



ORIGINAL
Public Service Commission PSC

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-M-E-M-O-R-A-N-D-U-M-
RECORDS AND
REPORTING

DATE: June 27, 2000

TO: Blanca Bayo, Director of Records and Reporting

FROM: Bob Casey, Professional Accountant Specialist, Division of Economic Regulation *rc*

RE: Docket No. 000715-SU, Investigation of Possible Overearnings by North Peninsula Utilities Corporation in Volusia County.

Please place the attached response to staff audit in the above official docket file.
Thank You.

/RC

- APP _____
- CAF _____
- CMP _____
- COM _____
- CTR _____
- ECR _____
- LEG _____
- OPC _____
- PAI _____
- RGO _____
- SEC
- SER _____
- OTH _____

DOCUMENT NUMBER-DATE

07856 JUN 28 00

FPSC-RECORDS/REPORTING



EVA L. CHATFIELD

Certified Public Accountant

555 WEST GRANADA BLVD.
SUITE G-4
ORMOND BEACH, FLORIDA 32174-9407
TELEPHONE (904) 615-0445
FACSIMILE (904) 615-0455

DIVISION OF
ADMINISTRATION

2000 JUN 21 AM 8 31

MEMBER:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

May 26, 2000

**To: Florida Public Service Commission
Attn. Bob Casey**

**From: Eva L. Chatfield
Certified Public Accountant**

**RE: North Peninsula Utilities Corp.
Audit – Overearnings – Period Ended 12-31-98
Audit Control No. 99-340-3-1**

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
00 JUN 21 PM 4:02
DIVISION OF
ECONOMIC REGULATION

Dear Mr. Casey:

I am writing on behalf North Peninsula Utilities Corp. (the Utility) in response to the audit of overearnings for the period ended December 31, 1998. Following is an itemized response to the exceptions noted in the audit.

Exception No. 1 – Books and Records

The Utility currently utilizes the NARUC, National Association of Regulatory Utility Commissioners Uniform System of Accounts. Although an older version of this was on file at the Utility an updated version has been ordered. The Utility, being a small Type C utility, records accruals only twice within each year. Accruals are posted in June to facilitate calculation of the rate adjustment and again at year-end.

Exception No. 2 – Contributions-in-Aid-of-Construction (CIAC)

It is my understanding that the Utility is no longer collecting CIAC.

Exception No. 3 – CIAC – Accumulated Amortization

A difference of \$105,114.39 was noted in the general ledger for CIAC accumulated amortization between December 31, 1996 and January 1, 1997. There are two reasons for this. The first is that the general ledger for December 31, 1996 was printed before the accounting firm of Rachlin and Cohen (former CPA) made year-end entries. Please find enclosed copies of the trial balance and year-end adjustments made by the former CPA. The former CPA made an entry of \$105,114.39 to the balance in CIAC accumulated amortization based on the findings

of an audit conducted by the Florida Public Service Commission (FPSC) for the year ended December 31, 1996. Please find enclosed copy of Docket No. 960964-SU for CIAC. The entry was done to agree the books of the Utility to this schedule. The Utility is not familiar with Commission Order No. PSC-97-0263-FOF-SU, issued June 30, 1996, which states the CIAC accumulated amortization should have been \$300,853.00.

Exception No. 4 – Regulatory Assessment Fee

The regulatory assessment fee for the year ended December 31, 1998 was not accrued, as it should have been. When preparing the annual report for the year ended December 31, 1999, the Utility made an adjustment to retained earnings for this 1998 fee. The regulatory assessment fee was accrued for the year ended December 31, 1999.

Exception No. 5 – Contractual Services

The Utility may have expensed a few items that should have been capitalized. The Utility may also have overlooked a few minor accruals at year-end December 31, 1998. The amounts involved net out to what appears to be a rather immaterial amount.

Exception No. 6 – Office Supplies

The amount of possible understated office supplies expense of \$458.33 would appear to be immaterial and the Utility would prefer not to change its books and records for the small dollar amount.

Exception No. 7 – Real Estate and Tangible Taxes

The difference between the property taxes accrued at December 31, 1998 and actually paid in early 1999 was \$399.06. Again this dollar amount appears to be immaterial. The difference is caused because the taxes are accrued at year-end based on the month the Utility anticipates paying them in the following year. If the taxes get paid in an earlier month, the expense would be slightly less than the amount accrued. If the taxes get paid in a later month, the expense would be slightly higher than the amount accrued.

Exception No. 8 – Taxes Other

The exception states that while the Utility took an expense for taxes-other of \$270.00, the only entry to the account was for \$120.00 to the Florida Dept. of Revenue. However, another check was written to the Florida Dept. of State for \$150.00 on January 14, 1998, check number 3800. See enclosed.

Exception No. 9 – Miscellaneous Expense

The Utility did expense to a contribution of \$387 to account 775-400, Miscellaneous Expense instead of Account 426, Miscellaneous Non-Utility Expense and has made note of the different account numbers for future reference. Concerning the difference in the general ledger of \$150 difference in the general ledger between June 30, 1998 and July 1, 1998, a reclassification was made to the books of the Utility dating back to June after the June general ledger had been printed. It is shown correctly in the final general ledger for the year. Again, the amount seems immaterial.

Exception No. 10 – Working Capital Allowance

The utility finds no exception with the recommendation to increase working capital allowance.

Exception No. 11 – Utility Loans

Please find enclosed documentation concerning the notes and loans in question.

Disclosure No. 1 – Management Agreement

The Utility did not accrue management fees not paid under a management agreement with Peninsula Management for the year ended December 31, 1998. It did however start accruing fees not paid for the year ended December 31, 1999.

I hope I have satisfactorily addressed all the exceptions and disclosures noted in the audit of the books of the Utility for the year ended December 31, 1998. If you have further questions or additional support or explanation is necessary, please contact either the Utility or myself. Thank-you for your understanding and patience in this matter.

Sincerely,



Eva L. Chatfield, CPA

cc: Robert Hillman
Tyree F. Wilson, Jr.

(CIAC)
 NORTH PENINSULA UTILITIES CORP.
 DOCKET NO. 960984-SU
 CIAC

ACCT.	DESCRIPTION	PLANT 12/31/89	PLANT 12/31/90	PLANT 12/31/91	PLANT 12/31/92	PLANT 12/31/93	PLANT 12/31/94	PLANT 12/31/95	PLANT 12/31/96
352	Franchises	6,310	6,310	6,310	6,310	6,310	6,310	6,310	6,310
354	Structures & Improvements	156,743	156,743	156,743	161,743	161,743	161,743	161,743	162,493
360	Collection Sewers - Force	321,528	321,528	321,528	321,528	321,528	321,528	321,528	321,528
361	Collection Sewers - Gravity	0	0	0	0	5,410	5,410	5,410	5,410
363	Services to Customers	29,139	29,139	29,139	29,139	29,139	29,139	29,139	29,139
370	Receiving Wells	0	0	0	0	0	0	0	1,278
380	Treatment & Disposal Equip.	15,074	15,074	68,320	245,199	257,097	257,097	257,540	257,540
		<u>528,794</u>	<u>528,794</u>	<u>582,040</u>	<u>763,919</u>	<u>781,227</u>	<u>781,227</u>	<u>781,670</u>	<u>783,698</u>

DESCRIPTION	CIAC AMORT 12/31/89	CIAC AMORT 12/31/90	CIAC AMORT 12/31/91	CIAC AMORT 12/31/92	CIAC AMORT 12/31/93	CIAC AMORT 12/31/94	CIAC AMORT 12/31/95	CIAC AMORT 12/31/96
CIAC AMORTIZATION	<u>5,165</u>	<u>16,680</u>	<u>17,529</u>	<u>19,899</u>	<u>27,740</u>	<u>29,073</u>	<u>29,069</u>	<u>29,662</u>
ACCUM AMORT - CIAC	<u>5,165</u>	<u>21,845</u>	<u>39,374</u>	<u>59,273</u>	<u>87,013</u>	<u>116,086</u>	<u>145,155</u>	<u>174,817</u>
CIAC AT YEAR-END	<u>419,244</u>	<u>436,744</u>	<u>475,244</u>	<u>519,944</u>	<u>607,194</u>	<u>628,194</u>	<u>628,194</u>	<u>640,994</u>

FS-13/15
 FS-14
 FS-15

to page 5-13-01

North Peninsula Utilities Corp.
F: 951616040
Adjusted Trial Balance
for the period ended December 31, 1996

Prepared by HV 05/02/97
Reviewed by [Signature]
Page 308

Account # / Description	Prior Period (Adjusted) 12/31/95	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
1105 Cash- Barnett Bank <i>31.1</i>	8,594.45	5,758.67			5,758.67	(A) A-1
1107 Cash- Reserve <i>31.2</i>	6,095.77	8,258.07			8,258.07	(A) A-2
1200 Property, Plant & Equip. <i>see detailed listing attached</i>	781,226.87	781,226.87	AJE-5	1,277.65	783,697.42	(B) G1/2
			AJE-5	750.00		
			AJE-5	442.90		
1250 Acc Depr- PP&E	(335,223.00)	(369,127.00)	AJE-7	(5,030.00)	(374,157.00)	G1/2
1300 Land <i>101,303</i>	46,800.00	46,800.00			46,800.00	(B)
1400 Deposits <i>174.1</i>	555.50	555.50			555.50	
1500 Accounts Receivable <i>141</i>	1,120.88	1,303.01			1,303.01	
1531 Loan- Tyree Wilson <i>174.2</i>	14,975.78	14,975.78			14,975.78	(C) C = 29,957
1532 Loan- Robert Hillman <i>174.3</i>	14,975.78	14,975.78			14,975.78	(C)
1533 Loan- Pearl Blakely <i>224.1</i>	(10,000.00)	(10,000.00)			(10,000.00)	
1534 Loan- Linda Wilson <i>224.2</i>	(10,000.00)	(10,000.00)			(10,000.00)	(C) C = 13,000
1535 Due To/From Affiliate <i>174.4</i>	4,700.00	4,700.00			4,700.00	
1540 Due From Peninsula Mgmt. <i>174.5</i>		122.50			122.50	
1550 Stock Subscriptions Rec.						
1860 Deferred Charges- Legal <i>186.1</i>			AJE-2	19,890.66	19,890.66	} 14,918
1865 Accum Amort- Deferred Chgs- Legal <i>186.2</i>			AJE-3	(4,972.67)	(4,972.67)	
2100 Payroll Tax Liability 237.9 <i>236.1</i>		(862.80)			(862.80)	(F) C = 12,335

Reviewed by
Date 12/28/97

Account # / Description	Prior Period	Unadjusted	Ref #	Adjustments	Adjusted	Workpaper Reference
	(Adjusted) 12/31/95	Balance Dr (Cr)		Dr (Cr)	Balance Dr (Cr)	
2200 Accounts Payable- Trade 232.1	(37,171.56)	(42,370.45)		F-4 ✓ (42,370.45)	✓ K 1/2	
2350 N/P- Tyree Wilson 224.3	(11,000.00)	(3,000.00)		F-4 ✓ (3,000.00)	⊙ N	
2380 Mtg Payable- 1st State 224.4	(295,000.00)	(295,000.00)		F-4 ✓ (295,000.00)	✓	
2400 Accrued Taxes 236.2	(12,605.94)	(17,575.92)	AJE-1	103.45 F-4 ✓ (17,472.47)	⊙ K 2/2	
2450 Accrued Int- 1st State 237.1	(2,532.67)					
2500 CIAC 271	(628,194.00)	(640,994.00)		F-4 ✓ (640,994.00)	⊙ H ⊕ = Q 1/2 (466,177.00)	
2550 Acc Amort- CIAC 272	255,867.84	279,931.39	AJE-8	(105,114.39) F-4 ✓ 174,817.00	⊙ H Q 1/2	
2600 Loan Closing Costs 186.3	6,968.50	6,968.50		F-4 ✓ 6,968.50	⊙ D ⊕ = - -	
2650 Acc Amort- Loan Closing 186.4	(5,226.39)	(6,968.50)		F-4 ✓ (6,968.50)	⊙ D	
2700 Accrued Interest- Officer 237.2	(233.34)	(233.34)		F-4 ✓ (233.34)	✓	
3100 Capital Stock 201	(100.00)	(100.00)		F-4 ✓ (100.00)	✓	
3900 Add'l Paid In Capital 211	(400.00)	(400.00)		F-4 ✓ (400.00)	✓	
3910 Retained Earnings 215	191,279.05	205,805.53	AJE-2 AJE-2 AJE-5 AJE-7 AJE-8	(500.00) F-4 ✓ 298,852.81 (19,390.66) (442.90) 2,668.00 110,712.84	⊙ E ⊕ ⊕ = 323,708.34 ✓	
(Profit) Loss	14,526.48	25,250.41		(394.88) F-4 ✓ 24,855.53	⊙ E	
	0.00	0.00		0.00	0.00	

Final check of new exp acct & put in prior yr balance

if you have other types of customers see attached

YOUNG 97

Account # / Description	Prior Period (Adjusted) 12/31/95	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
4000 Sewer Fee Income <i>521.1 Residential</i>	(143,188.59)	(147,764.13)		F-3	(147,764.13)	N ✓
4100 Interest Income <i>419</i>	(95.77)	(112.50)		F-3	(112.50)	N ✓
5100 Utilities <i>Electric 715 Fuel for Pumps 716</i>	10,964.89	14,557.64		S-3	14,557.64	N ✓
5150 Professional Fees <i>730.1</i>	7,125.13	8,159.89		S-3	8,159.89	(5) £(5) = 56,364 ✓
5160 Management Fees <i>730.2</i>	16,000.00	12,239.41		S-3	12,239.41	(5) ✓
5170 Contractors Expense <i>730.3</i>	6,345.00	6,850.00		S-3	6,850.00	(5) ✓
5200 Repairs and Maintenance <i>Materials and Supplies 720 Contractual Services 730.4</i>	19,505.84	31,142.47	AJE-5	(2,027.65) S-3	29,114.82	(5) ✓
5250 Licenses and Taxes <i>Property Taxes 408.12 Other 408.13 408.4</i>	13,316.61	15,471.71		F-3	15,471.71	(2) £(2) = 22,923.2 ✓
5260 Gross Receipts Tax <i>408.10</i>	6,443.49	6,752.83	AJE-1	(103.45) F-3	6,649.38	(2) K 2/2 ✓
5300 Office Supplies <i>720.1</i>	1,250.58	868.96		S-3	868.96	(4) £(4) = 2,897 ✓
5320 Office Expense <i>720.2</i>	2,828.34	2,028.12		S-3	2,028.12	(4) ✓
5350 Bank Charges <i>720.3</i>	80.08	166.43		S-3	166.43	(6) £(6) = 6,188 ✓
5400 Depreciation <i>403.1</i>	33,904.00	33,904.00	AJE-7	2,362.00 F-3	36,266.00	N ✓ G 1/2 ✓
5450 Int Exp- Barnett Bank <i>427.1</i>	7,384.17					
5452 Int Exp- Officer Loan <i>427.2</i>	1,792.84	1,400.04		F-3	1,400.04	(3) £(3) = 29,34 ✓
5455 Int Exp- Pearl Blakely <i>427.3</i>	1,792.84	1,400.04		F-3	1,400.04	(3) ✓
5456 Int Exp- Tyree Wilson <i>427.4</i>	3,153.83	306.94		F-3	306.94	(3) ✓

Account # / Description	Prior Period (Adjusted) 12/31/95	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
5460 Int Exp- 1st State <i>427.5</i>	22,957.12	26,440.78		F-3	26,440.78	(3)
5481 Amort Exp- Old Clsg Costs						
5482 Amortization Expense- <i>Loan Closing</i> <i>407.1</i>	13,624.00	1,742.11		F-3	1,742.11	(1) & (2) = 22,942
5483 Amortization Expense- Other <i>(Legal)</i> <i>407.2</i>			AJE-3	4,972.67 F-3	4,972.67	(1)
5500 CIAC- Amortization <i>403.2</i>	(23,814.84)	(24,063.55)	AJE-8	(5,598.45) F-3	(29,662.00)	(1) Q1/2
5565 Office Rent <i>740</i>	1,431.00	1,917.88		S-3	1,917.88	✓
5700 Insurance <i>755</i>	1,277.48	1,725.30		S-3	1,725.30	✓
5720 Entertainment <i>775.1</i>	4,696.87	4,922.95	AJE-4	(4,922.95)		
5721 Salaries <i>Employees 701</i> <i>Officers 703</i>		7,200.00		S-3	7,200.00	✓
5722 Travel Expense <i>775.2</i>		3,446.56	AJE-4	(3,446.56)		
5723 Taxes- Payroll <i>408.3</i>		802.80		F-3	802.80	(2)
5725 Telephone <i>775.3</i>	2,256.11	3,183.49		S-3	3,183.49	(6)
5735 Postage <i>720.</i>	2,414.49	1,363.00		S-3	1,363.00	(6)
5740 Contribution <i>426</i>	35.00	225.00	AJE-6	(225.00)		
5745 Miscellaneous <i>775.4</i>	1,045.97	1,375.96		S-3	1,375.96	(6)
5747 Miscellaneous Non-Util. Expenses <i>426</i>			AJE-4 AJE-6	8,369.51 F-3 225.00	8,594.51	✓
5750 Automobile Lease <i>750</i>		7,596.28		S-3	7,596.28	✓

Account # / Description	Prior Period (Adjusted) 12/31/95	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
5800 Write off-loan clsg costs						
(Profit) Loss	14,526.48	25,250.41		(394.88)	24,855.53	

Frank
5-28-97

Account #	Account Name / Description	Debits	Credits
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12/31/96 AJE 1

2400	236.2 Accrued Taxes	103.45	
5260	408.1 Gross Receipts Tax		103.45

To correct the posting of the 1996 gross receipts tax to agree with the gross receipts tax return filed for 1996.

12/31/96 AJE 2

1860	186.1 Deferred Charges- Legal	19,890.66	
3910	215 Retained Earnings		500.00
3910	215 Retained Earnings		19,390.66

To record audit exception # 3.

12/31/96 AJE 3

5483	407.2 Amortization Expense- Other	4,972.67	
1865	186.2 Accum Amort- Deferred Chgs- Legal		4,972.67

To record the amortization for 1996 on the deferred charges- legal as follows: \$ 19,890.66 * 25%.

12/31/96 AJE 4

5747	426 Miscellaneous Non-Util. Expenses	8,369.51	
5720	775.1 Entertainment		4,922.95
5722	775.2 Travel Expense		3,446.56

To record audit exception # 4, based on calendar year 1996 balances.

12/31/96 AJE 5

1200	101.370 Property, Plant & Equip.	1,277.65	
1200	101.354 Property, Plant & Equip.	750.00	
1200	101.380 Property, Plant & Equip.	442.90	
5200	720.07 Repairs and Maintenance		2,027.65
3910	215 Retained Earnings		442.90

To record audit exception # 5.

Account #	Account Name / Description	Debits	Credits
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12/31/96 AJE 6

5747 <i>426</i>	Miscellaneous Non-Util. Expenses	225.00	
5740	Contribution		225.00

To record audit exception # 8, a reclassification of contributions made.

12/31/96 AJE 7

5400 <i>403.1</i>	Depreciation	2,362.00	
3910 <i>215</i>	Retained Earnings -	2,668.00	
1250 <i>108 - see detail</i>	Acc Depr- PP&E		5,030.00

To record the adjustments made to depreciation for 1989-1996 per the FL PSC.

12/31/96 AJE 8

3910 <i>215</i>	Retained Earnings	110,712.84	
5500 <i>403.2</i>	CIAC- Amortization		5,598.45
2550 <i>272</i>	Acc Amort- CIAC		105,114.39

To record the adjustments made to CIAC amortization for 1989-1996 per the FL PSC.

Totals	151,774.68	151,774.68
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NPU98 - North Peninsula Utilities Corp
 General Ledger - Full Detail
 January 1, 1998 To December 31, 1998

Date	JR	Ref. #	Description	Debits	Credits	Balance
408-400 Taxes - Other						
01-01			Beginning			0.00
01-14	CD	3800	FL Dept of State - corp fee	150.00		
05-20	CD	3908	FL Dept of Revenue	120.00		
			Net Change	270.00		
12-31			Ending			270.00
DEBIT TOTAL -						270.00
CREDIT TOTAL -						0.00
DIFFERENCE -						270.00

NPU98 - North Peninsula Utilities Corp
 General Ledger - Full Detail
 January 1, 1998 To December 31, 1998

Date	JR	Ref. #	Description	Debits	Credits	Balance
775-400 Miscellaneous						
01-01			Beginning			0.00
05-01	CD	3884	Robert Hillman - doc stamp Coquina loan	52.85		
05-04	VA	3885	Ormond Mower	37.63		
09-10	CD	3984	U-16 OB Waves - sponsorship	387.00		
09-10	CD	3992	Carpetpro	45.00		
09-30	GJ	3	Record 9/98 C/R's		200.00	
10-15	CD	4027	Void Check	0.00		
11-02	CD	4032	Carole May	25.00		
11-16	CD	4048	Void Check	0.00		
12-09	CD	4059	Void Check	0.00		
12-31	AJ	2	rec amort-loan closing costs & reclass misc.	198.00		
			Net Change	545.48		
12-31			Ending			545.48
						DEBIT TOTAL - 545.48
						CREDIT TOTAL - 0.00
						DIFFERENCE - 545.48

PROMISSORY NOTE

\$ 20,000.00

Daytona Beach, Florida

July 1, 1992

FOR VALUE RECEIVED, the undersigned jointly and severally promise(s) to pay to the order of

Lynda Wilson

12,000 pay down

or such place as the holder(s) of this note may designate in writing the principal sum of twenty thousand and 00/100-----DOLLARS together with interest thereon from July 1, 1992 at the rate of 14% per annum on the unpaid balance until paid. All installments shall apply first to interest and then to principal.

Interest payable on the first of each month.

If default be made in the payment of any installment under this note, and if such default is not made good within 15 days following it's due date, the entire principal sum and accrued interest shall at once become due and payable without notice at the option of the holder(s) of this note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same at a later time for the same default or for any subsequent default. In the event of defaults in the payment of this note, and if the same is placed in the hands of an attorney at law for collection, the undersigned hereby agree(s) to pay all costs of collection including a reasonable attorney's fee. Presentment, protest and notice are hereby waived.

----- (SEAL)

----- (SEAL)

----- (SEAL)
North Peninsula Utilities

----- (SEAL)

PROMISSORY NOTE

\$ 20,000.00

Daytona Beach, Florida

July 1,

1992

FOR VALUE RECEIVED, the undersigned jointly and severally promise(s) to pay to the order of Pearl Blakeley or Margie Hillman

or such place as the holder(s) of this note may designate in writing the principal sum of twenty thousand and 00/100-----DOLLARS together with interest thereon from July 1, 1992 at the rate of 14 % per annum on the unpaid balance until paid. All installments shall apply first to interest and then to principal.

Interest payable on the first of each month.

If default be made in the payment of any installment under this note, and if such default is not made good within 15 days following it's due date, the entire principal sum and accrued interest shall at once become due and payable without notice at the option of the holder(s) of this note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same at a later time for the same default or for any subsequent default. In the event of defaults in the payment of this note, and if the same is placed in the hands of an attorney at law for collection, the undersigned hereby agree(s) to pay all costs of collection including a reasonable attorney's fee. Presentment, protest and notice are hereby waived.

[Handwritten Signature]

----- (SEAL)

----- (SEAL)

North Peninsula Utilities

----- (SEAL)

----- (SEAL)


N O T E

\$3,000.00

June 26, 1998

Payable to T. F. WILSON, THREE THOUSAND AND NO/100.

This note will be for twenty-four (24) months at 7%
interest, payable monthly in the amount of \$134.42.



North Peninsula Utilities
Corp.
