

CLASS "A" OR "B"

WATER AND/OR WASTEWATER UTILITIES
(Gross Revenue of More Than \$200,000 Each)

ANNUAL REPORT

OF

SU299-04-AR
Dixon Pugh
Highlands Utilities Corporation
720 U.S. Highway 27 South
Lake Placid, FL 33852-9515

Submitted To The

STATE OF FLORIDA



PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED December 31, 2004

RECEIVED
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DIVISION OF
ECONOMIC REGULATION

Williams & Sherman

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors
Highlands Utilities Corporation
Lake Placid, Florida

We have compiled the comparative balance sheets of Highlands Utilities Corporation as of December 31, 2004 and 2003, and the related comparative statements of operations and retained earnings for the years then ended and supplementary information included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the Florida Public Service Commission information that is the representation of management. We have not audited or reviewed the financial statements and supplementary information referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements (including related disclosures) are presented in accordance with the requirements of the Florida Public Service Commission, which may differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

Williams & Sherman

Williams & Sherman, CPA's

February 28, 2005

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EXECUTIVE SUMMARY

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2004

CERTIFICATION OF ANNUAL REPORT

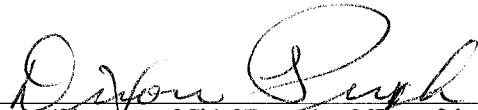
I HEREBY CERTIFY, to the best of my knowledge and belief:

- | | | | |
|--|--------------------------------|----|---|
| YES
<input checked="" type="checkbox"/> | NO
<input type="checkbox"/> | 1. | The utility is in substantial compliance with the Uniform System of Accounts prescribed by the Florida Public Service Commission. |
| YES
<input checked="" type="checkbox"/> | NO
<input type="checkbox"/> | 2. | The utility is in substantial compliance with all applicable rules and orders of the Florida Public Service Commission. |
| YES
<input checked="" type="checkbox"/> | NO
<input type="checkbox"/> | 3. | There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the the financial statement of the utility. |
| YES
<input checked="" type="checkbox"/> | NO
<input type="checkbox"/> | 4. | The annual report fairly represents the financial condition and results of operations of the respondent for the period presented and other information and statements presented in the the report as to the business affairs of the respondent are true, correct and complete for the period for which it represents. |

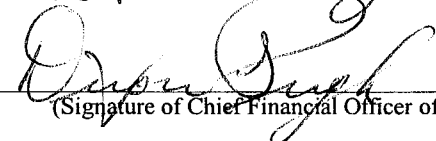
Items Certified

1.	2.	3.	4.
X	X	X	X

1.	2.	3.	4.
X	X	X	X



(Signature of Chief Executive Officer of the utility) *



(Signature of Chief Financial Officer of the utility) *

* Each of the four items must be certified YES or NO. Each item need not be certified by both officers. The items being certified by the officer should be indicated in the appropriate area to the left of the signature.

NOTICE: Section 837.06, Florida Statutes, provides that any person who knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his duty shall be guilty of a misdemeanor of the second degree.

ANNUAL REPORT OF

YEAR OF REPORT
December 31, 2004

Highlands Utilities Corporation
(Exact Name of Utility)

County: Highlands

List below the exact mailing address of the utility for which normal correspondence should be sent:

Highlands Utilities Corporation
720 U.S. 27 South
Lake Placid, FL 33852-9515

Telephone: 863-465-1296

E Mail Address: huco@htn.net

WEB Site: None

Sunshine State One-Call of Florida, Inc. Member Number None

Name and address of person to whom correspondence concerning this report should be addressed:

Dixon Pugh
720 U.S. 27 South
Lake Placid, FL 33852-9515

Telephone: 863-465-1296

List below the address of where the utility's books and records are located:

720 U.S. 27 South
Lake Placid, FL 33852-9515

Telephone: 863-465-1296

List below any groups auditing or reviewing the records and operations:

None

Date of original organization of the utility: 07/24/81

Check the appropriate business entity of the utility as filed with the Internal Revenue Service

Individual Partnership Sub S Corporation 1120 Corporation

List below every corporation or person owning or holding directly or indirectly 5% or more of the voting securities of the utility:

	Name	Percent Ownership
1.	Dixon Pugh	50%
2.	Sue Pugh	50%
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2004

COMPANY PROFILE

Provide a brief narrative company profile which covers the following areas:

- A. Brief company history.
- B. Public services rendered.
- C. Major goals and objectives.
- D. Major operating divisions and functions.
- E. Current and projected growth patterns.
- F. Major transactions having a material effect on operations.

- A. Company incorporated July 24, 1981.
- B. Commercial and residential wastewater collection and treatment in both Sebring and Lake Placid, Florida.
- C. To give customers quality wastewater service at the lowest possible price while at the same time maintain company profitability.
- D. Only one division.
- E. Expansion as needed.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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PARENT / AFFILIATE ORGANIZATION CHART

Current as of February 28, 2005

Complete below an organizational chart that show all parents, subsidiaries and affiliates of the utility.
The chart must also show the relationship between the utility and affiliates listed on E-7, E-10(a) and E-10(b).

Highlands Utilities Corporation
720 U.S. 27 South
Lake Placid, Florida 33852

Pugh Septic Tank Service, Inc.
720 U.S. 27 South
Lake Placid, Florida 33852

Both Owned by Dixon Pugh
720 U.S. 27 South
Lake Placid, Florida 33852

100% by rules of attribution

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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COMPENSATION OF OFFICERS

For each officer, list the time spent on respondent as an officer compared to time spent on total business activities and the compensation received as an officer from the respondent.			
NAME (a)	TITLE (b)	% OF TIME SPENT AS OFFICER OF THE UTILITY (c)	OFFICERS' COMPENSATION (d)
Dixon Pugh	President	100%	\$ 88,452
Sue Pugh	Vice-President	100%	45,318
Lorri Lammie	Sec/Treas	100%	47,775

COMPENSATION OF DIRECTORS

For each director, list the number of director meetings attended by each director and the compensation received as a director from the respondent.			
NAME (a)	TITLE (b)	NUMBER OF DIRECTORS' MEETINGS ATTENDED (c)	DIRECTORS' COMPENSATION (d)
			\$

**FINANCIAL
SECTION**

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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**COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS**

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
UTILITY PLANT				
101-106	Utility Plant	F-7	\$ 1,984,387	\$ 2,017,784
108-110	Less: Accumulated Depreciation and Amortization	F-8	1,046,597	1,156,131
Net Plant			\$ 937,790	\$ 861,653
114-115	Utility Plant Acquisition adjustment (Net)	F-7		
116 *	Other Utility Plant Adjustments			
Total Net Utility Plant			\$ 937,790	\$ 861,653
OTHER PROPERTY AND INVESTMENTS				
121	Nonutility Property	F-9	\$	\$
122	Less: Accumulated Depreciation and Amortization			
Net Nonutility Property			\$	\$
123	Investment In Associated Companies	F-10		
124	Utility Investments	F-10		
125	Other Investments	F-10		
126-127	Special Funds	F-10		
Total Other Property & Investments			\$	\$
CURRENT AND ACCRUED ASSETS				
131	Cash		\$ (5,782)	\$ 6,636
132	Special Deposits	F-9		
133	Other Special Deposits	F-9		
134	Working Funds			
135	Temporary Cash Investments			
141-144	Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts	F-11	55,445	56,716
145	Accounts Receivable from Associated Companies	F-12		
146	Notes Receivable from Associated Companies	F-12		
151-153	Material and Supplies			
161	Stores Expense			
162	Prepayments			
171	Accrued Interest and Dividends Receivable			
172 *	Rents Receivable			
173 *	Accrued Utility Revenues			
174	Misc. Current and Accrued Assets	F-12		
Total Current and Accrued Assets			\$ 49,663	\$ 63,352

* Not Applicable for Class B Utilities

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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**COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS**

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	DEFERRED DEBITS			
181	Unamortized Debt Discount & Expense	F-13	\$ 6,776	\$ 6,057
182	Extraordinary Property Losses	F-13		
183	Preliminary Survey & Investigation Charges			
184	Clearing Accounts			
185 *	Temporary Facilities			
186	Misc. Deferred Debits	F-14		
187 *	Research & Development Expenditures			
190	Accumulated Deferred Income Taxes			
	Total Deferred Debits		\$ 6,776	\$ 6,057
	TOTAL ASSETS AND OTHER DEBITS		\$ 994,229	\$ 931,062

* Not Applicable for Class B Utilities

<p><u>NOTES TO THE BALANCE SHEET</u></p> <p>The space below is provided for important notes regarding the balance sheet.</p>

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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**COMPARATIVE BALANCE SHEET
EQUITY CAPITAL AND LIABILITIES**

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
EQUITY CAPITAL				
201	Common Stock Issued	F-15	\$ 760	\$ 760
204	Preferred Stock Issued	F-15		
202,205 *	Capital Stock Subscribed			
203,206 *	Capital Stock Liability for Conversion			
207 *	Premium on Capital Stock			
209 *	Reduction in Par or Stated Value of Capital Stock			
210 *	Gain on Resale or Cancellation of Reacquired Capital Stock			
211	Other Paid - In Capital		76,990	76,990
212	Discount On Capital Stock			
213	Capital Stock Expense			
214-215	Retained Earnings	F-16	(716,877)	(777,969)
216	Reacquired Capital Stock			
218	Proprietary Capital (Proprietorship and Partnership Only)			
Total Equity Capital			\$ (639,127)	\$ (700,219)
LONG TERM DEBT				
221	Bonds	F-15		
222 *	Reacquired Bonds			
223	Advances from Associated Companies	F-17	272,595	260,869
224	Other Long Term Debt	F-17		
Total Long Term Debt			\$ 272,595	\$ 260,869
CURRENT AND ACCRUED LIABILITIES				
231	Accounts Payable		30,602	19,767
232	Notes Payable	F-18	615,022	668,897
233	Accounts Payable to Associated Companies	F-18		
234	Notes Payable to Associated Companies	F-18		
235	Customer Deposits		500	500
236	Accrued Taxes	W/S-3	7,735	16,619
237	Accrued Interest	F-19	305,105	320,930
238	Accrued Dividends			
239	Matured Long Term Debt			
240	Matured Interest			
241	Miscellaneous Current & Accrued Liabilities	F-20		
Total Current & Accrued Liabilities			\$ 958,964	\$ 1,026,713

* Not Applicable for Class B Utilities

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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**COMPARATIVE BALANCE SHEET
EQUITY CAPITAL AND LIABILITIES**

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
DEFERRED CREDITS				
251	Unamortized Premium On Debt	F-13	\$ _____	\$ _____
252	Advances For Construction	F-20	_____	_____
253	Other Deferred Credits	F-21	_____	_____
255	Accumulated Deferred Investment Tax Credits		_____	_____
Total Deferred Credits			\$ _____	\$ _____
OPERATING RESERVES				
261	Property Insurance Reserve		\$ _____	\$ _____
262	Injuries & Damages Reserve		_____	_____
263	Pensions and Benefits Reserve		_____	_____
265	Miscellaneous Operating Reserves		_____	_____
Total Operating Reserves			\$ _____	\$ _____
CONTRIBUTIONS IN AID OF CONSTRUCTION				
271	Contributions in Aid of Construction	F-22	\$ 1,132,573	\$ 1,138,339
272	Accumulated Amortization of Contributions in Aid of Construction	F-22	730,779	794,640
Total Net C.I.A.C.			\$ 401,794	\$ 343,699
ACCUMULATED DEFERRED INCOME TAXES				
281	Accumulated Deferred Income Taxes - Accelerated Depreciation		\$ _____	\$ _____
282	Accumulated Deferred Income Taxes - Liberalized Depreciation		_____	_____
283	Accumulated Deferred Income Taxes - Other		_____	_____
Total Accumulated Deferred Income Tax			\$ _____	\$ _____
TOTAL EQUITY CAPITAL AND LIABILITIES			\$ 994,226	\$ 931,062

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR * (e)
UTILITY OPERATING INCOME				
400	Operating Revenues	F-3(b)	\$ 604,706	\$ 634,209
469, 530	Less: Guaranteed Revenue and AFPI	F-3(b)		
Net Operating Revenues			\$ 604,706	\$ 634,209
401	Operating Expenses	F-3(b)	\$ 521,420	\$ 532,866
403	Depreciation Expense:	F-3(b)	\$ 106,595	\$ 109,534
	Less: Amortization of CIAC	F-22	63,764	63,861
Net Depreciation Expense			\$ 42,831	\$ 45,673
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)		
407	Amortization Expense (Other than CIAC)	F-3(b)		
408	Taxes Other Than Income	W/S-3	58,005	57,783
409	Current Income Taxes	W/S-3		
410.10	Deferred Federal Income Taxes	W/S-3		
410.11	Deferred State Income Taxes	W/S-3		
411.10	Provision for Deferred Income Taxes - Credit	W/S-3		
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3		
412.11	Investment Tax Credits Restored to Operating Income	W/S-3		
Utility Operating Expenses			\$ 622,256	\$ 636,322
Net Utility Operating Income			\$ (17,550)	\$ (2,113)
469, 530	Add Back: Guaranteed Revenue and AFPI	F-3(b)		
413	Income From Utility Plant Leased to Others			
414	Gains (losses) From Disposition of Utility Property			
420	Allowance for Funds Used During Construction			
Total Utility Operating Income [Enter here and on Page F-3(c)]			\$ (17,550)	\$ (2,113)

* For each account, Column e should agree with Columns f, g and h on F-3(b)

COMPARATIVE OPERATING STATEMENT (Cont'd)

WATER SCHEDULE W-3 * (f)	WASTEWATER SCHEDULE S-3 * (g)	OTHER THAN REPORTING SYSTEMS (h)
\$ _____	\$ 634,209	\$ _____
\$ _____	\$ 634,209	\$ _____
\$ _____	\$ 532,866	\$ _____
_____	109,534	_____
	63,861	
\$ _____	\$ 45,673	\$ _____
_____	_____	_____
_____	57,783	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
\$ _____	\$ 636,322	\$ _____
\$ _____	\$ (2,113)	\$ _____
_____	_____	_____
_____	_____	_____
\$ _____	\$ (2,113)	\$ _____

* Total of Schedules W-3 / S-3 for all rate groups.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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COMPARATIVE OPERATING STATEMENT (Cont'd)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
Total Utility Operating Income [from page F-3(a)]			\$ (17,550)	\$ (2,113)
OTHER INCOME AND DEDUCTIONS				
415	Revenues-Merchandising, Jobbing, and Contract Deductions		\$ _____	\$ _____
416	Costs & Expenses of Merchandising Jobbing, and Contract Work		_____	_____
419	Interest and Dividend Income		99	41
421	Nonutility Income		-	-
426	Miscellaneous Nonutility Expenses		(258)	(5,000)
Total Other Income and Deductions			\$ (159)	\$ (4,959)
TAXES APPLICABLE TO OTHER INCOME				
408.20	Taxes Other Than Income		\$ _____	\$ _____
409.20	Income Taxes		_____	_____
410.20	Provision for Deferred Income Taxes		_____	_____
411.20	Provision for Deferred Income Taxes - Credit		_____	_____
412.20	Investment Tax Credits - Net		_____	_____
412.30	Investment Tax Credits Restored to Operating Income		_____	_____
Total Taxes Applicable To Other Income			\$ _____	\$ _____
INTEREST EXPENSE				
427	Interest Expense	F-19	\$ 59,000	\$ 26,088
428	Amortization of Debt Discount & Expense	F-13	4,404	720
429	Amortization of Premium on Debt	F-13	_____	_____
Total Interest Expense			\$ 63,404	\$ 26,808
EXTRAORDINARY ITEMS				
433	Extraordinary Income		\$ _____	\$ _____
434	Extraordinary Deductions		_____	_____
409.30	Income Taxes, Extraordinary Items		_____	_____
Total Extraordinary Items			\$ _____	\$ _____
NET INCOME			\$ (81,113)	\$ (33,880)

Explain Extraordinary Income:

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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SCHEDULE OF YEAR END RATE BASE

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	WATER UTILITY (d)	WASTEWATER UTILITY (e)
101	Utility Plant In Service	F-7	\$	\$ 2,017,784
	Less:			
	Nonused and Useful Plant (1)			
108	Accumulated Depreciation	F-8		1,156,131
110	Accumulated Amortization	F-8		
271	Contributions In Aid of Construction	F-22		1,138,339
252	Advances for Construction	F-20		
Subtotal			\$	\$ (276,686)
272	Add: Accumulated Amortization of Contributions in Aid of Construction	F-22		794,640
Subtotal			\$	\$ 517,954
114	Plus or Minus: Acquisition Adjustments (2)	F-7		
115	Accumulated Amortization of Acquisition Adjustments (2)	F-7		
	Working Capital Allowance (3)			66,608
	Other (Specify): _____ _____ _____			
RATE BASE			\$	\$ 584,562
NET UTILITY OPERATING INCOME			\$	\$ (2,113)
ACHIEVED RATE OF RETURN (Operating Income / Rate Base)				(0.36%)

NOTES :

- (1) Estimate based on the methodology used in the last rate proceeding.
- (2) Include only those Acquisition Adjustments that have been approved by the Commission.
- (3) Calculation consistent with last rate proceeding.
In absence of a rate proceeding, Class A utilities will use the Balance Sheet Method and Class B Utilities will use the One-eighth Operating and Maintenance Expense Method.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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**SCHEDULE OF CURRENT COST OF CAPITAL
CONSISTENT WITH THE METHODOLOGY USED IN THE LAST RATE PROCEEDING (1)**

CLASS OF CAPITAL (a)	DOLLAR AMOUNT (2) (b)	PERCENTAGE OF CAPITAL (c)	ACTUAL COST RATES (3) (d)	WEIGHTED COST (c x d) (e)
Common Equity	\$ 0	0.00%	11.34%	0.00%
Preferred Stock				
Long Term Debt				
Customer Deposits				
Tax Credits - Zero Cost				
Tax Credits - Weighted Cost				
Deferred Income Taxes	0	0.00%	0.00%	0.00%
Other (Explain) <u>Notes-Assoc</u>	260,869	28.06%	1.75%	0.49%
<u>Notes Payable</u>	668,897	71.94%	3.69%	2.66%
Total	\$ 929,766	100.00%		3.15%

(1) If the utility's capital structure is not used, explain which capital structure is used.

(2) Should equal amounts on Schedule F-6, Column (g).

(3) Mid-point of the last authorized Return On Equity or current leverage formula if none has been established.

Must be calculated using the same methodology used in the last rate proceeding using current annual report year end amounts and cost rates.

APPROVED RETURN ON EQUITY

Return on Equity:	<u>Unknown</u> %
Return on Equity:	<u>PSC-94-1234-FOF-SU</u> (11.34%)

APPROVED AFUDC RATE

COMPLETION ONLY REQUIRED IF AFUDC WAS CHARGED DURING YEAR

AFUDC rate:	_____ %
AFUDC rate:	_____

If any utility capitalized any charge in lieu of AFUDC (such as interest only), state the basis of the charge, an explanation as to why AFUDC was not charged and the percentage capitalized.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2004

**UTILITY PLANT
ACCOUNTS 101 - 106**

ACCT. (a)	DESCRIPTION (b)	WATER (c)	WASTEWATER (d)	OTHER THAN REPORTING SYSTEMS (e)	TOTAL (f)
101	Plant Accounts: Utility Plant In Service	\$ 2,017,784	\$ _____	\$ _____	\$ 2,017,784
102	Utility Plant Leased to Other	_____	_____	_____	_____
103	Property Held for Future Use	_____	_____	_____	_____
104	Utility Plant Purchased or Sold	_____	_____	_____	_____
105	Construction Work in Progress	_____	_____	_____	_____
106	Completed Construction Not Classified	_____	_____	_____	_____
	Total Utility Plant	\$ <u>2,017,784</u>	\$ _____	\$ _____	\$ <u>2,017,784</u>

**UTILITY PLANT ACQUISITION ADJUSTMENTS
ACCOUNTS 114 AND 115**

Report each acquisition adjustment and related accumulated amortization separately.
For any acquisition adjustments approved by the Commission, include the Order Number.

ACCT. (a)	DESCRIPTION (b)	WATER (c)	WASTEWATER (d)	OTHER THAN REPORTING SYSTEMS (e)	TOTAL (f)
114	Acquisition Adjustment	\$ _____	\$ _____	\$ _____	\$ _____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
	Total Plant Acquisition Adjustments	\$ _____	\$ _____	\$ _____	\$ _____
115	Accumulated Amortization	\$ _____	\$ _____	\$ _____	\$ _____
		_____	_____	_____	_____
		_____	_____	_____	_____
		_____	_____	_____	_____
	Total Accumulated Amortization	\$ _____	\$ _____	\$ _____	\$ _____
	Net Acquisition Adjustments	\$ _____	\$ _____	\$ _____	\$ _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
--

ACCUMULATED DEPRECIATION (ACCT. 108) AND AMORTIZATION (ACCT. 110)

DESCRIPTION (a)	WATER (b)	WASTEWATER (c)	OTHER THAN REPORTING SYSTEMS (d)	TOTAL (e)
ACCUMULATED DEPRECIATION Account 108				
Balance first of year	\$	\$ 1,046,597	\$	\$ 1,046,597
Credit during year:				
Accruals charged to:				
Account 108.1 (1)	\$	\$ 109,534	\$	\$ 109,534
Account 108.2 (2)				
Account 108.3 (2)				
Other Accounts (specify):				
Salvage				
Other Credits (Specify):				
Total Credits	\$	\$ 109,534	\$	\$ 109,534
Debits during year:				
Book cost of plant retired				
Cost of Removal				
Other Debits (specify):				
Total Debits	\$	\$	\$	\$
Balance end of year	\$	\$ 1,156,131	\$	\$ 1,156,131
ACCUMULATED AMORTIZATION Account 110				
Balance first of year	\$	\$	\$	\$
Credit during year:				
Accruals charged to:				
Account 110.2 (2)	\$	\$	\$	\$
Other Accounts (specify):				
Total credits	\$	\$	\$	\$
Debits during year:				
Book cost of plant retired				
Other debits (specify):				
Total Debits	\$	\$	\$	\$
Balance end of year	\$	\$	\$	\$

- (1) Account 108 for Class B utilities.
- (2) Not applicable for Class B utilities.
- (3) Account 110 for Class B utilities.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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**REGULATORY COMMISSION EXPENSE
AMORTIZATION OF RATE CASE EXPENSE (ACCOUNTS 666 AND 766)**

DESCRIPTION OF CASE (DOCKET NO.) (a)	EXPENSE INCURRED DURING YEAR (b)	CHARGED OFF DURING YEAR	
		ACCT. (d)	AMOUNT (e)
	\$ _____		\$ _____
	\$ _____		\$ _____
	\$ _____		\$ _____
Total	\$ _____		\$ _____

NONUTILITY PROPERTY (ACCOUNT 121)

Report separately each item of property with a book cost of \$25,000 or more included in Account 121.

Other Items may be grouped by classes of property.

DESCRIPTION (a)	BEGINNING YEAR (b)	ADDITIONS (c)	REDUCTIONS (d)	ENDING YEAR BALANCE (e)
	\$ _____	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____	\$ _____
Total Nonutility Property	\$ _____	\$ _____	\$ _____	\$ _____

SPECIAL DEPOSITS (ACCOUNTS 132 AND 133)

Report hereunder all special deposits carried in Accounts 132 and 133.

DESCRIPTION OF SPECIAL DEPOSITS (a)	YEAR END BOOK COST (b)
SPECIAL DEPOSITS (Account 132):	\$ _____
	\$ _____
	\$ _____
Total Special Deposits	\$ _____
OTHER SPECIAL DEPOSITS (Account 133):	\$ _____
	\$ _____
	\$ _____
Total Other Special Deposits	\$ _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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**INVESTMENTS AND SPECIAL FUNDS
ACCOUNTS 123 - 127**

Report hereunder all investments and special funds carried in Accounts 123 through 127.

DESCRIPTION OF SECURITY OR SPECIAL FUND (a)	FACE OR PAR VALUE (b)	YEAR END BOOK COST (c)
INVESTMENT IN ASSOCIATED COMPANIES (Account 123): <hr/> <hr/> <hr/> <hr/>	\$ _____ _____ _____ _____	\$ _____ _____ _____ _____
Total Investment in Associated Companies		\$ _____
UTILITY INVESTMENTS (Account 124): <hr/> <hr/> <hr/> <hr/>	\$ _____ _____ _____ _____	\$ _____ _____ _____ _____
Total Utility Investment		\$ _____
OTHER INVESTMENTS (Account 125): <hr/> <hr/> <hr/> <hr/>	\$ _____ _____ _____ _____	\$ _____ _____ _____ _____
Total Other Investment		\$ _____
SPECIAL FUNDS (Class A Utilities: Accounts 126 and 127; Class B Utilities: Account 127): <hr/> <hr/> <hr/> <hr/>	_____ _____ _____ _____	\$ _____ _____ _____ _____
Total Special Funds		\$ _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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ACCOUNTS AND NOTES RECEIVABLE - NET
ACCOUNTS 141 - 144

Report hereunder all accounts and notes receivable included in Accounts 141, 142, and 144. Amounts included in
 Amounts included in Accounts 142 and 144 should be listed individually.

DESCRIPTION (a)		TOTAL (b)
CUSTOMER ACCOUNTS RECEIVABLE (Account 141):		
Water	\$	
Wastewater	55,116	
Other		
Total Customer Accounts Receivable		\$ 55,116
OTHER ACCOUNTS RECEIVABLE (Account 142):		
_____	\$ 1,600	

Total Other Accounts Receivable		\$ 1,600
NOTES RECEIVABLE (Account 144):		
_____	\$	

Total Notes Receivable		\$
Total Accounts and Notes Receivable		\$ 56,716
ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS (Account 143)		
Balance first of year	\$	
Add: Provision for uncollectibles for current year	\$	
Collection of accounts previously written off		
Utility Accounts		
Others		
Total Additions	\$	
Deduct accounts written off during year:		
Utility Accounts		
Others		
Total accounts written off	\$	
Balance end of year		\$
TOTAL ACCOUNTS AND NOTES RECEIVABLE - NET		\$ 56,716

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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**UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND PREMIUM ON DEBT
ACCOUNTS 181 AND 251**

Report the net discount and expense or premium separately for each security issue.

DESCRIPTION (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
UNAMORTIZED DEBT DISCOUNT AND EXPENSE (Account 181):	\$ 719	\$ 6,057
Total Unamortized Debt Discount and Expense	\$ <u>719</u>	\$ <u>6,057</u>
UNAMORTIZED PREMIUM ON DEBT (Account 251):		
Total Unamortized Premium on Debt	\$ _____	\$ _____

**EXTRAORDINARY PROPERTY LOSSES
ACCOUNT 182**

Report each item separately.

DESCRIPTION (a)	TOTAL (b)
	\$ _____
Total Extraordinary Property Losses	\$ _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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**MISCELLANEOUS DEFERRED DEBITS
ACCOUNT 186**

DESCRIPTION - Provide itemized listing (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
DEFERRED RATE CASE EXPENSE (Class A Utilities: Account 186.1)	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total Deferred Rate Case Expense	\$ <u>_____</u>	\$ <u>_____</u>
OTHER DEFERRED DEBITS (Class A Utilities: Account 186.2):	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total Other Deferred Debits	\$ <u>_____</u>	\$ <u>_____</u>
REGULATORY ASSETS (Class A Utilities: Account. 186.3):	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total Regulatory Assets	\$ <u>_____</u>	\$ <u>_____</u>
TOTAL MISCELLANEOUS DEFERRED DEBITS	\$ <u>_____</u>	\$ <u>_____</u>

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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**CAPITAL STOCK
ACCOUNTS 201 AND 204***

DESCRIPTION (a)	RATE (b)	TOTAL (c)
COMMON STOCK		
Par or stated value per share	%	10.00
Shares authorized		1,000
Shares issued and outstanding		76
Total par value of stock issued	%\$	760
Dividends declared per share for year	%\$	0
PREFERRED STOCK		
Par or stated value per share	%	
Shares authorized		
Shares issued and outstanding		
Total par value of stock issued	%\$	
Dividends declared per share for year	%\$	

* Account 204 not applicable for Class B utilities.

**BONDS
ACCOUNT 221**

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	ANNUAL RATE (b)	FIXED OR VARIABLE * (c)	
	%		\$
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
Total			\$

* For variable rate obligations, provide the basis for the rate. (i.e.. prime + 2%, etc.)

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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STATEMENT OF RETAINED EARNINGS

1. Dividends should be shown for each class and series of capital stock. Show amounts as dividends per share.
2. Show separately the state and federal income tax effect of items shown in Account No. 439.

ACCT. NO. (a)	DESCRIPTION (b)	AMOUNTS (c)
215	Unappropriated Retained Earnings: Balance Beginning of Year	\$ (716,877)
439	Changes to Account: Adjustments to Retained Earnings (requires Commission approval prior to use): Credits:	\$ _____
	Total Credits:	\$ _____
	Debits: Prior period adjustment required to convert Regulatory Assessment from cash to accrual basis	\$ 27,212
	Total Debits:	\$ (27,212)
435	Balance Transferred from Income	\$ (33,880)
436	Appropriations of Retained Earnings:	_____
	Total Appropriations of Retained Earnings	\$ _____
437	Dividends Declared: Preferred Stock Dividends Declared	_____
438	Common Stock Dividends Declared	_____
	Total Dividends Declared	\$ _____
215	Year end Balance	\$ (777,969)
214	Appropriated Retained Earnings (state balance and purpose of each appropriated amount at year end):	_____
214	Total Appropriated Retained Earnings	\$ _____
	Total Retained Earnings	\$ (777,969)
Notes to Statement of Retained Earnings:		

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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**ADVANCES FROM ASSOCIATED COMPANIES
ACCOUNT 223**

Report each advance separately.

DESCRIPTION (a)	TOTAL (b)
Advances from Pugh Septic Tank Service, Inc.	\$ 260,869
Total	\$ 260,869

**OTHER LONG-TERM DEBT
ACCOUNT 224**

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	ANNUAL RATE (b)	FIXED OR VARIABLE * (c)	
	%		\$
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
Total			\$

* For variable rate obligations, provide the basis for the rate. (i.e.. prime + 2%, etc.)

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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**NOTES PAYABLE
ACCOUNTS 232 AND 234**

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST ~		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	ANNUAL RATE (b)	FIXED OR VARIABLE * (c)	
NOTES PAYABLE (Account 232):			
Chrysler	0.00 %	Fixed	\$ 24,594
Dixon Pugh	3.52 %	Fixed	356,117
Highlands Independent Bank	4.25 %	Fixed	268,074
GMAC	.90 %	Fixed	6,541
Highlands Independent Bank	5.25 %	Variable	13,571
	%		
	%		
	%		
Total Account 232			\$ <u>668,897</u>
NOTES PAYABLE TO ASSOC. COMPANIES (Account 234):			
	%		\$
	%		
	%		
	%		
	%		
	%		
	%		
	%		
Total Account 234			\$ <u> </u>

* For variable rate obligations, provide the basis for the rate. (i.e.. prime + 2%, etc.)

**ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES
ACCOUNT 233**

Report each account payable separately.

DESCRIPTION (a)	TOTAL (b)
	\$
Total	\$ <u> </u>

UTILITY NAME: Highlands Utilities Corporation

ACCRUED INTEREST AND EXPENSE
ACCOUNTS 237 AND 427

DESCRIPTION OF DEBIT (a)	BALANCE BEGINNING OF YEAR (b)	INTEREST ACCRUED DURING YEAR		INTEREST PAID DURING YEAR (e)	BALANCE END OF YEAR (f)
		ACCT. DEBIT (c)	AMOUNT (d)		
ACCOUNT NO. 237.1 - Accrued Interest on Long Term Debt Account 223-Advances from Pugh Septic Tank Svcs., Inc.	\$ 189,666	427.1	\$ 4,560	\$ -	\$ 194,226
Total Account 237.1	\$ 189,666		\$ 4,560	\$ -	\$ 194,226
ACCOUNT NO. 237.2 - Accrued Interest on Other Liabilities Customer Deposits	\$ 115,439	427	\$ 21,528	\$ 10,263	\$ 126,704
Notes Payable - Account 232 - Various		427.2			
Total Account 237.2	\$ 115,439		\$ 21,528	\$ 10,263	\$ 126,704
Total Account 237 (1)	\$ 305,105		\$ 26,088	\$ 10,263	\$ 320,930
INTEREST EXPENSED:					
Total accrual Account 237		237	\$ 26,088		
Less Capitalized Interest Portion of AFUDC:					
Net Interest Expensed to Account No. 427 (2)			\$ 26,088		

(1) Must agree to F-2 (a), Beginning and Ending Balance of Accrued Interest.
(2) Must agree to F-3 (c), Current Year Interest Expense

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
--

**OTHER DEFERRED CREDITS
ACCOUNT 253**

DESCRIPTION - Provide itemized listing (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
REGULATORY LIABILITIES (Class A Utilities: Account 253.1):		
_____	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
Total Regulatory Liabilities	\$ _____	\$ _____
OTHER DEFERRED LIABILITIES (Class A Utilities: Account 253.2):		
_____	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total Other Deferred Liabilities	\$ _____	\$ _____
TOTAL OTHER DEFERRED CREDITS	\$ _____	\$ _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2004

**CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 271**

DESCRIPTION (a)	WATER (W-7) (b)	WASTEWATER (S-7) (c)	W & WW OTHER THAN SYSTEM REPORTING (d)	TOTAL (e)
Balance first of year	\$ _____	\$ <u>1,132,573</u>	\$ _____	\$ <u>1,132,573</u>
Add credits during year:	\$ _____	\$ <u>5,766</u>	\$ _____	\$ <u>5,766</u>
Less debit charged during the year	\$ _____	\$ _____	\$ _____	\$ _____
Total Contribution In Aid of Construction	\$ _____	\$ <u>1,138,339</u>	\$ _____	\$ <u>1,138,339</u>

**ACCUMULATED AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 272**

DESCRIPTION (a)	WATER (W-8(a)) (b)	WASTEWATER (S-8(a)) (c)	W & WW OTHER THAN SYSTEM REPORTING (d)	TOTAL (e)
Balance first of year	\$ _____	\$ <u>730,779</u>	\$ _____	\$ <u>730,779</u>
Debits during the year:	\$ _____	\$ <u>63,861</u>	\$ _____	\$ <u>63,861</u>
Credits during the year	\$ _____	\$ _____	\$ _____	\$ _____
Total Accumulated Amortization of Contributions In Aid of Construction	\$ _____	\$ <u>794,640</u>	\$ _____	\$ <u>794,640</u>

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES (UTILITY OPERATIONS)

- 1 The reconciliation should include the same detail as furnished on Schedule M-1 of the federal tax return for the year. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount and show the computations of all tax accruals.
- 2 If the utility is a member of a group which files a consolidated federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating intercompany amounts to be eliminated in such consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignments or sharing of the consolidated tax among the group members.

DESCRIPTION (a)	REF. NO. (b)	AMOUNT (c)
Net income for the year	F-3(c)	\$ (33,880)
Reconciling items for the year:		
Taxable income not reported on books:		
Amortization of prior CIAC		11,014
Current CIAC collection		5,766
Deductions recorded on books not deducted for return:		
Excess of Book over Tax Depreciation		25,674
Interest accrual to related party		11,266
Penalties		1,098
Income recorded on books not included in return:		
Amortization of CIAC		(63,861)
Accounts receivable adjustment		(1,371)
Deduction on return not charged against book income:		
Conversion of RAF to accrual basis		(27,212)
Net operating loss carryforward		(408,524)
Federal tax net income		\$ (480,030)

Computation of tax :	
Taxable Income - Above	\$ (480,030)
Federal Tax	\$ - 0 -
State Tax	\$ - 0 -

WASTEWATER OPERATING SECTION

Note: This utility is a water only service; therefore, Pages S-1 through S-13 have been omitted from this report.

**WASTEWATER
OPERATION
SECTION**

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
--

SYSTEM NAME / COUNTY : Highlands

SCHEDULE OF YEAR END WASTEWATER RATE BASE

ACCT. NO. (a)	ACCOUNT NAME (b)	REFERENCE PAGE (c)	WASTEWATER UTILITY (d)
101	Utility Plant In Service	S-4(a)	\$ 2,017,784
	Less:		
	Nonused and Useful Plant (1)		
108	Accumulated Depreciation	S-6(b)	1,156,131
110	Accumulated Amortization		
271	Contributions In Aid of Construction	S-7	1,138,339
252	Advances for Construction	F-20	
	Subtotal		\$ (276,686)
	Add:		
272	Accumulated Amortization of Contributions in Aid of Construction	S-8(a)	\$ 794,640
	Subtotal		\$ 517,954
	Plus or Minus:		
114	Acquisition Adjustments (2)	F-7	
115	Accumulated Amortization of Acquisition Adjustments (2)	F-7	
	Working Capital Allowance (3)		66,608
	Other (Specify):		
	WASTEWATER RATE BASE		\$ 584,562
	WASTEWATER OPERATING INCOME	S-3	\$ (2,113)
	ACHIEVED RATE OF RETURN (Wastewater Operating Income / Wastewater Rate Base)		(0.36%)

- NOTES : (1) Estimate based on the methodology used in the last rate proceeding.
- (2) Include only those Acquisition Adjustments that have been approved by the Commission.
- (3) Calculation consistent with last rate proceeding.
In absence of a rate proceeding, Class A utilities will use the Balance Sheet Method and Class B Utilities will use the One-eighth Operating and Maintenance Expense Method.

UTILITY NAME:

Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
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SYSTEM NAME / COUNTY :

Highlands

WASTEWATER OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REFERENCE PAGE (c)	WASTEWATER UTILITY (d)
UTILITY OPERATING INCOME			
400	Operating Revenues	S-9(a)	\$ 634,209
530	Less: Guaranteed Revenue (and AFPI)	S-9(a)	
Net Operating Revenues			\$ 634,209
401	Operating Expenses	S-10(a)	\$ 532,866
403	Depreciation Expense	S-6(a)	109,534
	Less: Amortization of CIAC	S-8(a)	63,861
Net Depreciation Expense			\$ 45,673
406	Amortization of Utility Plant Acquisition Adjustment	F-7	
407	Amortization Expense (Other than CIAC)	F-8	
408.10	Taxes Other Than Income		28,539
	Utility Regulatory Assessment Fee		
408.11	Property Taxes		8,991
408.12	Payroll Taxes		16,887
408.13	Other Taxes and Licenses		3,366
408	Total Taxes Other Than Income		\$ 57,783
409.1	Income Taxes		
410.10	Deferred Federal Income Taxes		
410.11	Deferred State Income Taxes		
411.10	Provision for Deferred Income Taxes - Credit		
412.10	Investment Tax Credits Deferred to Future Periods		
412.11	Investment Tax Credits Restored to Operating Income		
Utility Operating Expenses			\$ 636,322
Utility Operating Income			\$ (2,113)
530	Add Back:		
	Guaranteed Revenue (and AFPI)	S-9(a)	\$
413	Income From Utility Plant Leased to Others		
414	Gains (losses) From Disposition of Utility Property		
420	Allowance for Funds Used During Construction		
Total Utility Operating Income			\$ (2,113)

YEAR OF REPORT
December 31, 2004

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY: Highlands

WASTEWATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	RETIREMENTS (e)	CURRENT YEAR (f)
351	Organization	\$ 1,355			\$ 1,355
352	Franchises	11,337			11,337
353	Land and Land Rights	30,833			30,833
354	Structures and Improvements	129,417			129,417
355	Power Generation Equipment				
360	Collection Sewers - Force	231,266			231,266
361	Collection Sewers - Gravity	250,052			250,052
362	Special Collecting Structures	1,333			1,333
363	Services to Customers	2,041			2,041
364	Flow Measuring Devices	6,554			6,554
365	Flow Measuring Installations	1,965			1,965
366	Reuse Services				
367	Reuse Meters and Meter Installations				
370	Receiving Wells	69,753			69,753
371	Pumping Equipment	323,625	24,278		347,903
374	Reuse Distribution Reservoirs				
375	Reuse Transmission and Distribution System				
380	Treatment and Disposal Equipment	680,808			680,808
381	Plant Sewers	5,582			5,582
382	Outfall Sewer Lines				
389	Other Plant Miscellaneous Equipment	9,756			9,756
390	Office Furniture and Equipment	33,854	4,729		38,583
391	Transportation Equipment	147,178			147,178
392	Stores Equipment	1,607			1,607
393	Tools, Shop and Garage Equipment	13,521	1,814		15,335
394	Laboratory Equipment				
395	Power Operated Equipment	1,749			1,749
396	Communication Equipment	649	267		916
397	Miscellaneous Equipment	10,214	2,309		12,523
398	Other Tangible Plant	19,938			19,938
	Total Wastewater Plant	\$ 1,984,387	\$ 33,397	\$	\$ 2,017,784

NOTE: Any adjustments made to reclassify property from one account to another must be footnoted.

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY: Highlands

WASTEWATER UTILITY PLANT MATRIX

ACCT. NO.	ACCOUNT NAME	.1 INTANGIBLE PLANT (g)	.2 COLLECTION PLANT (h)	.3 SYSTEM PUMPING PLANT (i)	.4 TREATMENT AND DISPOSAL PLANT (j)	.5 RECLAIMED WASTEWATER TREATMENT PLANT (i)	.6 RECLAIMED WASTEWATER DISTRIBUTION PLANT (i)	.7 GENERAL PLANT (k)
351	Organization	\$ 1,355						
352	Franchises	11,337						
353	Land and Land Rights		30,833					
354	Structures and Improvements		129,417					
355	Power Generation Equipment							
360	Collection Sewers - Force		231,266					
361	Collection Sewers - Gravity		250,052					
362	Special Collecting Structures		1,333					
363	Services to Customers		2,041					
364	Flow Measuring Devices		6,554					
365	Flow Measuring Installations		1,965					
366	Reuse Services							
367	Reuse Meters and Meter Installations							
370	Receiving Wells			69,753				
371	Pumping Equipment			347,903				
374	Reuse Distribution Reservoirs							
375	Reuse Transmission and Distribution System							
380	Treatment and Disposal Equipment				680,808			
381	Plant Sewers				5,582			
382	Outfall Sewer Lines				9,756			
389	Other Plant Miscellaneous Equipment							38,583
390	Office Furniture and Equipment							147,178
391	Transportation Equipment							1,607
392	Stores Equipment							15,335
393	Tools, Shop and Garage Equipment							1,749
394	Laboratory Equipment							916
395	Power Operated Equipment							12,523
396	Communication Equipment							19,938
397	Miscellaneous Equipment							
398	Other Tangible Plant							
	Total Wastewater Plant	\$ 12,692	\$ 653,461	\$ 417,656	\$ 696,146	\$	\$	\$ 237,829

NOTE: Any adjustments made to reclassify property from one account to another must be footnoted.

S-4(b)
GROUP _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
--

SYSTEM NAME / COUNTY : Highlands

BASIS FOR WASTEWATER DEPRECIATION CHARGES

ACCT. NO. (a)	ACCOUNT NAME (b)	AVERAGE SERVICE LIFE IN YEARS (c)	AVERAGE NET SALVAGE IN PERCENT (d)	DEPRECIATION RATE APPLIED IN PERCENT (100% - D) / C (e)
354	Structures and Improvements	32		3.13%
355	Power Generation Equipment			
360	Collection Sewers - Force	30		3.33%
361	Collection Sewers - Gravity	45		2.22%
362	Special Collecting Structures	40		2.50%
363	Services to Customers	38		2.63%
364	Flow Measuring Devices	5		20.00%
365	Flow Measuring Installations	38		2.63%
366	Reuse Services			
367	Reuse Meters and Meter Installations			
370	Receiving Wells	30		3.33%
371	Pumping Equipment	18		5.56%
375	Reuse Transmission and Distribution System			
380	Treatment and Disposal Equipment	18		5.56%
381	Plant Sewers	35		2.86%
382	Outfall Sewer Lines			
389	Other Plant Miscellaneous Equipment	18		5.56%
390	Office Furniture and Equipment	15		6.67%
391	Transportation Equipment	6		16.67%
392	Stores Equipment	18		5.56%
393	Tools, Shop and Garage Equipment	16		6.25%
394	Laboratory Equipment			
395	Power Operated Equipment	12		8.33%
396	Communication Equipment	10		10.00%
397	Miscellaneous Equipment	15		6.67%
398	Other Tangible Plant	10		10.00%
351 & 352	Organization & Franchise Wastewater Plant Composite Depreciation Rate *	40 N/A		2.50% N/A

* If depreciation rates prescribed by this Commission are on a total composite basis, entries should be made on this line only.

YEAR OF REPORT
December 31, 2004

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY: Highlands

ANALYSIS OF ENTRIES IN WASTEWATER ACCUMULATED DEPRECIATION

ACCT. NO.	ACCOUNT NAME (b)	BALANCE AT BEGINNING OF YEAR (c)	ACCRUALS (d)	OTHER CREDITS * (e)	TOTAL CREDITS (d + e) (f)
354	Structures and Improvements	\$ 27,941	\$ 4,051	\$	\$ 4,051
355	Power Generation Equipment				
360	Collection Sewers - Force	120,869	7,701		7,701
361	Collection Sewers - Gravity	134,482	5,551		5,551
362	Special Collecting Structures	587	33		33
363	Services to Customers	760	54		54
364	Flow Measuring Devices	10,487	1,311		1,311
365	Flow Measuring Installations	1,383	52		52
366	Reuse Services				
367	Reuse Meters and Meter Installations				
370	Receiving Wells	42,590	2,323		2,323
371	Pumping Equipment	150,500	18,668		18,668
375	Reuse Transmission and Distribution System				
380	Treatment and Disposal Equipment	446,354	37,853		37,853
381	Plant Sewers	1,983	160		160
382	Outfall Sewer Lines				
389	Other Plant Miscellaneous Equipment	7,845	542		542
390	Office Furniture and Equipment	15,416	2,416		2,416
391	Transportation Equipment	53,219	24,535		24,535
392	Stores Equipment	1,455	89		89
393	Tools, Shop and Garage Equipment	659	902		902
394	Laboratory Equipment				
395	Power Operated Equipment	(1,450)	146		146
396	Communication Equipment	827	78		78
397	Miscellaneous Equipment	7,932	758		758
398	Other Tangible Plant	19,432	1,994		1,994
351 & 352	Organization & Franchise	3,326	317		317
	Total Depreciable Wastewater Plant in Service	\$ 1,046,597	\$ 109,534	\$	\$ 109,534

* Specify nature of transaction.
Use () to denote reversal entries.

S-6(a)
GROUP _____

YEAR OF REPORT
December 31, 2004

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY : Highlands

ANALYSIS OF ENTRIES IN WASTEWATER ACCUMULATED DEPRECIATION

ACCT. NO.	ACCOUNT NAME	PLANT RETIRED (g)	SALVAGE AND INSURANCE (h)	COST OF REMOVAL AND OTHER CHARGES (i)	TOTAL CHARGES (g-h+i) (j)	BALANCE AT END OF YEAR (c+f-j) (k)
(a)	(b)					
354	Structures and Improvements	\$	\$	\$	\$	\$ 31,992
355	Power Generation Equipment					
360	Collection Sewers - Force					128,570
361	Collection Sewers - Gravity					140,033
362	Special Collecting Structures					620
363	Services to Customers					814
364	Flow Measuring Devices					11,798
365	Flow Measuring Installations					1,435
366	Reuse Services					
367	Reuse Meters and Meter Installations					
370	Receiving Wells					44,913
371	Pumping Equipment					169,168
375	Reuse Transmission and Distribution System					
380	Treatment and Disposal Equipment					484,207
381	Plant Sewers					2,143
382	Outfall Sewer Lines					
389	Other Plant Miscellaneous Equipment					8,387
390	Office Furniture and Equipment					17,832
391	Transportation Equipment					77,754
392	Stores Equipment					1,544
393	Tools, Shop and Garage Equipment					1,561
394	Laboratory Equipment					
395	Power Operated Equipment					(1,304)
396	Communication Equipment					905
397	Miscellaneous Equipment					8,690
398	Other Tangible Plant					21,426
351 & 352	Organization & Franchise					3,643
	Total Depreciable Wastewater Plant in Service	\$	\$	\$	\$	\$ 1,156,131

* Specify nature of transaction.
Use () to denote reversal entries.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
--

SYSTEM NAME / COUNTY : Highlands

WASTEWATER CIAC SCHEDULE "A"

ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION RECEIVED FROM CAPACITY,
 MAIN EXTENSION AND CUSTOMER CONNECTION CHARGES RECEIVED DURING THE YEAR

DESCRIPTION OF CHARGE (a)	NUMBER OF CONNECTIONS (b)	CHARGE PER CONNECTION (c)	AMOUNT (d)
_____	_____	\$ _____	\$ _____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total Credits			\$ _____

ACCUMULATED AMORTIZATION OF WASTEWATER CONTRIBUTIONS IN AID OF CONSTRUCTION

DESCRIPTION (a)	WASTEWATER (b)
Balance first of year	\$ 730,779
Debits during the year:	
Accruals charged to Account 272	\$ 63,861
Other debits (specify):	_____
_____	_____
_____	_____
Total debits	\$ 63,861
Credits during the year (specify):	
_____	\$ _____
_____	_____
Total credits	\$ _____
Balance end of year	\$ 794,640

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
--

SYSTEM NAME / COUNTY : Highlands

WASTEWATER OPERATING REVENUE

ACCT. NO. (a)	DESCRIPTION (b)	BEGINNING YEAR NO. CUSTOMERS * (c)	YEAR END NUMBER OF CUSTOMERS * (d)	AMOUNTS (e)
WASTEWATER SALES				
521.1	Flat Rate Revenues: Residential Revenues			\$ _____
521.2	Commercial Revenues			_____
521.3	Industrial Revenues			_____
521.4	Revenues From Public Authorities			_____
521.5	Multiple Family Dwelling Revenues			_____
521.6	Other Revenues			_____
521	Total Flat Rate Revenues			\$ _____
522.1	Measured Revenues: Residential Revenues	1,304	1,314	312,601
522.2	Commercial Revenues	154	166	274,420
522.3	Industrial Revenues			_____
522.4	Revenues From Public Authorities			_____
522.5	Multiple Family Dwelling Revenues	12	12	45,172
522	Total Measured Revenues	1,470	1,492	\$ 632,193
523	Revenues From Public Authorities			_____
524	Revenues From Other Systems			_____
525	Interdepartmental Revenues			_____
Total Wastewater Sales		<u>1,470</u>	<u>1,492</u>	\$ <u>632,193</u>
OTHER WASTEWATER REVENUES				
530	Guaranteed Revenues			\$ _____
531	Sale of Sludge			_____
532	Forfeited Discounts			_____
534	Rents From Wastewater Property			_____
535	Interdepartmental Rents			_____
536	Other Wastewater Revenues (Including Allowance for Funds Prudently Invested or AFPI)			2,016
Total Other Wastewater Revenues				\$ <u>2,016</u>

* Customer is defined by Rule 25-30.210(1), Florida Administrative Code.

UTILITY NAME:

Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
--

SYSTEM NAME / COUNTY :

Highlands

WASTEWATER OPERATING REVENUE

ACCT. NO. (a)	DESCRIPTION (b)	BEGINNING YEAR NO. CUSTOMERS * (c)	YEAR END NUMBER OF CUSTOMERS * (d)	AMOUNTS (e)
RECLAIMED WATER SALES				
540.1	Flat Rate Reuse Revenues: Residential Reuse Revenues			\$ _____
540.2	Commercial Reuse Revenues			_____
540.3	Industrial Reuse Revenues			_____
540.4	Reuse Revenues From Public Authorities			_____
540.5	Other Revenues			_____
540	Total Flat Rate Reuse Revenues			\$ _____
541.1	Measured Reuse Revenues: Residential Reuse Revenues			_____
541.2	Commercial Reuse Revenues			_____
541.3	Industrial Reuse Revenues			_____
541.4	Reuse Revenues From Public Authorities			_____
541	Total Measured Reuse Revenues			\$ _____
544	Reuse Revenues From Other Systems			_____
Total Reclaimed Water Sales				\$ _____
Total Wastewater Operating Revenues				\$ <u>634,209</u>

* Customer is defined by Rule 25-30.210(1), Florida Administrative Code.

YEAR OF REPORT
December 31, 2004

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY: Highlands

WASTEWATER UTILITY EXPENSE ACCOUNT MATRIX

ACCT. NO.	ACCOUNT NAME	CURRENT YEAR	.1 COLLECTION EXPENSES- OPERATIONS (d)	.2 COLLECTION EXPENSES- MAINTENANCE (e)	.3 PUMPING EXPENSES- OPERATIONS (f)	.4 PUMPING EXPENSES- MAINTENANCE (g)	.5 TREATMENT & DISPOSAL EXPENSES - OPERATIONS (h)	.6 TREATMENT & DISPOSAL EXPENSES - MAINTENANCE (i)
701	Salaries and Wages - Employees	\$ 34,413					\$ 27,606	
703	Salaries and Wages - Officers, Directors and Majority Stockholders	181,545					88,452	
704	Employee Pensions and Benefits	3,655						
710	Purchased Sewage Treatment	16,686			16,686			
711	Sludge Removal Expense	51,057			24,993			
715	Purchased Power							
716	Fuel for Power Production	21,288						
718	Chemicals	41,386				6,501		10,565
720	Materials and Supplies							
731	Contractual Services-Engineering	14,250						
732	Contractual Services - Accounting	3,296						
733	Contractual Services - Legal							
734	Contractual Services - Mgt. Fees							
735	Contractual Services - Testing							
736	Contractual Services - Other	92,423		2,185				
741	Rental of Building/Real Property	16,655						
742	Rental of Equipment	1,053						
750	Transportation Expenses	13,425						
756	Insurance - Vehicle	5,386						
757	Insurance - General Liability							
758	Insurance - Workman's Comp.	5,386						
759	Insurance - Other	24,221						
760	Advertising Expense	1,357						
766	Regulatory Commission Expenses - Amortization of Rate Case Expense							
767	Regulatory Commission Exp.-Other	1,219						
770	Bad Debt Expense	4,165						
775	Miscellaneous Expenses							
	Total Wastewater Utility Expenses	\$ 532,866	\$	\$ 2,185	\$ 24,993	\$ 20,471	\$ 205,916	\$ 13,663

S-10(a)
GROUP _____

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY: Highlands

WASTEWATER UTILITY EXPENSE ACCOUNT MATRIX

ACCT. NO.	ACCOUNT NAME	.7 CUSTOMER ACCOUNTS EXPENSE (j)	.8 ADMIN. & GENERAL EXPENSES (k)	.9 RECLAIMED WATER TREATMENT EXPENSES- OPERATIONS (l)	.10 RECLAIMED WATER TREATMENT EXPENSES- MAINTENANCE (m)	.11 RECLAIMED WATER DISTRIBUTION EXPENSES- OPERATIONS (n)	.12 RECLAIMED WATER DISTRIBUTION EXPENSES- MAINTENANCE (o)
701	Salaries and Wages - Employees	\$	\$ 6,807	\$	\$	\$	\$
703	Salaries and Wages - Officers, Directors and Majority Stockholders		93,093				
704	Employee Pensions and Benefits		3,655				
710	Purchased Sewage Treatment						
711	Sludge Removal Expense		3,463				
715	Purchased Power						
716	Fuel for Power Purchased						
718	Chemicals						
720	Materials and Supplies		24,320				
731	Contractual Services-Engineering		14,250				
732	Contractual Services - Accounting		3,296				
733	Contractual Services - Legal						
734	Contractual Services - Mgt. Fees						
735	Contractual Services - Testing		43,887				
736	Contractual Services - Other		16,655				
741	Rental of Building/Real Property		1,053				
742	Rental of Equipment		13,425				
750	Transportation Expenses		5,386				
756	Insurance - Vehicle		24,221				
757	Insurance - General Liability		1,357				
758	Insurance - Workman's Comp.						
759	Insurance - Other						
760	Advertising Expense						
766	Regulatory Commission Expenses - Amortization of Rate Case Expense						
767	Regulatory Commission Exp.-Other						
770	Bad Debt Expense	1,219					
775	Miscellaneous Expenses		4,165				
	Total Wastewater Utility Expenses	\$ 1,219	\$ 264,419	\$	\$	\$	\$

S-10(b)
GROUP _____

UTILITY NAME:

Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
--

SYSTEM NAME / COUNTY :

Highlands

CALCULATION OF THE WASTEWATER SYSTEM METER EQUIVALENTS

WATER METER SIZE (a)	TYPE OF WATER METER (b)	EQUIVALENT FACTOR (c)	NUMBER OF WATER METERS (d)	TOTAL NUMBER OF METER EQUIVALENTS (c x d) (e)
All Residential		1.0	1,314	1,314.00
5/8"	Displacement	1.0	115	115.00
3/4"	Displacement	1.5		
1"	Displacement	2.5	23	57.50
1 1/2"	Displacement or Turbine	5.0	10	50.00
2"	Displacement, Compound or Turbine	8.0	20	160.00
3"	Displacement	15.0	8	120.00
3"	Compound	16.0		
3"	Turbine	17.5		
4"	Displacement or Compound	25.0	2	50.00
4"	Turbine	30.0		
6"	Displacement or Compound	50.0		
6"	Turbine	62.5		
8"	Compound	80.0		
8"	Turbine	90.0		
10"	Compound	115.0		
10"	Turbine	145.0		
12"	Turbine	215.0		
Total Wastewater System Meter Equivalents				<u>1,866.50</u>

CALCULATION OF THE WASTEWATER SYSTEM EQUIVALENT RESIDENTIAL CONNECTIONS

Provide a calculation used to determine the value of one wastewater equivalent residential connection (ERC).

Use one of the following methods:

(a) If actual flow data are available from the preceding 12 months, divide the total annual single family residence (SFR) gallons sold by the average number of single family residence customers for the same period and divide the result by 365 days.

(b) If no historical flow data are available, use:

$$ERC = (\text{Total SFR gallons treated (Omit 000)} / 365 \text{ days} / 280 \text{ gallons per day})$$

For wastewater only utilities:

Subtract all general use and other non residential customer gallons from the total gallons treated.

Divide the remainder (SFR customers) by 365 days to reveal single family residence customer gallons per day.

NOTE: Total gallons treated includes both treated and purchased treatment.

ERC Calculation:

$$33,304,000 \div 1,309.00 \div 365 = 69.70$$

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
--

SYSTEM NAME / COUNTY: Highlands - South Plant

WASTEWATER TREATMENT PLANT INFORMATION

Provide a separate sheet for each wastewater treatment facility

Permitted Capacity	0.060 MGD		
Basis of Permit Capacity (1)	0.060 MGD		
Manufacturer	Defiance/Pugh		
Type (2)	Extended Aeration		
Hydraulic Capacity	0.060 MGD		
Average Daily Flow	0.085498 MGD		
Total Gallons of Wastewater Treated	31.191 MG		
Method of Effluent Disposal	Percolation 2 Ponds		

(1) Basis of permitted capacity as stated on the Florida DEP WWTP Operating Permit (i.e. average annual daily flow, etc.)

(2) Contact stabilization, advanced treatment, etc.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
--

SYSTEM NAME / COUNTY: Highlands - Western Boulevard

WASTEWATER TREATMENT PLANT INFORMATION

Provide a separate sheet for each wastewater treatment facility

Permitted Capacity	0.200 MGD		
Basis of Permit Capacity (1)	0.200 MGD		
Manufacturer	Defiance/Pugh		
Type (2)	Extended Aeration		
Hydraulic Capacity	0.200 MGD		
Average Daily Flow	0.16223 MGD		
Total Gallons of Wastewater Treated	59.259 MG		
Method of Effluent Disposal	Percolation 2 Ponds		

(1) Basis of permitted capacity as stated on the Florida DEP WWTP Operating Permit (i.e. average annual daily flow, etc.)

(2) Contact stabilization, advanced treatment, etc.

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT December 31, 2004
--

SYSTEM NAME / COUNTY: Highlands - Clearview Plant

WASTEWATER TREATMENT PLANT INFORMATION

Provide a separate sheet for each wastewater treatment facility

Permitted Capacity	0.0350 MGD		
Basis of Permit Capacity (1)	0.0350 MGD		
Manufacturer	Defiance/Pugh		
Type (2)	Extended Aeration		
Hydraulic Capacity	0.0350 MGD		
Average Daily Flow	0.0000 MGD		
Total Gallons of Wastewater Treated	0.000 MG		
Method of Effluent Disposal	Percolation 2 Ponds		

(1) Basis of permitted capacity as stated on the Florida DEP WWTP Operating Permit (i.e. average annual daily flow, etc.)

(2) Contact stabilization, advanced treatment, etc.

YEAR OF REPORT December 31, 2004
--

UTILITY NAME: Highlands Utilities Corporation

SYSTEM NAME / COUNTY: Highlands - Brunners

WASTEWATER TREATMENT PLANT INFORMATION

Provide a separate sheet for each wastewater treatment facility

Permitted Capacity	0.0150 MGD		
Basis of Permit Capacity (1)	0.0150 MGD		
Manufacturer	Defiance/Pugh		
Type (2)	Extended Aeration		
Hydraulic Capacity	0.015 MGD		
Average Daily Flow	0.007081 MGD		
Total Gallons of Wastewater Treated	2.586 MG		
Method of Effluent Disposal	Percolation 2 Ponds		

(1) Basis of permitted capacity as stated on the Florida DEP WWTP Operating Permit
(i.e. average annual daily flow, etc.)

(2) Contact stabilization, advanced treatment, etc.

S-12

GROUP _____

SYSTEM _____

UTILITY NAME: Highlands Utilities Corporation

YEAR OF REPORT
December 31, 2004

SYSTEM NAME / COUNTY : Highlands

OTHER WASTEWATER SYSTEM INFORMATION

Furnish information below for each system. A separate page should be supplied where necessary.

1. Present number of ERCs* now being served 3,657

2. Maximum number of ERCs* which can be served 4,448

3. Present system connection capacity (in ERCs*) using existing lines 4,448

4. Future connection capacity (in ERCs*) upon service area buildout N/A

5. Estimated annual increase in ERCs* N/A

6. Describe any plans and estimated completion dates for any enlargements or improvements of this system
None

7. If the utility uses reuse as a means of effluent disposal, attach a list of the reuse end users and the amount of reuse provided to each, if known. N/A

8. If the utility does not engage in reuse, has a reuse feasibility study been completed? No

If so, when? _____

9. Has the utility been required by the DEP or water management district to implement reuse? No

If so, what are the utility's plans to comply with this requirement? _____

10. When did the company last file a capacity analysis report with the DEP? N/A

11. If the present system does not meet the requirements of DEP rules:

a. Attach a description of the plant upgrade necessary to meet the DEP rules.

b. Have these plans been approved by DEP? N/A

c. When will construction begin? N/A

d. Attach plans for funding the required upgrading.

e. Is this system under any Consent Order with DEP? N/A

12. Department of Environmental Protection ID # FLA 014369, FLA 014353, FLA 014394, FLA 014328

* An ERC is determined based on the calculation on S-11.

S-13
GROUP _____
SYSTEM _____

**Reconciliation of Revenue to
Regulatory Assessment Fee Revenue
Wastewater Operations
Class A & B**

Company: Highlands Utilities Corporation
For the Year Ended December 31, 2004

(a)	(b)	(c)	(d)
Accounts	Gross Wastewater Revenues Per Sch. S-9	Gross Wastewater Revenues Per RAF Return	Difference (b) - (c)
Gross Revenue:			
Total Flat-Rate Revenues (521.1 - 521.6)	\$ _____	\$ _____	\$ _____
Total Measured Revenues (522.1 - 522.5)	632,193	632,193	
Revenues from Public Authorities (523)	_____	_____	
Revenues from Other Systems (524)	_____	_____	
Interdepartmental Revenues (525)	_____	_____	
Total Other Wastewater Revenues (530 - 536)	2,016	2,016	
Reclaimed Water Sales (540.1 - 544)	_____	_____	
Total Wastewater Operating Revenue	\$ 634,209	\$ 634,209	\$ _____
LESS: Expense for Purchased Wastewater from FPSC-Regulated Utility	_____	_____	_____
Net Wastewater Operating Revenues	\$ 634,209	\$ 634,209	\$ _____

Explanations:

Instructions:

For the current year, reconcile the gross wastewater revenues reported on Schedule S-9 with the gross wastewater revenues reported on the company's regulatory assessment fee return. Explain any differences reported in column (d).