	1475	249101	Laboratory Equipment	1,488	6.67%	8
(382)	1500	249100	Other Tangible Sewer Plant	3,524	10.00%	29
(383)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	51
(384)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-

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Object A/C	Business Unit	Description	(a) Total 2007 Calculated Depreciation Expense	(b) Total 2007 Per Books Depreciation Expense	(c) Adjustment
(385)	6640	249100 Organization	1,604	-	1,604 debit
(386)	6640	249101 Organization	861	636	225 debit
(387)	6645	249100 Franchises	6,099	6,099	0
(388)	N/A	249100 Land & Land Rights - Treatment	-	-	-
(389)	6685	249100 Structures & Improvements - Lift Station	6,661	5,552	1,109 debit
(390)	6685	249101 Structures & Improvements - Lift Station	5,678	4,732	946 debit
(391)	6665	249100 Structures & Improvements - Treatment	48,602	48,651	(49) credit
(392)	6665	249101 Structures & Improvements - Treatment	36,256	36,293	(37) credit
(393)	6705	249100 Structures & Improvements - Reclaimed Distribution	464	329	135 debit
(394)	6710	249100 Service Lines	4,099	5,185	(1,086) credit
(395)	6710	249101 Service Lines	157	199	(42) credit
(396)	6710	249100 Force Mains	6,459	6,475	(16) credit
(397)	6710	249101 Force Mains	814	816	(2) credit
(398)	6715	249100 Gravity Mains	24,958	24,936	21 debit
(399)	6715	249101 Gravity Mains	6,337	6,331	5 debit
(400)	6715	249100 Manholes	42	28	14 debit
(401)	6715	249101 Manholes	571	380	191 debit
(402)	6760	249100 Treatment Disposal Equipment - Lagoon	366	188	178 debit
(403)	6765	249100 Treatment Disposal Equipment - Treatment Plant	61,123	31,411	29,712 debit
(404)	6765	249101 Treatment Disposal Equipment - Treatment Plant	12,891	6,625	6,266 debit
(405)	6785	249101 Outfall Lines	545	546	(1) credit
(406)	6820	249100 Office Structures & Improvements	36	36	(0)
(407)	6820	249101 Office Structures & Improvements	60	60	(0)
(408)	6825	249100 Office Furniture & Equipment	54	54	0
(409)	6825	249101 Office Furniture & Equipment	52	52	0
(410)	6835	249100 Tools, Shop, & Miscellaneous Equipment	3,484	3,485	(0)
(411)	6835	249101 Tools, Shop, & Miscellaneous Equipment	28	28	(0)
(412)	6840	249100 Laboratory Equipment	659	617	41 debit
(413)	6840	249101 Laboratory Equipment	99	93	6 debit
(414)	6860	249100 Other Tangible Sewer Plant	352	65	287 debit
(415)	6890	249100 Reuse Transmission & Distribution System	615	615	0
(416)	6890	249101 Reuse Transmission & Distribution System	-	-	-

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A/D Adjustment at 2007

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	(a) <u>2007 Calculated A/D</u>	(b) <u>2007 Per Books AA Ledger Depreciation Expense</u>	(c) <u>Adjustment</u>	
(417)	1245	249100	Organization	(20,331)	(17,021)	(3,310) credit
(418)	1245	249101	Organization	(5,730)	(4,644)	(1,086) credit
(419)	1250	249100	Franchises	(55,446)	(55,446)	(0)
(420)	1270	249100	Land & Land Rights - Treatment	-	-	-
(421)	1295	249100	Structures & Improvements - Lift Station	(18,228)	(63,253)	45,024 debit
(422)	1295	249101	Structures & Improvements - Lift Station	(112,681)	(53,922)	(58,758) credit
(423)	1300	249100	Structures & Improvements - Treatment	(871,136)	(823,007)	(48,129) credit
(424)	1300	249101	Structures & Improvements - Treatment	(943,393)	(908,725)	(34,668) credit
(425)	1310	249100	Structures & Improvements - Reclaimed Distribution	(2,650)	(1,975)	(675) credit
(426)	1345	249100	Service Lines	(61,044)	(59,156)	(1,888) credit
(427)	1345	249101	Service Lines	2,816	(2,249)	5,065 debit
(428)	1345	249100	Force Mains	(124,646)	(112,820)	(11,826) credit
(429)	1345	249101	Force Mains	(17,360)	(28,645)	11,285 debit
(430)	1350	249100	Gravity Mains	(471,690)	(483,769)	12,080 debit
(431)	1350	249101	Gravity Mains	(135,077)	(122,827)	(12,250) credit
(432)	1350	249100	Manholes	(182)	(399)	217 debit
(433)	1350	249101	Manholes	(5,696)	(5,375)	(320) credit
(434)	1395	249100	Treatment Disposal Equipment - Lagoon	(1,960)	(1,083)	(877) credit
(435)	1400	249100	Treatment Disposal Equipment - Treatment Plant	(414,027)	(287,809)	(126,218) credit
(436)	1400	249101	Treatment Disposal Equipment - Treatment Plant	(213,960)	(165,035)	(48,924) credit
(437)	1420	249101	Outfall Lines	(6,650)	(6,651)	1 debit
(438)	1455	249100	Office Structures & Improvements	358	2,631	(2,273) credit
(439)	1455	249101	Office Structures & Improvements	(321)	(320)	(1) credit
(440)	1460	249100	Office Furniture & Equipment	(298)	(287)	(11) credit
(441)	1460	249101	Office Furniture & Equipment	(104)	(73)	(31) credit
(442)	1470	249100	Tools, Shop, & Miscellaneous Equipment	(29,712)	(25,219)	(4,492) credit
(443)	1470	249101	Tools, Shop, & Miscellaneous Equipment	(52)	(40)	(12) credit
(444)	1475	249100	Laboratory Equipment	(2,956)	(2,689)	(267) credit
(445)	1475	249101	Laboratory Equipment	(449)	1,882	(2,331) credit
(446)	1500	249100	Other Tangible Sewer Plant	(705)	(65)	(640) debit
(447)	1540	249100	Reuse Transmission & Distribution System	(1,845)	(1,239)	(606) credit
(448)	1540	249101	Reuse Transmission & Distribution System	-	-	-

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Audit Finding No. 7

Averaging Adjustment For Filing

<u>Object A/C</u>	<u>Business Unit</u>	<u>Description</u>	(a) <u>2006 A/D Adjustment</u>	(b) <u>2007 A/D Adjustment</u>	(c) <u>Simple Average Adjustment</u>
(449)	1130	249100 Service Lines	(3,348)	-	(1,674)
(450)	1245	249100 Organization	(1,604)	(3,310)	(2,457)
(451)	1245	249101 Organization	(861)	(1,086)	(974)
(452)	1250	249100 Franchises	(0)	(0)	(0)
(453)	1270	249100 Land & Land Rights - Treatment	-	-	-
(454)	1295	249100 Structures & Improvements - Lift Station	(3,225)	45,024	20,900
(455)	1295	249101 Structures & Improvements - Lift Station	907	(58,758)	(28,926)
(456)	1300	249100 Structures & Improvements - Treatment	(48,178)	(48,129)	(48,153)
(457)	1300	249101 Structures & Improvements - Treatment	(34,705)	(34,668)	(34,687)
(458)	1310	249100 Structures & Improvements - Reclaimed Distribution	(540)	(675)	(607)
(459)	1345	249100 Service Lines	2,614	(1,888)	363
(460)	1345	249101 Service Lines	22	5,065	2,544
(461)	1345	249100 Force Mains	29	(11,826)	(5,898)
(462)	1345	249101 Force Mains	4	11,285	5,644
(463)	1350	249100 Gravity Mains	(58)	12,080	6,011
(464)	1350	249101 Gravity Mains	(86)	(12,250)	(6,168)
(465)	1350	249100 Manholes	(1)	217	108
(466)	1350	249101 Manholes	(0)	(320)	(160)
(467)	1395	249100 Treatment Disposal Equipment - Lagoon	(699)	(877)	(788)
(468)	1400	249100 Treatment Disposal Equipment - Treatment Plant	(84,626)	(126,218)	(105,422)
(469)	1400	249101 Treatment Disposal Equipment - Treatment Plant	(42,659)	(48,924)	(45,792)
(470)	1420	249101 Outfall Lines	(0)	1	0
(471)	1455	249100 Office Structures & Improvements	(731)	(2,273)	(1,502)
(472)	1455	249101 Office Structures & Improvements	(1)	(1)	(1)
(473)	1460	249100 Office Furniture & Equipment	(11)	(11)	(11)
(474)	1460	249101 Office Furniture & Equipment	(31)	(31)	(31)
(475)	1470	249100 Tools, Shop, & Miscellaneous Equipment	(4,492)	(4,492)	(4,492)
(476)	1470	249101 Tools, Shop, & Miscellaneous Equipment	(12)	(12)	(12)
(477)	1475	249100 Laboratory Equipment	(226)	(267)	(246)
(478)	1475	249101 Laboratory Equipment	(2,325)	(2,331)	(2,328)
(479)	1500	249100 Other Tangible Sewer Plant	(352)	(640)	(496)
(480)	1540	249100 Reuse Transmission & Distribution System	(614)	(606)	(610)
(481)	1540	249101 Reuse Transmission & Distribution System	8	-	4

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Notes:

- (1) The depreciation calculation on plant above does not include plant from allocations or from adjustments from Commission orders. Allocated plant and its corresponding depreciation expense were audited in a separate affiliate audit, and any adjustment to such would have been responded to in that affiliate audit. Depreciation from adjustments to plant from Commission orders has already been addressed in audit finding no. 1, and has been adjusted to the proper 2007 balances. To account for them again in this finding would be double counting.

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Audit Finding No. 7

A/D Rollforward Through 2006

			(a)	(b)	(c)	(d)	(e)	(f)	
Object A/C	Business Unit	Description	2003 Plant Balance (1)	Depreciation Rate	Depreciation Expense	2002 Per Books A/D (1)	2003 Retirements	2003 Calculated A/D	
(1)	1245	249100	Organization	64,151	2.50%	1,604	(12,312)	-	(13,916)
(2)	1245	249101	Organization	34,439	2.50%	861	(1,425)	-	(2,286)
(3)	1250	249100	Franchises	243,953	2.50%	6,099	(24,952)	-	(31,051)
(4)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-	-	-	-
(5)	1295	249100	Structures & Improvements - Lift Station	132,118	4.00%	5,285	(4,286)	974	(8,597)
(6)	1295	249101	Structures & Improvements - Lift Station	141,804	4.00%	5,672	(88,001)	-	(93,673)
(7)	1300	249100	Structures & Improvements - Treatment	12,524	3.13%	392	(2,326)	-	(2,718)
(8)	1300	249101	Structures & Improvements - Treatment	49,561	3.13%	1,551	(8,078)	-	(9,629)
(9)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	464	(329)	-	(793)
(10)	1345	249100	Service Lines	154,916	2.63%	4,074	(44,729)	4,105	(44,698)
(11)	1345	249101	Service Lines	5,985	2.63%	157	(35)	3,638	3,446
(12)	1345	249100	Force Mains	193,964	3.33%	6,459	(92,351)	-	(98,810)
(13)	1345	249101	Force Mains	24,433	3.33%	814	(13,292)	-	(14,106)
(14)	1350	249100	Gravity Mains	1,122,141	2.22%	24,912	(346,961)	-	(371,872)
(15)	1350	249101	Gravity Mains	280,338	2.22%	6,224	(103,659)	-	(109,883)
(16)	1350	249100	Manholes	1,036	3.33%	34	-	-	(34)
(17)	1350	249101	Manholes	17,144	3.33%	571	(2,841)	-	(3,412)
(18)	1395	249100	Treatment Disposal Equipment - Lagoon	6,291	5.56%	350	(360)	-	(710)
(19)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,964,556	5.56%	109,229	(783,660)	2,852	(890,037)
(20)	1400	249101	Treatment Disposal Equipment - Treatment Plant	1,251,641	5.56%	69,591	(868,663)	1,214	(937,041)
(21)	1420	249101	Outfall Lines	16,375	3.33%	545	(3,924)	-	(4,469)
(22)	1455	249100	Office Structures & Improvements	833	2.50%	21	(8)	488	459
(23)	1455	249101	Office Structures & Improvements	2,301	2.50%	58	(29)	-	(86)
(24)	1460	249100	Office Furniture & Equipment	412	6.67%	28	(70)	-	(97)
(25)	1460	249101	Office Furniture & Equipment	-	6.67%	-	-	-	-
(26)	1470	249100	Tools, Shop, & Miscellaneous Equipment	51,360	6.25%	3,210	(13,075)	-	(16,285)
(27)	1470	249101	Tools, Shop, & Miscellaneous Equipment	-	6.25%	-	-	-	-
(28)	1475	249100	Laboratory Equipment	7,053	6.67%	470	113	-	(357)
(29)	1475	249101	Laboratory Equipment	1,008	6.67%	67	(17)	-	(84)
(30)	1500	249100	Other Tangible Sewer Plant	-	10.00%	-	-	-	-
(31)	1540	249100	Reuse Transmission & Distribution System	-	2.33%	-	-	-	-
(32)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-	-	-	-

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Audit Finding No. 7

Object A/C	Business Unit	Description	(a) 2004 Plant Balance (1)	(b) Depreciation Rate	(c) Depreciation Expense	(d) 2003 Calculated A/D	(e) 2004 Retirements	(f) 2004 Calculated A/D	
(33)	1245	249100	Organization	64,151	2.50%	1,604	(13,916)	-	(15,520)
(34)	1245	249101	Organization	34,439	2.50%	861	(2,286)	-	(3,147)
(35)	1250	249100	Franchises	243,953	2.50%	6,099	(31,051)	-	(37,150)
(36)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-	-	-	-
(37)	1295	249100	Structures & Improvements - Lift Station	137,717	4.00%	5,509	(8,597)	6,509	(7,597)
(38)	1295	249101	Structures & Improvements - Lift Station	49,561	4.00%	1,982	(93,673)	-	(95,656)
(39)	1300	249100	Structures & Improvements - Treatment	12,524	3.13%	392	(2,718)	-	(3,110)
(40)	1300	249101	Structures & Improvements - Treatment	49,561	3.13%	1,551	(9,629)	-	(11,181)
(41)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	464	(793)	-	(1,257)
(42)	1345	249100	Service Lines	155,030	2.63%	4,077	(44,698)	-	(48,775)
(43)	1345	249101	Service Lines	5,985	2.63%	157	3,446	-	3,289
(44)	1345	249100	Force Mains	193,964	3.33%	6,459	(98,810)	-	(105,269)
(45)	1345	249101	Force Mains	24,433	3.33%	814	(14,106)	-	(14,919)
(46)	1350	249100	Gravity Mains	1,123,746	2.22%	24,947	(371,872)	-	(396,819)
(47)	1350	249101	Gravity Mains	281,967	2.22%	6,260	(109,883)	-	(116,142)
(48)	1350	249100	Manholes	1,036	3.33%	34	(34)	-	(69)
(49)	1350	249101	Manholes	17,144	3.33%	571	(3,412)	-	(3,983)
(50)	1395	249100	Treatment Disposal Equipment - Lagoon	6,291	5.56%	350	(710)	-	(1,059)
(51)	1400	249100	Treatment Disposal Equipment - Treatment Plant	2,041,006	5.56%	113,480	(890,037)	1,995	(1,001,522)
(52)	1400	249101	Treatment Disposal Equipment - Treatment Plant	1,311,094	5.56%	72,897	(937,041)	5,314	(1,004,623)
(53)	1420	249101	Outfall Lines	16,375	3.33%	545	(4,469)	-	(5,015)
(54)	1455	249100	Office Structures & Improvements	833	2.50%	21	459	-	438
(55)	1455	249101	Office Structures & Improvements	2,301	2.50%	58	(86)	-	(144)
(56)	1460	249100	Office Furniture & Equipment	729	6.67%	49	(97)	-	(146)
(57)	1460	249101	Office Furniture & Equipment	-	6.67%	-	-	-	-
(58)	1470	249100	Tools, Shop, & Miscellaneous Equipment	51,755	6.25%	3,235	(16,285)	-	(19,520)
(59)	1470	249101	Tools, Shop, & Miscellaneous Equipment	-	6.25%	-	-	-	-
(60)	1475	249100	Laboratory Equipment	9,600	6.67%	640	(357)	-	(997)
(61)	1475	249101	Laboratory Equipment	1,008	6.67%	67	(84)	-	(151)
(62)	1500	249100	Other Tangible Sewer Plant	-	10.00%	-	-	-	-
(63)	1540	249100	Reuse Transmission & Distribution System	-	2.33%	-	-	-	-
(64)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-	-	-	-

UTILITIES, INC. OF EAGLE RIDGE
DOCKET NO. 080247-SU
AUDIT REPORT RESPONSE WORKPAPERS

w/p 7(b)

Audit Finding No. 7

Object A/C	Business Unit	Description	(a) 2005 Plant Balance (1)	(b) Depreciation Rate	(c) Depreciation Expense	(d) 2004 Calculated A/D	(e) 2005 Retirements/Reclasses	(f) 2005 Calculated A/D
(65)	1245	249100	Organization	64,151	2.50%	1,604	(15,520)	(17,124)
(66)	1245	249101	Organization	34,439	2.50%	861	(3,147)	(4,008)
(67)	1250	249100	Franchises	243,953	2.50%	6,099	(37,150)	(43,249)
(68)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-	-	-
(69)	1295	249100	Structures & Improvements - Lift Station	139,545	4.00%	5,582	(7,597)	(5,672)
(70)	1295	249101	Structures & Improvements - Lift Station	141,833	4.00%	5,673	(95,656)	(101,329)
(71)	1300	249100	Structures & Improvements - Treatment	1,550,723	3.13%	48,538	(3,110)	(773,932)
(72)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	36,256	(11,181)	(870,881)
(73)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	464	(1,257)	(1,721)
(74)	1345	249100	Service Lines	155,317	2.63%	4,085	(48,775)	(52,860)
(75)	1345	249101	Service Lines	5,985	2.63%	157	3,289	3,131
(76)	1345	249100	Force Mains	193,964	3.33%	6,459	(105,269)	(111,728)
(77)	1345	249101	Force Mains	24,433	3.33%	814	(14,919)	(15,733)
(78)	1350	249100	Gravity Mains	1,124,095	2.22%	24,955	(396,819)	(421,774)
(79)	1350	249101	Gravity Mains	282,055	2.22%	6,262	(116,142)	(122,404)
(80)	1350	249100	Manholes	1,065	3.33%	35	(69)	(104)
(81)	1350	249101	Manholes	17,144	3.33%	571	(3,983)	(4,554)
(82)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	366	(1,059)	(1,229)
(83)	1400	249100	Treatment Disposal Equipment - Treatment Plant	573,606	5.56%	31,892	(1,001,522)	(300,650)
(84)	1400	249101	Treatment Disposal Equipment - Treatment Plant	218,520	5.56%	12,150	(1,004,623)	(191,163)
(85)	1420	249101	Outfall Lines	16,375	3.33%	545	(5,015)	(5,560)
(86)	1455	249100	Office Structures & Improvements	833	2.50%	21	438	417
(87)	1455	249101	Office Structures & Improvements	2,301	2.50%	58	(144)	(201)
(88)	1460	249100	Office Furniture & Equipment	729	6.67%	49	(146)	(195)
(89)	1460	249101	Office Furniture & Equipment	-	6.67%	-	-	-
(90)	1470	249100	Tools, Shop, & Miscellaneous Equipment	52,576	6.25%	3,286	(19,520)	(22,806)
(91)	1470	249101	Tools, Shop, & Miscellaneous Equipment	190	6.25%	12	-	(12)
(92)	1475	249100	Laboratory Equipment	9,600	6.67%	640	(997)	(1,638)
(93)	1475	249101	Laboratory Equipment	1,488	6.67%	99	(151)	(250)
(94)	1500	249100	Other Tangible Sewer Plant	-	10.00%	-	-	-
(95)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	615	-	(615)
(96)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-	-	-

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w/p 7(b)

Audit Finding No. 7

Object A/C	Business Unit	Description	(a) 2006 Plant Balance (1)	(b) Depreciation Rate	(c) Depreciation Expense	(d) 2005 Calculated A/D	(e) 2006 Retirements	(f) 2006 Calculated A/D	(g) 2006 Per Books A/D	(h) Adjustment	
(97)	1130	249100	Service Lines	-	0.00%	-	-	-	3,348	(3,348)	
(98)	1245	249100	Organization	64,151	2.50%	1,604	(17,124)	(18,727)	(17,124)	(1,604)	
(99)	1245	249101	Organization	34,439	2.50%	861	(4,008)	(4,869)	(4,008)	(861)	
(100)	1250	249100	Franchises	243,953	2.50%	6,099	(43,249)	(49,347)	(49,347)	(0)	
(101)	1270	249100	Land & Land Rights - Treatment	39,579	0.00%	-	-	-	-	-	
(102)	1295	249100	Structures & Improvements - Lift Station	157,923	4.00%	6,317	(5,672)	421	(11,567)	(8,343)	(3,225)
(103)	1295	249101	Structures & Improvements - Lift Station	141,833	4.00%	5,673	(101,329)	-	(107,002)	(107,910)	907
(104)	1300	249100	Structures & Improvements - Treatment	1,552,783	3.13%	48,602	(773,932)	-	(822,534)	(774,356)	(48,178)
(105)	1300	249101	Structures & Improvements - Treatment	1,158,342	3.13%	36,256	(870,881)	-	(907,137)	(872,432)	(34,705)
(106)	1310	249100	Structures & Improvements - Reclaimed Distribution	14,827	3.13%	464	(1,721)	-	(2,186)	(1,646)	(540)
(107)	1345	249100	Service Lines	155,317	2.63%	4,085	(52,860)	-	(56,945)	(59,559)	2,614
(108)	1345	249101	Service Lines	5,985	2.63%	157	3,131	-	2,974	2,952	22
(109)	1345	249100	Force Mains	193,964	3.33%	6,459	(111,728)	-	(118,187)	(118,216)	29
(110)	1345	249101	Force Mains	24,433	3.33%	814	(15,733)	-	(16,546)	(16,550)	4
(111)	1350	249100	Gravity Mains	1,124,220	2.22%	24,958	(421,774)	-	(446,732)	(446,674)	(58)
(112)	1350	249101	Gravity Mains	285,435	2.22%	6,337	(122,404)	-	(128,740)	(128,655)	(86)
(113)	1350	249100	Manholes	1,065	3.33%	35	(104)	-	(140)	(139)	(1)
(114)	1350	249101	Manholes	17,144	3.33%	571	(4,554)	-	(5,125)	(5,125)	(0)
(115)	1395	249100	Treatment Disposal Equipment - Lagoon	6,577	5.56%	366	(1,229)	-	(1,594)	(895)	(699)
(116)	1400	249100	Treatment Disposal Equipment - Treatment Plant	1,082,691	5.56%	60,198	(300,650)	7,944	(352,904)	(268,278)	(84,626)
(117)	1400	249101	Treatment Disposal Equipment - Treatment Plant	226,395	5.56%	12,588	(191,163)	2,682	(201,069)	(158,410)	(42,659)
(118)	1420	249101	Outfall Lines	16,375	3.33%	545	(5,560)	-	(6,105)	(6,105)	(0)
(119)	1455	249100	Office Structures & Improvements	931	2.50%	23	417	-	394	1,125	(731)
(120)	1455	249101	Office Structures & Improvements	2,398	2.50%	60	(201)	-	(261)	(260)	(1)
(121)	1460	249100	Office Furniture & Equipment	729	6.67%	49	(195)	-	(243)	(233)	(11)
(122)	1460	249101	Office Furniture & Equipment	780	6.67%	52	-	-	(52)	(21)	(31)
(123)	1470	249100	Tools, Shop, & Miscellaneous Equipment	54,745	6.25%	3,422	(22,806)	-	(26,227)	(21,735)	(4,492)
(124)	1470	249101	Tools, Shop, & Miscellaneous Equipment	190	6.25%	12	(12)	-	(24)	(12)	(12)
(125)	1475	249100	Laboratory Equipment	9,879	6.67%	659	(1,638)	-	(2,297)	(2,071)	(226)
(126)	1475	249101	Laboratory Equipment	1,488	6.67%	99	(250)	-	(350)	1,975	(2,325)
(127)	1500	249100	Other Tangible Sewer Plant	3,524	10.00%	352	-	-	(352)	-	(352)
(128)	1540	249100	Reuse Transmission & Distribution System	26,401	2.33%	615	(615)	-	(1,230)	(616)	(614)
(129)	1540	249101	Reuse Transmission & Distribution System	-	2.33%	-	-	-	-	(8)	8

Notes:

- (1) The depreciation calculation on plant above does not include plant from allocations or from adjustments from Commission orders. Allocated plant and its corresponding depreciation expense were audited in a separate affiliate audit, and any adjustment to such would have been responded to in that affiliate audit. Depreciation from adjustments to plant from Commission orders has already been addressed in audit finding no. 1, and has been adjusted to the proper 2007 balances. To account for them again in this finding would be double counting.