

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Application of
UTILITIES, INC. OF FLORIDA
for a rate increase in Marion,
Orange, Pasco, Pinellas
and Seminole Counties

Docket No. 020071-WS

Date Filed: June 2, 2003

**TESTIMONY
OF
DONNA DERONNE
ON BEHALF OF
THE OFFICE OF PUBLIC COUNSEL**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

TESTIMONY AND EXHIBITS

OF DONNA DERONNE

ON BEHALF OF

THE OFFICE OF PUBLIC COUNSEL

DOCKET NO. 020071-WS

DOCUMENT NUMBER-DATE

04883 JUN-28

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DIRECT TESTIMONY OF

DONNA DERONNE

Respectfully submitted,
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TABLE OF CONTENTS

I. INTRODUCTION 1

II. OVERALL FINANCIAL SUMMARY 3
Overall Recommendation 3

III. STAFF ADJUSTMENTS 5

IV. OPERATING INCOME 15
Revenues - Index Rate Increase Annualizations Corrections 15
Employee Costs 17
Purchase Water Expense - Oakland Shores 24
Uncollectible Expense - Weathersfield 25
Excessive Lost & Unaccounted for Water 26
Excessive Inflow & Infiltration 27
Lincoln Heights Purchase Wastewater Treatment Expense 28

V. RATE BASE 31
Non-Used & Useful Facilities 32
Removal of Non-Used & Useful Wastewater Treatment Plants 35

VI. RATE OF RETURN - RETURN ON EQUITY PENALTY 40

1
2
3
4
5
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7
8
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10
11
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DIRECT TESTIMONY OF DONNA DERONNE
ON BEHALF OF THE CITIZENS OF FLORIDA
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
UTILITIES, INC. OF FLORIDA
DOCKET NO. 020071-WS

I. INTRODUCTION

Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?

A. My name is Donna DeRonne. I am a Certified Public Accountant licensed in the State of Michigan and a senior regulatory consultant at the firm of Larkin & Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan 48154.

Q. PLEASE DESCRIBE THE FIRM LARKIN & ASSOCIATES, PLLC.

A. Larkin & Associates, PLLC, is a Certified Public Accounting and Regulatory Consulting Firm. The firm performs independent regulatory consulting primarily for public service/utility commission staffs and consumer interest groups (public counsels, public advocates, consumer counsels, attorneys general, etc.). Larkin & Associates, PLLC, has extensive experience in the utility regulatory field as expert witnesses in over 400 regulatory proceedings, including numerous electric, water and wastewater, gas and telephone utilities.

1 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC
2 SERVICE COMMISSION?

3 A. Yes. I have testified before the Florida Public Service Commission on several prior
4 occasions. I have also testified before several other state regulatory commissions.

5

6 Q. HAVE YOU PREPARED AN EXHIBIT DESCRIBING YOUR QUALIFICATIONS
7 AND EXPERIENCE?

8 A. Yes. I have attached Appendix I, which is a summary of my regulatory experience
9 and qualifications.

10

11 Q. ON WHOSE BEHALF ARE YOU APPEARING?

12 A. Larkin & Associates, PLLC, was retained by the Florida Office of Public Counsel
13 (“OPC”) to review the rate increase request filed by Utilities, Inc. of Florida
14 (“Company” or “UT”) for Marion, Orange, Pasco, Pinellas, and Seminole Counties.
15 Accordingly, I am appearing on behalf of the Citizens of Florida (“Citizens”).

16

17 Q. ARE ANY ADDITIONAL WITNESSES APPEARING ON BEHALF OF THE
18 FLORIDA OFFICE OF PUBLIC COUNSEL IN THIS CASE?

19 A. Yes. Kim Dismukes, Ted Bidy and Mark Cicchetti are also presenting testimony in
20 this case.

21

22 Q. HOW WILL YOUR TESTIMONY BE ORGANIZED?

1 A. I address, in order, the following: Overall Financial Summary, Staff Adjustments,
2 Operating Income, Rate Base and Rate of Return - Return on Equity Penalty.

3
4 II. OVERALL FINANCIAL SUMMARY

5 Overall Recommendation

6 Q. HAVE YOU PREPARED AN EXHIBIT IN SUPPORT OF YOUR TESTIMONY?

7 A. Yes. I have prepared Exhibit__(DD-1), consisting of five sets of schedules, one set
8 for each of the five counties involved in this case. Each set of schedules include: (1)
9 A schedules providing the overall revenue requirement for each county separated
10 between water and wastewater; (2) B schedules providing recommended adjustments
11 to net operating income; (3) C schedules providing the recommended adjustments to
12 rate base; and (4) D schedules providing the overall rate of return on rate base. The
13 schedules presented in Exhibit__(DD-1) are also consecutively numbered, by county,
14 at the bottom of each page.

15
16 Q. WHAT DO SCHEDULES A-1 AND A-2, ENTITLED "REVENUE
17 REQUIREMENT" SHOW FOR EACH COUNTY?

18 A. Schedules A-1 and A-2 present the revenue requirement calculation for water and
19 wastewater, respectively, giving effect to all the adjustments I am recommending in
20 this testimony, along with the impacts of the recommendations made by Citizens'
21 witnesses Kim Dismukes, Ted Bidy and Mark Cicchetti. The adjusted rate base
22 amounts presented on each Schedule A-1 and A-2 can be found on Schedules C-1

1 and C-2 for water and wastewater, respectively. The remaining C schedules contain
 2 supporting calculations for the adjustments shown on Schedules C-1 and C-2. The
 3 OPC adjustments to net operating income are listed on Schedule B-1 for each county.
 4 The remaining B schedules provide supporting calculations for the adjustments to net
 5 operating income presented on Schedule B-1.

6

7 Q. WHAT IS THE REVENUE REQUIREMENT YOU ARE RECOMMENDING FOR
 8 EACH OF THE FIVE COUNTIES' WATER AND WASTEWATER SYSTEMS?

9 A. The following table presents the Company's requested revenue requirement (based
 10 on the Company's 3rd revised filing dated October 3, 2002), OPC's adjusted revenue
 11 requirement at the mid-point of the return on equity range proposed by Citizens'
 12 Witness Mark Cicchetti, and the Office of Public Counsel's recommended revenue
 13 requirement based on the bottom point of the return on equity range. I recommend
 14 that the Commission adopt the revenue requirement amounts based on the low point
 15 of the return on equity range. The reasons for this recommendation will be addressed
 16 further in the final section of this testimony.

17

18

	Per Company	OPC Adjusted	OPC Recommended (with Penalty)
19 Marion - Water	\$49,509	(\$27,584)	(\$29,092)
20 Marion - Wastewater	\$5,309	(\$21,696)	(\$22,065)
21 Orange - Water	\$76,950	\$23,463	\$22,988
22 Pasco - Water	\$110,293	(\$95,069)	(\$98,940)

1	Pasco - Wastewater	\$59,118	(\$68,703)	(\$69,427)
2	Pinellas - Water	\$102,494	\$11,355	\$10,320
3	Seminole - Water	\$184,949	(\$100,290)	(\$107,000)
4	Seminole - Wastewater	\$510,847	\$152,436	\$143,969
5	TOTAL	\$1,099,469	(\$126,088)	(\$149,247)

6

7

8

As shown in the table presented above, the Company's requested revenue requirement was significantly overstated and should, in fact, be revenue reductions for the majority of the county systems in this case.

9

10

11

12 III. STAFF ADJUSTMENTS

13 Q.

THE FLORIDA PUBLIC SERVICE COMMISSION STAFF RECOMMENDED NUMEROUS ADJUSTMENTS IN ITS AUDIT REPORT ON THE COMPANY'S RATE FILING, AUDIT CONTROL NO. 02-249-3-1. HAVE YOU REFLECTED EACH OF THE ADJUSTMENTS CONTAINED IN STAFF'S AUDIT REPORT IN CALCULATING THE OPC'S RECOMMENDED REVENUE REQUIREMENT AMOUNTS IN YOUR EXHIBIT__(DD-1)?

14

15

16

17

18

19 A.

In this case, due largely to the condition of the Company's books and records and the Company's MFR filings in this case, numerous adjustments were required, as is obvious from a review of Staff's Audit Report. I agree with and have reflected many of the adjustments contained in Staff's Audit Report, but not all of the adjustments.

20

21

22

1 Staff has recommended numerous adjustments that are necessary to correct the
2 Company's books and records. For example, there are numerous incidents in which
3 the Company has incorrectly booked the impact of prior Commission orders on its
4 books. Another example is that there were many instances in which the Company
5 did not record retirements of plant in service on its books when such plant was
6 replaced. The Company has also used incorrect depreciation rates on its books for
7 several plant accounts. As stated at page 69 of Staff's Audit Report: "The Utility's
8 books and records are not in substantial compliance with the NARUC USOA..."
9 Staff Audit Exception No. 26 lists numerous deficiencies with the Company's filing
10 and its books and records. The OPC strongly shares these concerns.

11

12 Q. HAS THE COMPANY AGREED WITH THE ADJUSTMENTS
13 RECOMMENDED IN THE STAFF AUDIT REPORT?

14 A. In response to OPC Interrogatory No. 137, and via a letter to the Commission dated
15 March 25, 2003, the Company provided its response to the Audit Report. In the
16 response, the Company did not contest the majority of the adjustments recommended
17 in Staff's Audit Report. For many of the exceptions the Company did contest, it only
18 contested a portion of the recommended adjustment. For example, in Audit
19 Exceptions 1 and 2, Staff made numerous revisions to correct the Company's
20 recording in its general ledger of the impact of prior Commission orders. The Staff
21 Auditors found that in numerous cases the Company incorrectly adjusted the wrong
22 accounts or used incorrect amounts in its recordings to the general ledger.

1 Additionally, the Company did not record its acquisition of the Pasco County Wisbar
2 and Bartelt (Buena Vista) systems on its books until mid-2002, even though the
3 systems were purchased in 2000 and are included in this case. For Exceptions 1 and
4 2, the Company contested the calculations to correct the recordings for a few of the
5 systems, but did not contest others.

6

7 Q. COULD YOU PLEASE LIST THE EXCEPTIONS CONTAINED IN THE STAFF
8 AUDIT REPORT THAT YOU HAVE REFLECTED IN YOUR REVENUE
9 REQUIREMENT CALCULATIONS IN EXHIBIT__(DD-1)?

10 A. Yes. I have reflected either the full or partial impact of the following Staff

11 Exceptions:

12 - Exception 1 - Rate Base Water - Adjustment to Prior Orders. I reflected the
13 adjustment for the systems/counties that the Company did not contest;
14 specifically for Marion County, Orange County, Pasco County Orangewood
15 System, Pinellas County, and Pasco County - Wisbar/Bartelt systems. I did
16 revise the adjustments to accumulated depreciation contained in Schedule H
17 of the exception to reflect the average test year methodology, as opposed to
18 the year-end amount contained in the schedule. The Company contested
19 Staff's calculations for the Seminole County and Pasco County - Summertree
20 water system; thus, I have not reflected the adjustments for Seminole County
21 and the Summertree system at this time, pending further information.

22

1 - Exception 2 - Rate Base Wastewater - Adjustment to Prior Orders. I reflected
2 the adjustment necessary to include the purchase of the Pasco County -
3 Wisbar system. As previously mentioned, the Company failed to record the
4 2000 purchase of this system in the appropriate accounts in its general ledger
5 until 2002. Thus, while the revenue and expense for this system is in the
6 MFR filing, the correct rate base balances and depreciation expense is not.
7 The Company contested the adjustments made by Staff for Marion County,
8 Seminole County, and the Pasco County - Summertree system; thus, I have
9 not reflected the adjustments for those systems at this time, pending further
10 information.

11
12 - Exception 3 - Utility Plant in Service - Nonrecurring Plant. I agree with the
13 adjustments contained in this exception and have reflected them, with a few
14 minor revisions. The adjustments to accumulated depreciation contained in
15 the exception are based on year-end amounts. I revised the adjustments to
16 accumulated depreciation to reflect the average test year rate base
17 methodology. Additionally, Staff removed \$2,725 from Seminole County
18 wastewater rate base for a TV video inspection of sewer lines recorded in
19 April 1994. Staff recommended that the items it removed from plant in these
20 adjustments be amortized into expense over a five-year period. However, as
21 the TV video inspection occurred in 1994, it would have been fully amortized
22 prior to the test year in this case had it been recorded properly. Thus, I

1 disagree that this amortization should be included in test year expenses and
2 have not included the \$272 recommended by Staff as amortization expense
3 for this project in my schedules for Seminole County.

4
5 - Exception 4 - Utility Plant in Service - Replacement and Retirement of Plant.

6 As previously mentioned, the Company failed in several instances to retire
7 plant items on its books when the item was replaced. This resulted in both
8 the replacement plant and the original, retired plant remaining in plant in
9 service on the Company's books. I agree with Staff's adjustments to correct
10 this deficiency and have reflected the adjustments in my schedules. The
11 Company did not contest this exception.

12
13 - Exception 5 - Utility Plant in Service - Reclassified Plant. The Company
14 does not contest this exception.

15
16 - Exception 6 - Utility Plant in Service - Organization Cost and Capitalized
17 Labor. The Company disagreed with these Staff adjustments to reclassify
18 certain costs as acquisition adjustments rather than organization costs. I agree
19 that Staff's recommendations in this exception are appropriate and have
20 reflected them in my schedules.

21
22 - Exception 7 - Utility Plant in Service - Common Plant Allocations from

1 Utilities, Inc. Florida. The Company does not contest this exception.

2

3 - Exception 9 - Utility Plant in Service - Adjustments to Test Year Balance. In
4 this recommendation, Staff removed the remaining land and water treatment
5 plant for the Crescent Heights water system and the Davis Shores water
6 system, along with the associated accumulated depreciation and depreciation
7 expense. The Crescent Heights water system was interconnected with
8 another utility's system and the Company plans to dispose of the remaining
9 equipment and demolish the building. The Davis Shores water system was
10 interconnected with another utility's system, and the Company removed all of
11 the equipment and disposed of the land. I agree that these adjustments should
12 be made, and have reflected them in my schedules. The Company has not
13 contested this portion of the exception.

14

15 The second part of Staff's adjustment in this exception removes the Lincoln
16 Heights wastewater plant. The Company has disagreed with this adjustment.
17 The OPC agrees that the Lincoln Heights wastewater plant should be
18 removed, and this removal is supported by OPC Witness Ted Bidy.
19 However, the amounts contained in Staff's exception to remove the Lincoln
20 Heights wastewater plant are based on year-end amounts and do not tie into
21 the amounts contained in the MFR filing. The appropriate adjustment to
22 remove the amounts contained in the Company's revised MFR filing is

1 addressed later in this testimony, under the Rate Base section.

2

3 - Exception 10 - Contributions in Aid of Construction (CIAC) - Advances.

4 The Company does not contest this exception.

5

6 - Exception 11 - Accumulated Depreciation - Depreciation Rates. This
7 adjustment, which the Company does not contest, revises the Company's
8 accumulated depreciation balances associated with two accounts to correct
9 the Company's application of the wrong depreciation rates.

10

11 - Exception 14 (Revised) - Working Capital. Staff's revised Exception 14
12 significantly reduces the amount of working capital contained in the MFR
13 filing, reducing working capital from the \$1,634,351 total amount requested
14 by the Company to \$208,497. In response to an OPC Interrogatory, the
15 Company has indicated that it agrees with the revised Staff recommendation,
16 with a few minor exceptions. Staff's adjustment allocates the working capital
17 balance to each County's water and wastewater system based on the
18 percentage of adjusted O&M expenses for each county system. On Schedule
19 C-5 for Marion County, I have reflected Staff's recommended working
20 capital amount of \$208,497. However, my allocation to each system is
21 slightly different from Staff's as the OPC's adjusted O&M expenses differ.
22 The adjustment to working capital, calculated on my Marion County

1 Schedule C-5, is applied on Schedules C-1 and C-2 for each county system.

2

3 - Exception 16 - Cost of Capital - Parent. Commission Staff recommended
4 several revisions to the Company's cost of capital/rate of return calculations.

5 With the exception of the rate of return on equity used, I agree with Staff's
6 recommendations. Citizens' Witness Mark Cicchetti recommends a rate of
7 return on equity of 10.41%, which is lower than the 10.91% rate used by
8 Staff. On Schedule D-1 for each county, I recalculated the overall rate of
9 return of each county based on Staff's recommendations, with the OPC's
10 recommended rate base incorporated in the calculations and OPC's
11 recommended rate of return on equity. I will discuss the rate of return on
12 equity in the final section of this testimony.

13

14 - Exception 17 - Revenues - Adjustment to Test Year. The Company does not
15 contest this exception.

16

17 - Exception 18 - Operation and Maintenance Expense. The Company does not
18 contest this exception.

19

20 - Exception 19 - Operation and Maintenance Expense - Cost Centers 603 and
21 639. The Company did not contest this exception.

22

1 - Exception 23 - Operation and Maintenance Expense - Adjustment to Test
2 Year Seminole County. During the historic test year, the Company's Lincoln
3 Heights wastewater treatment plant in Seminole County was removed from
4 service. This adjustment annualizes the impact on O&M expense due to the
5 resulting wastewater interconnection with the City of Sanford. It also
6 corrects the adjustments included in the Company's MFRs for the
7 annualizations of the purchase wastewater treatment expense. The Company
8 did not contest this exception, which reduces the Company's MFR
9 adjustment to test year O&M expenses for Seminole County wastewater by
10 \$80,751. Later in this testimony, I recommend an additional adjustment to
11 the amount of annualized purchase wastewater treatment expense included in
12 this Staff exception, resulting in an additional \$7,451 reduction to purchase
13 wastewater treatment expense for Seminole County.

14
15 - Exception 24 - Taxes Other Than Income - Property. The Company did not
16 contest this exception.

17
18 Q. FOR THE STAFF EXCEPTIONS YOU HAVE NOT FLOWED THROUGH YOUR
19 SCHEDULES, COULD YOU PLEASE DISCUSS WHY NOT.

20 A. Yes. For several of the exceptions discussed above (i.e., portions of Exceptions 1
21 and 2), the Company has contested the exception and I have not yet reviewed all of
22 the information necessary to determine whether or not the Company's contention is

1 valid. I also have not reflected Staff Exception Nos. 12, 13 and 15 and take no
2 position on these exceptions at this time. As also discussed above, I have made
3 some slight modifications to the adjustments recommended by Staff. Specific
4 reasons for not adopting certain Staff Exceptions are discussed below:

5 - Exception 8 - Utility Plant in Service - Common Plant Allocations from
6 Water Services Corporation. The OPC, through Citizens' Witness Kim
7 Dismukes, recommends that 100% of the common plant allocated from
8 Water Services Corporation be disallowed. Thus, I have removed the
9 common plant allocated from Water Services Corporation in its entirety.

10
11 - Exceptions 20 and 21 - Operation and Maintenance Expense - Allocations.
12 Citizens' Witness Kim Dismukes is recommending different allocation
13 factors for spreading common costs to the Utilities, Inc. Florida systems. Ms.
14 Dismukes' adjustment takes into account the adjustments recommended by
15 Staff in these exceptions and applies her recommended allocation factors.
16 Ms. Dismukes' adjustments for the reflection of Staff's recommended
17 revisions to allocated expenses with her recommended allocation factors are
18 reflected on Schedule B-1 for each county.

19
20 - Exception 22 - Operation and Maintenance Expense - Adjustment to Test
21 Year. This exception adjusts the amount of expense included in the adjusted
22 test year for salaries and wages and employee benefits. I am recommending

1 different adjustments to salaries and wages and employee benefit expense
2 later in this testimony.

3

4 - Exception 25 - Taxes Other Than Income - Adjustments to Test Year. This
5 exception adjusts employee payroll tax expense based on Staff's
6 recommendations in Exception 22, discussed above.

7

8 IV. OPERATING INCOME

9 Revenues - Index Rate Increase Annualizations Corrections

10 Q. THE COMPANY HAS REVISED AND RE-FILED ITS E SCHEDULES
11 NUMEROUS TIMES THROUGHOUT THIS CASE. ARE ANY ADJUSTMENTS
12 TO THE REVENUE REQUIREMENT CALCULATIONS NECESSARY BASED
13 ON THE MOST RECENT VERSION OF THE E SCHEDULES?

14 A. Yes. The Company's filing for several county systems include adjustments to test
15 year revenues to annualize the impact of index rate increases that went into effect
16 during 2001. The necessary adjustments for the index rate increases were calculated
17 using MFR Schedule E-2 for each of the counties impacted. The differences between
18 the MFR Schedule Nos. E-2 annualized index rate increase amount and the as-
19 recorded revenues were reflected as adjustments on MFR Schedule Nos. B-3. As a
20 result of Commission Staff's deposition of Steve Lubertozzi, the Company filed Late
21 Filed Exhibit 4, consisting of Revised MFR Schedules Nos. E-1 and E-2 to reflect
22 the correction of additional errors, inconsistencies and omissions. The amounts in

1 the revised Schedule Nos. E-2 for the annualizations of the impact of the index rate
2 increases that went into effect in mid-2001 (the middle of the test year) differed from
3 the amounts in the Schedule Nos. E-2 included in the MFR filing in calculating the
4 Company's proposed revenue requirement amounts.

5
6 Q. HAVE YOU REFLECTED THE IMPACT OF THE LATEST REVISIONS TO THE
7 COMPANY'S CALCULATION OF REVENUES BASED ON THE
8 ANNUALIZATIONS OF THE INDEX RATE INCREASES?

9 A. On my Schedule Nos. B-1 for Seminole County, Pinellas County and Orange
10 County, I have included adjustments to revenue to reflect the annualizations of the
11 index rate increases that occurred in the middle of the test year based on the latest
12 version of MFR Schedule Nos. E-2 provided in Late Filed Exhibit No. 4. The
13 adjustments are calculated as the difference between the original index increase
14 annualizations adjustment included in the MFR filing and the latest version of
15 Schedule Nos. E-2. Marion County did not receive an index rate increase during
16 2001, and I did not reflect the impact of the revision for Pasco County. As shown on
17 Schedule Nos. B-1, the following adjustments are necessary: (1) increase Seminole
18 water revenues by \$3,393; (2) decrease Seminole wastewater revenues by \$245; (3)
19 increase Pinellas water revenues by \$592; and (4) increase Orange County water
20 revenues by \$808.

21
22 Q. WHY DID YOU NOT INCLUDE THE IMPACT OF THE REVISIONS TO

1 ANNUALIZATIONS OF THE 2001 INDEX RATE INCREASE FOR PASCO
2 COUNTY?

3 A. In its MFR filing, the Company's adjustment to annualize the Pasco County water
4 rates resulted in a \$6,784 reduction to water revenues booked during the test year.
5 The latest version of Pasco County MFR Schedule E-2 would result in an additional
6 \$7,934 reduction to recorded test year revenues, or a total reduction of \$14,718. For
7 the wastewater system, the adjustment to annualize the wastewater rate increase in
8 the MFR filing resulted in an increase in wastewater revenues of \$18,482. If the
9 most recent version of MFR Schedule E-2 is used, the result would only be a \$513
10 increase in the revenues recorded during the test year. It is counterintuitive that the
11 annualizations of an increase in rates would result in a decrease in revenues. I have
12 reviewed the revenue accounts contained in the Company's 2001 general ledgers for
13 each of the systems in Pasco County. There does not appear to be any unique
14 accounting entries or accruals that would result in the recorded test year revenues
15 being overstated. Consequently, at this point, I have not adjusted the Pasco County
16 revenues for the latest version of the annualizations of the 2001 index rate increases
17 contained in Revised MFR Schedule E-2.

18
19 Employee Costs

20 Q. WOULD YOU PLEASE DISCUSS THE ADJUSTMENTS TO SALARY AND
21 WAGE EXPENSE INCLUDED IN THE COMPANY'S FILING?

22 A. For each of the County systems, the Company has revised its salary and wage

1 expense. The description for the salary adjustment on each MFR Schedule B-3
2 states: "Salary Expense is adjusted for the difference between year end expense and
3 present salaries." The Company's MFR filing did not include any further
4 information or detail showing how the salary adjustments were determined. OPC
5 POD No. 21 asked the Company to "...provide a complete set of workpapers
6 associated with the compilation of the Company's rate case financial and minimum
7 filing requirements and used and useful analysis." The response to that question did
8 not provide any of the details or calculations for the salary adjustments. The
9 Company did provide its salary expense adjustment calculations in response to OPC
10 Interrogatory No. 6, which addressed taxes other than income. Based on a review of
11 the Company's calculations, the salary expense adjustments revise the allocation of
12 salary expense between the County systems and water and wastewater systems, and
13 incorporate a 4% increase for Office Salaries and a 7% increase for Operator
14 Salaries.

15
16 Q. WERE THERE ANY PROBLEMS WITH THE COMPANY'S SALARY
17 EXPENSE CALCULATIONS?

18 A. Yes. The Company calculated the adjustments by County system. There were
19 numerous discrepancies and errors in the calculations from one County system to
20 another. On the workpapers, the individual office and operator employees and their
21 adjusted salaries are listed. For the operator employees, the Company then applied
22 factors for the portion of the employee's salary allocated to Utilities, Inc. Florida

1 (“UIF”), then to the respective County. The salaries incorporated for twelve (12) of
2 the Operator employees were different from system to system, some substantially so.
3 For example, one employee’s salary was incorporated as \$74,900 in Orange County
4 and as \$25,044 in Seminole County. The response to OPC Interrogatory No. 139(g)
5 indicated that the correct salary was the lower salary of \$25,044. This means the
6 salary for this employee that flowed through the Orange County calculations was
7 overstated by approximately \$50,000 or almost 200%.

8
9 For four (4) of the operator employees, the percentage of their salary allocated to UIF
10 varied between the county system schedules. For example, the Orange County
11 calculations flow through 20% of one employee’s salary to UIF, whereas the
12 Seminole County schedules flow through 25% of that same employee’s salary to
13 UIF.

14
15 In the calculations, the Company allocated the Direct Office Salaries to UIF and then
16 to each of the respective counties. For most of the counties, the Company allocated
17 14% of the Direct Office Salaries to UIF. In the calculation for Pasco County, the
18 Company allocated 10% of the Direct Office Salaries to UIF.

19
20 Finally, according to the response to OPC Interrogatory No. 142, the actual salary
21 increases granted in 2002 for office salaries and operators were 5% and 4%
22 respectively, as compared to the 4% and 7% increase factors included in the filing.

1 Q. DID THE COMPANY PROVIDE CORRECTED SALARY EXPENSE
2 CALCULATIONS?

3 A. In response to OPC Interrogatory Nos. 144 and 145, the Company provided revised
4 calculations of its salary and wage expense adjustments. The revised calculations
5 included the current office employees and operator employees at their current
6 salaries. For the most part, the salary amounts included are lower than the projected
7 amounts included in the original calculations. Additionally, several employees were
8 changed to a part-time status and several left and their positions were filled with new
9 employees. With one exception, the revised calculations corrected for the errors and
10 discrepancies discussed above. For one employee, Jeffrey Pinder, the percentage of
11 salary allocated to UIF still varied between the Seminole County calculation (35%)
12 and the Orange County calculation (25%). The revised salary expense calculations
13 should be used as a starting point in adjusting the salary and wage expense included
14 within the Company's MFRs.

15

16 Q. SHOULD ANY ADDITIONAL REVISIONS BE MADE TO THE COMPANY'S
17 CALCULATIONS BEYOND THOSE INCORPORATED IN THE COMPANY'S
18 REVISIONS?

19 A. Yes. My recommended adjustments to the MFR filings for salary expense are
20 presented in Schedule B-2 for each County system. As the starting point in my
21 calculations, I use the Company's revised total Office Salaries allocated to UIF and
22 the revised operator employee salaries for each County system provided by the

1 Company in response to OPC Interrogatory Nos. 144 and 145. While the WSC
2 salaries allocated to UIF in total decreased slightly from the amounts in the
3 Company's original calculations, I did not reflect the updated amount. Citizens'
4 Witness Kim Dismukes addresses costs allocated from WSC in her testimony and
5 adjustments; thus, I did not revise the WSC salaries allocated to UIF from the
6 amount contained in the original calculations and MFR filing of \$31,307.

7
8 My B-2 schedules then revise the Company's allocation of Office Salaries between
9 each county and each county's water and wastewater systems and the Operator
10 Salaries between the water and wastewater systems based on the revised allocation
11 factors recommended by OPC Witness Kim Dismukes.

12
13 As previously mentioned, the percentage of Mr. Pinder's salary allocated to UIF is
14 inconsistent between Orange County (25%) and Seminole County (35%). A listing
15 of employees and percentage allocations to UIF was attached to the Company's
16 response to OPC Interrogatory No. 144. That attachment shows that the percentage
17 of Mr. Pinder's salary allocated to UIF should be 25%. Thus, on Schedule B-2 for
18 Seminole County, I reduced salary costs allocated to Seminole County by \$2,321 to
19 reflect the corrected UIF allocation percentage for Mr. Pinder's salary.

20
21 For Orange County and Seminole County, the Company included allocations for an
22 operator position that was unfilled. As the Company's revised calculations are based

1 on updated salary levels and employee positions, I recommend that this unfilled
2 position be removed. This results in a \$2,280 reduction to the operator salaries
3 allocated to Orange County and a \$9,120 reduction to the operator salaries allocated
4 to Seminole County.

5
6 On each of the B-2 schedules, I then subtract from the resulting subtotals of revised
7 salaries for each county system the amount of test year unadjusted salaries for that
8 system to determine the amount of necessary revision to the recorded test year salary
9 and wage costs. The Company's adjustment methodology would stop at this point;
10 however, one additional adjustment to this amount is necessary.

11
12 Q. WHAT ADDITIONAL ADJUSTMENT IS NECESSARY?

13 A. The Company's calculations do not take into account the fact that a portion of
14 salaries and wages are capitalized as opposed to expensed. During the 2001 test
15 year, the Company capitalized 13.14% of its salary and wage costs. OPC
16 Interrogatory No. 142 asked the Company why it did not include the application of a
17 factor to reflect the percentage that would be charged to plant instead of expensed in
18 calculating its salary expense adjustment. The Company's response was: "UIF did
19 not adjust the Salaries Charged to Plant account because it is difficult to estimate the
20 amount charged to plant, and UIF believes that the test year amount provided is the
21 most reliable estimate available." This position does not take into account that salary
22 and wage increases for employees would also result in higher amounts of salary and

1 wages charged to capital. The Company's calculation methodology results in 100%
2 of the salary and wage increases being applied to expense. To correct this deficiency,
3 on each Schedule B-2, I reduce the amount of necessary adjustment to salary and
4 wage costs by 13.14% to reflect the capitalization rate in effect during the historic
5 test year. This results in my recommended adjustment to the test year recorded salary
6 and wage expense for each County system. I then compare this amount to the
7 amount of adjustment to test year recorded salary and wage expense included in
8 Company MFR Schedules B-5 and B-6 for water and wastewater, respectively.

9

10 Q. DO YOUR RECOMMENDED ADJUSTMENTS ALSO IMPACT EMPLOYEE
11 BENEFITS EXPENSE AND PAYROLL TAX EXPENSE?

12 A. Yes. On Schedules B-3 and B-4 for each county system I calculate the necessary
13 adjustments to employee benefit expense and payroll tax expense, respectively. The
14 Company's salary expense calculations also included the employee benefit expense
15 and payroll tax expense calculations. These amounts were also revised by the
16 Company in its response to OPC Interrogatory Nos. 144 and 145. The benefit
17 expense changed as the amount of pension cost is dependent on the salary amounts
18 used in the Company's calculations. The same is true for payroll tax expense.
19 Consistent with my salary expense calculations, I revised the allocations between
20 counties and water and wastewater operations based on Ms. Dismuke's allocation
21 percentage recommendations, reduced the amount of Mr. Pinder's benefit and payroll
22 tax expense allocated to Seminole County, and removed the benefit expense and

1 payroll tax expense for the unfilled operator position.

2

3 Q. WHAT ADJUSTMENTS RESULT FROM YOUR REVISIONS TO THE
4 COMPANY'S SALARY AND WAGE EXPENSE, BENEFIT EXPENSE AND
5 PAYROLL TAX EXPENSE?

6 A. The table below presents a summary of the revisions to the salary and wage expense,
7 benefit expense and payroll tax expense included in the Company's MFR filing by
8 each County system. These adjustments are taken from my Schedules B-2, B-3 and
9 B-4, respectively, for each county.

	Payroll Expense Adjustment	Benefit Expense Adjustment	Payroll Tax Adjustment
11 Marion - Water	(\$587)	(\$335)	(\$213)
12 Marion - Wastewater	(\$86)	(\$50)	(\$32)
13 Orange - Water	(\$3,251)	(\$695)	(\$455)
14 Pasco - Water	(\$568)	\$1,259	\$394
15 Pasco - Wastewater	(\$177)	\$393	\$123
16 Pinellas - Water	(\$21,550)	(\$3,318)	(\$1,496)
17 Seminole - Water	(\$7,574)	\$58	(\$255)
18 Seminole - Wastewater	(\$4,088)	\$33	(\$138)

19

20 Purchase Water Expense - Oakland Shores

21 Q. ARE ANY ADDITIONAL ADJUSTMENTS TO PURCHASE WATER EXPENSE
22 NECESSARY BEYOND THOSE INCORPORATED IN THE STAFF
23 EXCEPTIONS YOU REFLECT IN YOUR REVENUE REQUIREMENT

1 CALCULATIONS?

2 A. Yes. The Company's Oakland Shores water system in Seminole County treats its
3 own water, but has an automatic interconnection with the City of Altamonte Springs.
4 During the historic test year, in May 2001, the Company recorded \$1,894 to
5 purchased water expense for this interconnection. This resulted in a total test year
6 purchased water expense for the interconnection of \$2,620, which is significantly
7 higher than both the two preceding years and the subsequent year. In response to
8 OPC Interrogatory No. 155, the Company agreed that the total expense for 2001 of
9 \$2,620 was "...not the normal, recurring level of expense for purchased water from
10 the City of Altamonte Springs." The Company's response also indicated that the
11 amount of this expense varies greatly from year to year. I recommend that this
12 expense be based on an average, normalized level instead of the abnormally high
13 historic test year level. Seminole County Schedule B-5 presents a calculation of the
14 average expense level for the account, using the period 1999 through 2002. As
15 shown on the schedule, test year purchase water expense should be reduced by
16 \$1,632 to reflect the average, normalized purchase water expense level for Oakland
17 Shores.

18
19 Uncollectible Expense - Weathersfield

20 Q. ARE THERE ANY ADDITIONAL ACCOUNTS IN THE SEMINOLE COUNTY
21 SYSTEMS THAT YOU RECOMMEND BE NORMALIZED?

22 A. Yes. Test year expense recorded in Account 090*0602*6708000 - Uncollectible

1 Accounts contained a high level of expense (\$1,486.29) booked on June 30, 2001.
2 According to the Company's response to OPC Interrogatory No. 154, the June 2001
3 booking was so much higher than other periods due to the finalization of several
4 accounts associated with customers with large amounts outstanding who never paid
5 the bills and moved from their properties. This resulted in the test year expense in
6 this account being considerably higher than the amounts recorded in 1999, 2000 and
7 2002. As shown on Seminole County Schedule B-8, I recommend that the test year
8 uncollectible expense for this account be reduced by \$538 to reflect the four-year
9 average, normalized expense level.

10
11 Excessive Lost & Unaccounted for Water

12 Q. HAVE YOU CALCULATED THE ADJUSTMENTS NECESSARY TO REFLECT
13 THE IMPACT OF CITIZENS' RECOMMENDED EXCESSIVE LOST AND
14 UNACCOUNTED FOR WATER?

15 A. Yes. Citizens' Witness Ted Bidy recommended that adjustments be made to test
16 year expense for excessive lost and unaccounted for water. For each of the systems
17 in which Mr. Bidy has recommended an excessive lost and unaccounted for water
18 adjustment, I have applied his recommended excessive percentages to the test year
19 chemical, purchased power and purchased water expense for the system. The
20 amount of chemical, purchased power and purchased water expense for each of the
21 individual systems was derived from the Company's 2001 general ledger. In each of
22 my schedules, I also take into account any adjustments to the test year recorded

1 amount made either by the Company or myself, which impact the associated expense
2 level. The adjustments include: (1) a \$1,465 reduction to Marion County expenses
3 shown on Schedule B-7; (2) a \$987 reduction to Pasco County expenses for the
4 Summertree and Orangewood water systems shown on Schedule B-5; (3) a \$751
5 reduction to Pinellas County expenses shown on Schedule B-6; and (4) a \$285
6 reduction to Seminole County expenses for the Little Wekiva, Weathersfield, Phillips
7 and Ravenna Park water systems shown on Schedule B-6.

8
9 Excessive Inflow & Infiltration

10 Q. HAVE YOU CALCULATED THE ADJUSTMENTS NECESSARY TO REFLECT
11 THE IMPACT OF CITIZENS' RECOMMENDED EXCESSIVE INFLOW AND
12 INFILTRATION?

13 A. Yes. Citizens' Witness Ted Bidy recommended that adjustments be made to test
14 year expense for excessive inflow & infiltration (I/I) to the sewage systems. For each
15 of the systems in which Mr. Bidy has recommended an excessive I/I adjustment, I
16 have applied his recommended excessive percentages to the test year purchase power
17 and purchased sewage treatment expense for the system. The amount of purchased
18 power and purchased sewage treatment expense for each of the individual systems
19 was derived from the Company's 2001 general ledger. In each of my schedules, I
20 also take into account any adjustments to the test year recorded amount made either
21 by the Company or myself, which impact the associated expense level. The
22 adjustments include: (1) a \$12,730 reduction to Pasco County expense for the

1 Summertree wastewater system shown on Schedule B-6; and (2) a \$30,122 reduction
2 to Seminole County expense for the Weathersfield and Ravenna Park/Lincoln
3 Heights wastewater systems shown on Schedule B-7.

4

5 Lincoln Heights Purchase Wastewater Treatment Expense

6 Q. WHY DID YOU REDUCE PURCHASE WASTEWATER TREATMENT
7 EXPENSE FOR LINCOLN HEIGHTS BY AN ADDITIONAL \$7,451 ON YOUR
8 SEMINOLE COUNTY SCHEDULE B-9?

9 A. As previously mentioned in this testimony, the Company's wastewater treatment
10 plant at Lincoln Heights in Seminole County was removed from service during the
11 historic 2001 test year. At the time of the removal, on July 1, 2001, the Company
12 began purchasing wastewater treatment services from the City of Sanford. The
13 Company's MFR filing included an adjustment to annualize the impact of the receipt
14 of wastewater treatment service from the City of Sanford. Staff Audit Exception 23
15 revised the Company's adjustment, and annualized the impact of the removal of
16 Lincoln Heights wastewater treatment plant from service and the subsequent
17 purchase of wastewater treatment service from the City of Sanford. The Company
18 has agreed with this Staff Audit Exception. However, an adjustment to the
19 annualized amount of purchase wastewater treatment expense calculated by Staff is
20 needed.

21

22 Q. HOW DID STAFF DETERMINE ITS RECOMMENDED AMOUNT OF

1 PURCHASE WASTEWATER TREATMENT EXPENSE CONTAINED IN AUDIT
2 EXCEPTION 23?

3 A. The Commission's audit staff used a 14-month average purchased wastewater
4 treatment expense using the period July 2001 through August 2002 to calculate a 12-
5 month average total purchase wastewater treat expense of \$142,086. However, the
6 July 2001 and August 2001 amounts that were included in Staff's calculation is not
7 reflective of normal operating conditions or normal monthly expense levels.
8 Consequently, I recommend that the annualized purchase wastewater treatment
9 expense be recalculated based on the actual expense incurred during the twelve-
10 month period from September 1, 2001 through August 31, 2002. This period would
11 be more reflective of a normal, on-going level of expense than the 14-month period
12 utilized by Staff in determining the average annual expense level.

13
14 Q. PLEASE EXPLAIN.

15 A. In response to Commission Staff Interrogatory No. 19, the utility stated the
16 following:

17 It is UIF's opinion, based upon its preliminary analysis of the wastewater
18 flows within the Lincoln Heights wastewater system that the test year
19 wastewater flows are higher than normal based upon two specific issues.

20
21 First, the City of Sanford billed UIF for 4,707,000 gallons during the month
22 of July 2001. It is the opinion of UIF that this flow is not correct based on the
23 fact that the facility was put on-line in July, 2001 which required a start-up
24 and calibration of all facilities used to transfer the wastewater flow to the City
25 of Sanford. The July 2001 bill was based on the 4,707,000 meter read. This
26 would indicate there was a zero reading on the meter for the start of the
27 billing period. UIF believes this to be an incorrect bill since wastewater

1 and/or effluent would have been used to perform the necessary start up tests
2 and calibrations of the master lift station.

3
4 Second, the Lincoln Heights wastewater treatment facility was taken off-line
5 and the wastewater, which was already within the treatment system, was
6 transferred to the City of Sanford over a period of time acceptable to the City.
7 The volume of wastewater transferred to the City can be estimated as the
8 volume of liquid within the aeration bays, clarifier, and digester at the facility,
9 plus any flows used to clean the facility. Therefore, the flow sent to the City
10 would be higher than average for the month of July and possibly for the
11 month of August.
12

13 Clearly, the bills to the City of Sanford billed to UIF during July and August of 2001
14 are not reflective of normal operating conditions or of on-going purchase wastewater
15 treatment levels. Consequently, those months, i.e., July and August 2001, should be
16 excluded from the determination of a normal, annualized level of purchase
17 wastewater treatment expense. On Schedule B-9, I calculated the annualized
18 purchase wastewater treatment expense using the twelve-month period September
19 2001 to August 2002, resulting in an annualized expense level of \$134,635. As
20 shown on the schedule, an additional reduction of \$7,451 to Staff's annualized
21 purchase wastewater treatment expense contained in Audit Exception 23 is
22 necessary.
23

24 Q. DOES THIS ADJUSTMENT IMPACT THE ADJUSTMENT FOR EXCESS
25 INFLOW AND INFILTRATION DISCUSSED PREVIOUSLY IN THIS
26 TESTIMONY?

27 A. On Schedule B-7 for Seminole County, I calculated the impact of Citizens' Witness

1 Ted Biddy's recommended excessive I/I adjustment using my recommended
2 purchase wastewater treatment expense of \$134,635 for Lincoln Heights. I applied
3 his recommended excessive I/I percentage for the Ravenna Park/Lincoln Heights
4 system of 21.47%.

5
6 Q. DOESN'T YOUR ADJUSTMENT EFFECTIVELY RESULT IN COSTS
7 INCLUDED IN YOUR ADJUSTED TEST YEAR ASSOCIATED WITH A
8 LOWER VOLUME OF PURCHASED WASTEWATER TREATMENT THAN
9 THAT INCLUDED IN STAFF'S ADJUSTED TEST YEAR AMOUNT?

10 A. Yes. Based on Staff's Audit Workpapers, Staff's adjusted annualized purchase
11 wastewater treatment expense would be based on treating 33,228,000 gallons. My
12 recommended revisions to remove July and August 2001 from determining the
13 annualized level, would result in costs being associated with the treatment of
14 31,479,000 gallons. In calculating the excessive inflow and infiltration percentage in
15 his Exhibit TLB-6, Mr. Biddy used total wastewater treated of 31,155,000 gallons.
16 Thus, the purchase wastewater treatment volume effectively included in my
17 annualizations adjustment slightly exceeds the volume of wastewater treated
18 considered in Mr. Biddy's analysis. Thus, if anything, the adjustment for excessive
19 inflow and infiltration would need to be slightly larger than the adjustment calculated
20 on my Schedule B-7 for Seminole County.

21
22 V. RATE BASE

1 Non-Used & Useful Facilities

2 Q. HAVE YOU ADJUSTED FOR NON-USED AND USEFUL FACILITIES?

3 A. Yes. With the exception of the Crownwood wastewater system in Marion County,
4 the Company has reflected all of its systems as being 100% used and useful in its
5 filing. Citizens' Witness Ted Bidy addresses the used and usefulness of the
6 facilities in each of the systems in his testimony, and he has recommended the
7 appropriate Used & Useful (U&U) percentages for each of the water and wastewater
8 systems included in the Company's filing. I used Mr. Bidy's recommended
9 percentages to determine the necessary reductions to plant in service, accumulated
10 depreciation and depreciation expense for each system.

11

12 Q. THE COMPANY'S RATE CASE FILING WAS PROVIDED ON A PER-COUNTY
13 BASIS. DID THIS CAUSE ANY PROBLEMS IN CALCULATING THE
14 APPROPRIATE NON-USED AND USEFUL ADJUSTMENTS BASED ON MR.
15 BIDDY'S RECOMMENDATIONS?

16 A. Yes. Used and useful calculations are, by necessity, calculated on a per-system basis.
17 The Company's filing did not provide the plant in service, accumulated depreciation
18 and depreciation expense amounts on a per-system basis, with the exception of
19 Pinellas County water and Marion County wastewater, for which there is only one
20 system. In response to OPC Interrogatory No. 37, the Company provided its plant in
21 service and accumulated depreciation amounts, by account, for each month in the
22 historic test year by system. I was able to utilize this response to determine the test

1 year average plant in service and accumulated depreciation balances by plant account
 2 for each system. For the most part, I was able to then trace these amounts into the
 3 MFR filing for each respective county. However, this was a time-consuming process
 4 as the response did not provide the 13-month average test year balances. These had
 5 to be separately calculated. To say the least, the Company's MFR filing presentation
 6 done only on a per county system basis has caused a great deal of additional time and
 7 effort to be expended in the review of the Company's rate increase filing and in the
 8 calculation of necessary adjustments to the filing.

9
 10 Q. HAVE YOU PREPARED SCHEDULES CALCULATING THE ADJUSTMENTS
 11 NEEDED TO REFLECT THE IMPACT OF CITIZENS' RECOMMENDED USED
 12 AND USEFUL AMOUNTS?

13 A. Yes. The recommended adjustments to net plant in service (i.e., plant in service less
 14 accumulated depreciation) and depreciation expense for each system, by county,
 15 along with the schedule reference in which the calculation is presented, are provided
 16 in the table below:

	Sch. Nos.	Net PIS	Deprec. Exp.
18 Golden Hills/Crownwood - Water 19 (Marion County)	C-3 / B-5	\$ (41,686)	\$ (3,043)
20 Crownwood Sewer (Marion)	C-4 / B-6	\$ (6,458)	\$ (1,347)
21 Crescent Hgts. Water (Orange)	C-2	\$ (4,945)	\$ (222)
22 Wisbar Water (Pasco)	C-4	\$ (251)	\$ (12)
23 Buena Vista Water (Pasco)	C-4	\$ (613)	\$ (17)

1	Summertree Water (Pasco)	C-4	\$ (222,289)	\$ (11,344)
2	Orangewood Water (Pasco)	C-4	\$ (64,865)	\$ (4,819)
3	Wisbar Wastewater (Pasco)	C-4	\$ (467)	\$ (15)
4	Summertree Wastewater (Pasco)	C-4	\$ (99,330)	\$ (3,693)
5	Lake Tarpon Water (Pinellas)	C-2/B-5	\$ (33,464)	\$ (1,251)
6	Weathersfield Water (Seminole)	C-5	\$ (69,896)	\$ (4,307)
7	Oakland Shores Water (Seminole)	C-5	\$ (103,867)	\$ (4,275)
8	Little Wekiva Water (Seminole)	C-5	\$ (2,078)	\$ (106)
9	Park Ridge Water (Seminole)	C-5	\$ (23,868)	\$ (1,427)
10	Phillips Water (Seminole)	C-5	\$ (6,504)	\$ (234)
11	Crystal Lake Water (Seminole)	C-5	\$ (8,879)	\$ (294)
12	Ravenna Park/Lincoln W(Seminole)	C-5	\$ (67,476)	\$ (4,021)
13	Bear Lake Water (Seminole)	C-5	\$ (23,885)	\$ (1,929)
14	Jansen Water (Seminole)	C-5	\$ (70,241)	\$ (4,288)
15	Weathersfield Wastewater (Sem.)	C-5	\$ (19,746)	\$ (914)
16	Ravenna Park/Lincoln Heights	C-5	\$ (29,341)	\$ (729)
17	Wastewater (Seminole)			

18

19 Q. YOU HAVE MADE SEVERAL OTHER ADJUSTMENTS TO PLANT IN
20 SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION
21 EXPENSE IN THIS CASE. DID YOU FLOW THE IMPACT OF THOSE
22 ADJUSTMENTS THROUGH TO THE USED AND USEFUL CALCULATIONS,
23 THE RESULTS OF WHICH ARE REFLECTED ABOVE?

24 A. For the most part, yes. For a few of the adjustments contained in Staff's Audit
25 Report I was unable to determine which specific county system was impacted. Thus,

1 the impact of those exceptions would not be reflected in the used and useful
2 calculations. There are footnotes at the bottom of each of the used and useful
3 schedules impacted by other adjustments, identifying which of Staff's Audit
4 Exceptions are included in the adjustment column.

5

6 Q. ARE THERE ANY OF MR. BIDDY'S USED AND USEFUL
7 RECOMMENDATIONS THAT YOU WERE UNABLE TO CALCULATE THE
8 IMPACT OF?

9 A. Yes. Mr. Bidy has recommended used and useful adjustments for High Service
10 Pumping for the Weathersfield, Oakland Shores, Park Ridge, Ravenna Park/Lincoln
11 Heights and Bear Lake water systems. There is not a separate plant in service
12 account for high service pumping. Consequently, I was unable to apply Mr. Bidy's
13 recommended used and useful percentages to the high service pumps.

14

15 Removal of Non-Used & Useful Wastewater Treatment Plants

16 Q. CITIZENS' WITNESS TED BIDDY RECOMMENDED THAT THE
17 WASTEWATER TREATMENT PLANTS AND DISPOSAL EQUIPMENT FOR
18 THE SUMMERTREE, WEATHERSFIELD AND RAVENNA PARK/LINCOLN
19 HEIGHTS SYSTEMS BE REMOVED FROM PLANT IN SERVICE AS 100%
20 NON-USED AND USEFUL. HAVE YOU CALCULATED THE ADJUSTMENTS
21 NECESSARY TO REFLECT HIS RECOMMENDATIONS?

22 A. Yes. I will address each system separately. I will first address the Summertree

1 system. Commission Order No. PSC-93-0430-FOF-WS, issued March 22, 1993,
2 when addressing the wastewater assets purchased by Utilities Inc. of Florida (this
3 would be the current Summertree wastewater system) indicates that the
4 Commission's balance of plant in service for the purchased wastewater assets was
5 "...reduced by \$274,799 to reflect the removal of the cost of the abandoned
6 wastewater treatment plant from plant-in-service." Company Exhibit (FS-2), page 5,
7 attached to the testimony of Frank Seidman indicates that wastewater for the
8 Summertree system is pumped to Pasco County for treatment and disposal. As
9 indicated in Mr. Biddy's testimony, when the Company was asked if all of the
10 wastewater treatment facilities should be removed from plant in service or
11 considered 0% used and useful, the Company's response with regards to the
12 Summertree wastewater system was: "Per the Utility's plant in service accounts, no
13 plant remains in sewer plant account for year ended 2001." This assertion does not
14 appear to be correct.

15

16 Q. PLEASE EXPLAIN.

17 A. In response to OPC Interrogatory No. 37, the Company provided the plant in service
18 and accumulated depreciation balances by system and by month for the systems
19 included in its filing. I was able to tie the wastewater system amounts provided in
20 the response to the Company's MFR filing. Included in the information provided in
21 the response for the Summertree wastewater system, on a 13-month average test year
22 basis, were the following amounts: (1) \$30,087 for Building and Structures; (2)

1 \$114,849 for Sewage Lagoons; and (3) \$90,272 for Sewage Treatment Plant. I was
2 able to trace these amounts to the Company's Pasco County MFR Schedule A-6,
3 where they appeared under the Treatment and Disposal Plant category in plant in
4 service. The Company's contention that the wastewater treatment plant for the
5 Summertree system is not in the sewer plant accounts for the test year is not
6 consistent with the Company's filing and the information provided in response to
7 OPC Interrogatory No. 37. The adjustments necessary to remove these wastewater
8 treatment and disposal items for the Summertree wastewater system are shown on
9 Pasco County Schedule C-3, resulting in a \$235,208 reduction to plant in service, a
10 \$76,713 reduction to accumulated depreciation, and a \$6,760 reduction to test year
11 depreciation expense. The net reduction to Pasco County wastewater rate base is
12 \$158,495 (\$235,208 - \$76,713).

13

14 Q. WHAT ADJUSTMENT IS NECESSARY TO REFLECT MR. BIDDY'S
15 RECOMMENDED REMOVAL OF THE WEATHERSFIELD WATER
16 TREATMENT PLANT IN SEMINOLE COUNTY?

17 A. As shown on Seminole County Schedule C-3, the average test year wastewater plant
18 in service should be reduced by \$151,733, accumulated depreciation should be
19 reduced by \$88,054, and depreciation expense should be reduced by \$4,723. This
20 results in a net reduction to rate base of \$63,679 (\$151,733 - \$88,054). The average
21 test year amounts by account for plant in service and accumulated depreciation were
22 derived from the Company's response to OPC Interrogatory No. 37 and were traced,

1 along with the other Seminole County wastewater system, to MFR Schedules A-6
2 and A-10.

3

4 Q. PLEASE DISCUSS THE ADJUSTMENT NECESSARY TO REMOVE THE
5 RAVENNA PARK/LINCOLN HEIGHTS WASTEWATER TREATMENT PLANT
6 AND DISPOSAL EQUIPMENT.

7 A. The necessary adjustment is shown on Seminole County Schedule C-4. As
8 mentioned previously in this testimony, Staff Audit Exception 9 also removed the
9 Lincoln Heights wastewater treatment plant, and the Company has disagreed with
10 this adjustment. The OPC agrees with the audit finding that the Lincoln Heights
11 wastewater plant should be removed, as supported further by Citizens' Witness Ted
12 Bidby. However, the amounts contained in Staff's exception to remove the Lincoln
13 Heights wastewater plant are based on year-end amounts and do not tie into the
14 amounts contained in the MFR filing. Consequently, on Seminole County Schedule
15 C-4, I recalculated the adjustment to remove the Lincoln Heights wastewater plant,
16 consisting of Building and Structures, Sewage Treatment Plant and Sewer Lagoons,
17 along with the associated accumulated depreciation and depreciation expense. The
18 resulting adjustment, based on the amounts included in the MFR filing (as revised) is
19 a \$386,236 reduction to plant in service, a \$69,833 reduction to accumulated
20 depreciation, and a \$11,148 reduction to depreciation expense. The plant in service
21 and accumulated depreciation amounts were derived from the Company's response
22 to OPC Interrogatory No. 37 and were traced to both the 2001 General Ledger and

1 the Company's MFR Schedules A-6 and A-10.

2

3 Q. YOU INDICATE THAT THE COMPANY DISAGREES WITH STAFF'S AUDIT
4 EXCEPTION REMOVING THE LINCOLN HEIGHTS WASTEWATER
5 TREATMENT PLANT FROM RATE BASE. ARE THERE ANY ADDITIONAL
6 REASONS BEYOND THOSE ADDRESSED IN MR. BIDDY'S TESTIMONY
7 FOR REMOVING THIS PLANT FROM RATE BASE?

8 A. Yes. Beyond the reasons raised by Mr. Bidy, it is my understanding that the
9 condemnation of the Lincoln Heights wastewater treatment plant and the subsequent
10 acquisition of a portion of the surrounding land is the subject of on-going litigation.
11 Staff's Audit Report contained many adjustments associated with the deferral of
12 substantial legal fees associated with the proceedings and litigation. Additionally,
13 according to the Staff Audit Report, Disclosure No. 1, the Company received
14 \$154,190 in June 1999 from the Department of Transportation, and this \$154,190
15 received by the Company for the land is not reflected anywhere in the Company's
16 MFR filing. Additionally, Staff indicated in the disclosure that the litigation is still
17 on-going. Clearly, as of the mid-point of the 2001 test year, the Lincoln Heights
18 wastewater treatment plant became non-used and useful. There are adjustments
19 proposed by Staff and reflected in my recommended revenue requirement to
20 annualize the treatment of the wastewater by the City of Sanford. With the on-going
21 litigation, the issue of the amount of compensation to ultimately be received by the
22 Company as a result of the condemnation and land acquisition remains open. At this

1 point, it is appropriate to remove the entire wastewater treatment plant as 100% non-
2 used and useful and the issue should be readdressed in a future proceeding when the
3 final status and details of the litigation are resolved.
4

5 VI. RATE OF RETURN - RETURN ON EQUITY PENALTY

6 Q. WHEN DISCUSSING THE STAFF AUDIT EXCEPTIONS NEAR THE
7 BEGINNING OF THIS TESTIMONY, YOU ADDRESSED STAFF'S
8 RECOMMENDED RATE OF RETURN CALCULATIONS. WOULD YOU
9 PLEASE ADDRESS THIS ISSUE FURTHER?

10 A. Yes. Commission Staff recommended several revisions to the Company's cost of
11 capital/rate of return calculations in Audit Exception No. 16. With the exception of
12 the rate of return on equity used, I agree with Staff's recommendations. On Schedule
13 Nos. D-1 for each County, I recalculate the overall rate of return of each county
14 based on Staff's recommendations, however, with the OPC's recommended rate base
15 incorporated in the calculations and OPC's recommended rate of return on equity.
16 Citizens' Witness Mark Cicchetti recommends a rate of return on equity range of
17 9.41% to 11.41%, with 10.41% at the mid-point of this range. This 10.41% is lower
18 than the 10.91% rate used by Staff. On Schedule Nos. D-1 for each County system, I
19 calculate the overall rate of return reflecting both the mid-point of Mark Cicchetti's
20 recommended range of 10.41% and the low-point of the range of 9.41%.
21 Additionally, Schedule Nos. A-1 and A-2 present the overall revenue requirement for
22 each of the County water and wastewater systems. On these schedules, I present the

1 amount of necessary increase or decrease in revenues based on both the mid-point of
2 the return on equity range and the low-point of the range.

3
4 Q. WHICH RETURN ON EQUITY PERCENTAGE DO YOU RECOMMEND THE
5 COMMISSION USE IN CALCULATING THE OVERALL REVENUE
6 REQUIREMENT FOR UTILITIES INC. OF FLORIDA?

7 A. I recommend the Commission adopt an authorized return on equity of 9.41% for
8 determining the appropriate revenue requirement in this case. This is based on the
9 low-end of the return on equity range recommended by Mr. Cicchetti.

10
11 Q. ON WHAT BASIS DO YOU RECOMMEND THAT THE COMMISSION ADOPT
12 THE LOW-END OF THE RETURN ON EQUITY RANGE IN THIS CASE?

13 A. In my opinion, the adoption of the low-end of the range of reasonableness would
14 provide a needed incentive for the Company to improve its books and records and to
15 become in compliance with the Commission's Rules and the NARUC Uniform
16 System of Accounts. This utility has demonstrated time and again that the much
17 needed improvements will not occur absent a penalty or substantial incentive to do
18 so. In the Company's next rate case proceeding, the Commission could then revisit
19 this issue and if, at that future date, the Company has adopted the much needed
20 improvements in its accounting records, then the return on equity could be set at the
21 mid-point of the range of reasonableness.

22

1 Q. WOULD YOU PLEASE DISCUSS SOME OF THE PROBLEMS WITH THE
2 COMPANY'S FILINGS AND RECORDS IN THIS CASE, ALONG WITH OTHER
3 PROBLEMS ENCOUNTERED DURING THE COURSE OF YOUR REVIEW?

4 A. Yes. First, the Company had to re-file substantial portions of its MFRs several times
5 in this case. The first round of MFRs was filed by Utilities, Inc. on June 28, 2002.
6 This filing was not based on a 13-month average test year basis, as is required by the
7 MFR filing instructions. There were numerous additional deficiencies in which the
8 Company did not meet the minimum filing requirements. On July 19, 2002, the
9 Commission sent the Company a letter listing four pages of deficiencies with the
10 Company's filing. On September 3, 2002, the Company filed updated MFRs which
11 it contended corrected the deficiencies in the original filing. On September 12, 2002,
12 the Commission Staff informed the Company that it still was not in compliance with
13 the minimum filing requirements, and that its plant in service and accumulated
14 depreciation amounts still were not being calculated based on a 13-month average
15 basis, as required and previously noticed. The September 12, 2002 letter included a
16 three page listing of areas in which the MFR filings were still deficient. On October
17 3, 2002, the Company filed new revised MFR schedules.

18
19 On October 31, 2002, the Company filed Revised MFR Schedule Nos. E-1 and E-2
20 for Pasco County. On December 2, 2002, the Company filed revised MFR Schedule
21 Nos. E-14 for each of the Counties. On February 4, 2003, the Company again filed
22 revised MFR Schedule Nos. E-2 and E-14. On February 17, 2003, the Company

1 filed revised MFR Schedule Nos. E-1, E-2 and E-3. On April 17, 2003, once again,
2 the Company filed Revised MFR Schedule Nos. E-1 and E-2 for each County to
3 correct for remaining errors and deficiencies identified by Staff in its Deposition of
4 UIF witness Steven Lubertozi. Obviously, the significant amount of errors and
5 subsequent re-filings of the Company's MFRs has caused a great deal more work and
6 aggravation in reviewing the Company's filing and its request for rate increases.

7
8 An additional factor that had substantial impact on the review of the Company's rate
9 increase requests was the fact that the rate base schedules included in the Company's
10 MFRs do not completely tie into the Company's general ledgers. The Company used
11 its 2001 Annual Report in preparing its filing, and for rate base, the accounts in its
12 annual reports do not tie entirely into the general ledger balances. In fact, Staff Audit
13 Exception No. 26 quoted Order No. PSC-00-2388-AS-WU, issued December 13,
14 2000, as follows:

15 The utility shall correct any remaining areas of non-compliance with the
16 NARUC USOA by January 31, 2001. Further, the utility and its parent shall
17 file, in future rate proceedings before this Commission, MFRs which begin
18 with utility book balances, and show all adjustments to book balances after
19 the "per book" column in its MFRs. The utility shall file a statement which
20 affirms that the MFRs begin with actual book balances.
21

22
23

24 This quoted Order, involving another Utilities, Inc. subsidiary, was issued well
25 before this case was filed. Despite this fact, the Company did not use its per book, or

1 general ledger, balances as the starting point in its MFRs. Rate Base MFR Schedules
2 A-1 and A-2 use the Company's annual reports as the starting point, not the utility's
3 general ledger balances. The schedules then provide a column showing the amount
4 of adjustment needed to tie the Company's general ledgers to the annual report
5 balances. However, these amounts are only given on an overall basis, and the filing
6 does not provide a breakout of the amounts on an account by account or system by
7 system basis.

8
9 Staff's Audit Report, in Exception Nos. 1 and 2, also points out numerous instances
10 in which the Company has incorrectly booked the impact of prior Commission
11 Orders. In many cases the Company either booked adjustments to the wrong
12 accounts or booked incorrect amounts. These adjustments made by Staff in
13 Exception Nos. 1 and 2 would apply to both the Annual Reports used as the starting
14 point in the Company's MFRs and to the general ledgers.

15
16 Q. CAN YOU GIVE FURTHER EXAMPLES OF PROBLEMS WITH THE
17 COMPANY'S ACCOUNTING AND GENERAL LEDGERS?

18 A. Yes. In fact, numerous problems are identified throughout the Exceptions contained
19 in Staff's Audit Report. These problems resulted in numerous adjustments to the
20 Company's revised MFRs being necessary. Examples of problems include:

- 21 - The impact of prior Commission Orders being booked to incorrect accounts
22 or in incorrect amounts;

- 1 – The mid-2000 purchase of the Wisbar and Bartelt (Buena Vista) systems were
2 not booked in the correct rate base accounts in the general ledger until mid-
3 2002;
- 4 – Non-recurring expenses associated with repairs to the water and wastewater
5 systems were improperly booked to plant in service accounts;
- 6 – In many instances the Company failed to record the retirement of plant on its
7 books when such plant was replaced, resulting in both the old plant and the
8 replacement plant remaining on the books;
- 9 – In many instances the Company recorded items in the incorrect accounts and
10 did not adhere to the NARUC Uniform System of Accounts, particularly for
11 items booked to Account Nos. 301 and 351 - Organization costs;
- 12 – Amounts remain in plant in service and accumulated depreciation accounts in
13 the Company's general ledger for the Summertree wastewater treatment plant
14 which, to the best of my knowledge, was demolished quite some time ago;
- 15 – In many cases, the plant in service items are included in the Company's
16 general ledger in different account numbers than they appear in on the
17 Company's MFR Schedule Nos. A-5 and A-6;
- 18 – The Company removed all of its equipment from the Davis Shores water
19 system site and disposed of the utility land, yet items remain in both plant in
20 service and accumulated depreciation on the Company's general ledger.
- 21 – The Company has used incorrect depreciation rates in depreciating plant
22 Account Nos. 371 and 380;

1 -- During the test year, the Company recorded expenses associated with
2 purchased wastewater treatment for the Lincoln Heights system in Seminole
3 County in the subaccount on its general ledger for the Buena Vista system in
4 Pasco County.

5
6 The above listed items should be considered as examples. Staff's Audit report, along
7 with my testimony, point out additional problems with either the Company's MFRs
8 or its general ledgers.

9
10 Q. DID THE FORMAT CHOSEN BY THE COMPANY TO PRESENT ITS MFR
11 FILING CAUSE ANY ADDITIONAL PROBLEMS IN YOUR REVIEW AND
12 ANALYSIS?

13 A. Yes. The Company's filing was presented on a County by County basis, and no
14 information was provided in the MFRs on a per-system basis, with the exception of
15 those counties that have only one system. The application of several adjustments,
16 such as used and useful adjustments and unaccounted for water adjustments, require
17 per-system amounts. As the Company did not use its general ledgers as the starting
18 point in its rate base schedules, Citizens had to request plant in service and
19 accumulated depreciation amounts on a per account basis by system, which was
20 provided in response to OPC Interrogatory No. 37. From this information, I then
21 needed to calculate the 13-month average test year account balances on a per system
22 basis for accounts impacted by Mr. Biddy's used and useful recommendations.

1 Q. DID YOU RUN INTO ANY ADDITIONAL PROBLEMS DURING THE COURSE
2 OF YOUR REVIEW AND ANALYSIS OF THE COMPANY'S FILING?

3 A. Yes. In this case, the Company was regularly late in responding to OPC
4 interrogatory requests, in many cases extremely so. The OPC was required to file
5 many Motions to Compel in this case to receive responses to interrogatories and
6 requests for production of documents. This, coupled with the frequent revisions to
7 the MFR filing schedules, negatively impacted Citizens' analysis of the Company's
8 rate increase requests.

9
10 Q. HAVE OTHER CONSULTANTS RETAINED BY THE CITIZENS IN THIS CASE
11 RUN INTO PROBLEMS WITH THE LEVEL OF SUPPORT PROVIDED BY THE
12 COMPANY AS JUSTIFICATION FOR COSTS INCLUDED IN ITS FILING?

13 A. Yes. The testimony of Citizens' witness Kim Dismukes points out serious problems
14 with the allocations to UIF from Water Service Corporation (WSC) and the utter lack
15 of support for the determination of the allocation factors used. In fact, the problems
16 were so severe that Ms. Dismukes has recommended that none of the costs allocated
17 from WSC included in the Company's MFRs be permitted. Staff Audit Exception
18 No. 26 also addresses the lack of support needed to determine the reasonableness of
19 the calculation of the percentages used to allocate WSC common rate base and costs.

20

21 Q. HAS UTILITIES INC. BEEN WARNED OR PUT ON NOTICE BY THE
22 COMMISSION IN THE PAST REGARDING ITS BOOKS AND RECORDS?

1 A. Yes. Staff Audit Exception No. 26 discusses several prior cases involving
2 Wedgefield Utilities, Inc., a subsidiary of UIF. The exception discusses the Staff's
3 and Commission's findings in past cases that Utilities, Inc. was not in compliance
4 with Commission Rule 25-30.115, F.A.C. and was not in compliance with the
5 NARUC Uniform System of Accounts. Order No. PSC-00-2388-AS-WU, issued
6 December 13, 2000, included a large discussion regarding Wedgefield Utilities,
7 Inc.'s and its parent Company, Utilities, Inc.'s, non-compliance with the NARUC
8 USOA, along with the extreme amount of time that Staff had to spend to trace the
9 Company's MFR filing to its books and records. Commission Order No. PSC-00-
10 1528-PAA-WU, issued August 23, 2000 contains a section dealing with Utilities,
11 Inc.'s non-compliance with the NARUC Uniform System of Accounts. It references
12 numerous Staff Audit reports addressing non-compliance and cites the following
13 other Commission Orders in which Utilities, Inc. was notified it was not in
14 compliance with the NARUC Uniform System of Accounts required under
15 Commission Rule 25-30.115: PSC-95-0574-FOF-WS issued May 9, 1995 in Docket
16 No. 940917-WS, Utilities Inc. of Florida; PSC-97-0531-FOF-WU, issued May 9,
17 1997 in Docket No. 960444-WU, Lake Utility Services Inc.; PSC-96-0910-FOF-WS,
18 issued July 15, 1996 in Docket No. 951027-WS, Lake Placid Utilities, Inc.; and PSC-
19 98-0524-FOF-SU, issued April 16, 1998 in Docket No. 971065-SU-Mid-County
20 Services, Inc. Obviously non-compliance with Commission Rule No. 25-30.115 has
21 been a long-standing issue with Utilities, Inc. and its utility systems.

22

1 Q. DOES THIS COMPLETE YOUR TESTIMONY?

2 A. Yes, it does.



APPENDIX I

QUALIFICATIONS OF DONNA DERONNE, C.P.A.

Q. WHAT IS YOUR OCCUPATION?

A. I am a certified public accountant and regulatory consultant in the firm of Larkin & Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I graduated with honors from Oakland University in Rochester, Michigan in 1991. I have been employed by the firm of Larkin & Associates, PLLC, since 1991. As a certified public accountant and regulatory consultant with Larkin & Associates, PLLC, my duties have included the analysis of utility rate cases and regulatory issues, researching accounting and regulatory developments, preparation of computer models and spreadsheets, the preparation of testimony and schedules and testifying in regulatory proceedings. I have also conducted five training programs on behalf of the Department of Defense - Navy Rate Intervention Office on measuring the financial capabilities of firms bidding on Navy assets. A partial listing of cases which I have participated in are included below:

Performed Analytical Work in the Following Cases:

Docket No. 92-06-05	The United Illuminating Company State of Connecticut, Department of Public Utility Control
Docket No. R-00922428	The Pennsylvania American Water Company Pennsylvania Public Utility Commission
Cause No. 39498	PSI Energy, Inc. Before the State of Indiana - Indiana Utility Regulatory Commission
Docket No. 6720-TI-102	Wisconsin Bell, Inc. Wisconsin Citizens' Utility Board
Docket No. 90-1069 (Remand)	Commonwealth Edison, Inc. Before the Illinois Commerce Commission
Docket Nos. 920733-WS & 920734-WS	General Development Utilities, Inc. - Port Labelle and Silver Springs Shores Divisions. Before the Florida Public Service Commission
Case No. PUE910047	Virginia Electric and Power Company (State Corporation Commission)
Docket No. U-1565-91-134	Sun City Water Company Residential Utility Consumer Office
Docket No. 930405-EI	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. UE-92-1262	Puget Sound Power & Light Company Before the Washington Utilities & Transportation Commission
Docket No. R-932667	Pennsylvania Gas & Water Company Before the Pennsylvania Public Utility Commission
Docket No. 7700	Hawaiian Electric Company, Inc. Before the Public Utilities Commission of the State of Hawaii
Docket No. R-00932670	Pennsylvania American Water Company Pennsylvania Public Utility Commission

Case No. 78-T119-0013-94	Guam Power Authority vs. U.S. Navy Public Works Center, Guam - Assisting the Department of Defense in the investigation of a billing dispute.
Case No. 90-256	South Central Bell Telephone Company Before the Kentucky Public Service Commission
Case No. 94-355	Cincinnati Bell Telephone Company Before the Kentucky Public Service Commission
Docket No. 7766	Hawaiian Electric Company, Inc. Before the Public Utilities Commission of the State of Hawaii
Docket No. 2216	Narragansett Bay Commission On Behalf of the Division of Public Utilities and Carriers, Before the Rhode Island Public Utilities Commission
Docket No. 94-0097	Citizens Utilities Company, Kauai Electric Division Before the Public Utilities Commission of the State of Hawaii
Docket No. 5863*	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. E-1032-95-433	Citizens Utilities Company - Arizona Electric Division Before the Arizona Corporation Commission
Docket No. R-00973947	United Water Pennsylvania Before the Pennsylvania Public Utilities Commission
Docket No. 95-0051	Hawaiian Storm Damage Reserve Case Before the Public Utilities Commission of the State of Hawaii
Application Nos. 96-08-070, 96-08-071, 96-08-072	Pacific Gas & Electric Company, Southern California Edison Company & San Diego Gas & Electric Co.; Phases I & II; Before the California Public Utilities Commission
Docket No. E-1072-97-067	Southwestern Telephone Company Before the Arizona Corporation Commission

Docket No. 920260-TL	BellSouth Telecommunications Inc. - Florida On Behalf of the Florida Office of Public Counsel
Docket No. R-00973953	PECO Energy Company Before the Pennsylvania Public Utilities Commission
Docket No. 5983	Green Mountain Power Corporation Before the Vermont Public Service Board
Case No. PUE-9602096	Virginia Electric and Power Company Before the Commonwealth of Virginia State Corporation Commission
Docket No. 97-035-01	PacifiCorp, dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. G-34930705	Black Mountain Gas Division - Northern States Power Before the Arizona Corporation Commission
Docket No. T-01051B-99-105*	US West/Qwest Corporation Before the Arizona Corporation Commission
Docket No. 98-10-019	Verizon Audit Report on Behalf of California Office of Ratepayers Advocates
Docket No. 991437-WU*	Wedgefield Utilities, Inc. Before the Florida Public Service Commission
Docket No. 99-057-20*	Questar Gas Company Before the Utah Public Service Commission
Docket No. 6596	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket No. ER02080614	Rockland Electric Company Before the New Jersey Board of Public Service

Submitted Testimony in the Following Cases

Docket No. 92-11-11	Connecticut Light & Power Company State of Connecticut, Department of Public Utility Control
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Docket No. 93-02-04	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Docket No. 95-02-07	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Case No. 94-0035-E-42T	Monongahela Power Company Before the Public Service Commission of West Virginia
Case No. 94-0027-E-42T	Potomac Edison Company Before the Public Service Commission of West Virginia
Case No. 95-0003-G-42T*	Hope Gas, Inc. Before the West Virginia Public Service Commission
Case No. 95-0011-G-42T*	Mountaineer Gas Company Before the West Virginia Public Service Commission
Docket No. 950495-WS	Southern States Utilities Before the Florida Public Service Commission
Docket No. 960451-WS	United Water Florida Before the Florida Public Service Commission
Docket No. 5859	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket No. 97-12-21	Southern Connecticut Gas Company State of Connecticut, Department of Public Utility Control
Docket No. 98-01-02	Connecticut Light & Power Company State of Connecticut, Department of Public Utility Control
Docket No. 98-07-006	San Diego Gas and Electric Company Public Utilities Commission of the State of California
Docket No. 99-04-18 Phase I	Southern Connecticut Gas Company State of Connecticut, Department of Public Utility Control

Docket No. 99-04-18 Phase II	Southern Connecticut Gas Company State of Connecticut, Department of Public Utility Control
Docket No. 99-09-03 Phase I	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Docket No. 99-09-03 Phase II	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Docket No. 99-035-10	PacifiCorp dba Utah Power & Light Company Public Service Commission of Utah
Docket No. 00-12-01	Connecticut Light & Power Company State of Connecticut, Department of Public Utility Control
Docket No. 6460*	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 01-035-01*	PacifiCorp dba Utah Power & Light Company Public Service Commission of Utah
Docket No. G-01551A-00-0309	Southwest Gas Corporation Arizona Corporation Commission
Docket No. 01-05-19	Yankee Gas Services Company State of Connecticut Department of Public Utility Control
Docket No. 01-035-23 Interim (Oral testimony)	PacifiCorp dba Utah Power & Light Company Public Service Commission of Utah
Docket No. 01-035-23**	PacifiCorp dba Utah Power & Light Company Public Service Commission of Utah
Docket No. 010503-WU	Aloha Utilities, Inc. - Seven Springs Water Division Before the Florida Public Service Commission
Docket No. 000824-EI*	Florida Power Corporation Before the Florida Public Service Commission

Docket No. 001148-EI**

Florida Power & Light Company
Before the Florida Public Service Commission

Docket No. 01-10-10

United Illuminating Company
Connecticut Department of Public Utility Control

Docket No. 02-057-02*

Questar Gas Company
Public Service Commission of Utah

Docket No. 020384-GU*

Tampa Electric Company d/b/a Peoples Gas System
Before the Florida Public Service Commission

* Case Settled

** Testimony not filed due to settlement



Utilities, Inc. of Florida - Orange County
Docket No. 020071-WS
Table of Contents to Exhibit ____(DD-1)
Orange County

<u>Sch. No.</u>	<u>Schedule Title</u>
A-1	Calculation of Water Revenue Requirement
B-1	Schedule of Adjustments to Operating Income
B-2	Salary & Wage Expense - Revision & Reallocation
B-3	Employee Benefits Expense - Revision & Reallocation
B-4	Payroll Tax Expense - Revision & Reallocation
B-5	Interest Synchronization
B-6	Income Tax Expense
C-1	Schedule of Water Rate Base
C-2	Non-Used & Useful Net Plant in Service - Crescent Heights
D-1	Rate of Return

Calculation of Water Revenue Requirement

Line No.	Description	(A) Utility Adjusted Amount	(B) OPC Adjustments	(C) Per OPC Adjusted Balance	(D) Revenue Increase (Decrease)	(E) Annual Revenue Requirement
1	OPERATING REVENUES	84,904	2,546	87,450	23,463	110,913
2	Operation & Maintenance	123,269	(31,732)	91,537		91,537
3	Depreciation	7,231	(2,143)	5,088		5,088
4	CIAC Amortization	(1,265)		(1,265)		(1,265)
5	PAA Amortization	-		-		-
6	Taxes Other Than Income	10,185	(2,408)	7,777	1,056	8,833
7	Provision for Income Taxes	(22,988)	15,350	(7,638)	8,432	794
8	OPERATING EXPENSES	116,432		95,499		104,987
9	NET OPERATING INCOME	(31,528)		(8,049)		5,926
10	RATE BASE	157,281	(83,848)	73,433		73,433
11	RATE OF RETURN					8.07%
12	RATE OF RETURN, at Low End of ROE Range					7.68%
13	Revenue Increase (Decrease) at Low End of ROE Range					<u>22,988</u>

Source:

Col. (A): Orange County MFR Schedule B-1.

Col. (B): Schedule B-1. This column also includes adjustments recommended by Staff in its Audit Report, as indicated on Schedule B-1.

Line 10: Schedule C-1

Lines 11 & 12: Schedule D-1

Line 13: Recommended revenue increase (decrease) calculated based on rate of return on line 12.

Schedule of Adjustments to Operating Income

Line No.	<u>Description</u>	<u>Amount</u>	
<u>Adjustments to Revenue:</u>			
1	Correction to Annualization of Index Increase	\$808	Testimony; MFR Sch. E-2, Revised
2	Amortization of Gain on Sales, net of tax (1)	1,738	Citizens' Witness Kim Dismukes
3	Total Revenue Adjustments	<u>2,546</u>	
<u>Adjustments to O&M Expense:</u>			
4	Remove accrual	(3,200)	Staff Audit Exception 18
5	Remove Certain Orlando Office Center Expenses	(121)	Staff Audit Exception 19
6	Payroll Expense Adjustment	(3,251)	Schedule B-2
7	Employee Benefit Expense	(695)	Schedule B-3
8	Remove Expense Allocations from WSC	(3,412)	Citizens' Witness Kim Dismukes
9	Revise Expense Allocations from UIF	(2,110)	Citizens' Witness Kim Dismukes
10	Rate Case Expense Adjustment	(18,943)	Citizens' Witness Kim Dismukes
11	Total O&M Expense Adjustments	<u>(31,732)</u>	
<u>Adjustments to Depreciation:</u>			
12	Adjustment to Prior Orders	(199)	Staff Audit Exception 1, Sch. H
13	Common Plant Allocation	(7)	Staff Audit Exception 7
14	Crescent Heights & Davis Shores Retirements	(1,715)	Staff Audit Exception 9
15	Non-Used & Useful Plant in Service - Crescent Heights	(222)	Schedule C-2
16	Total Depreciation Expense Adjustments	<u>(2,143)</u>	
<u>Adjustments to Taxes Other Than Income</u>			
17	Property Tax Corrections - Staff	(1,953)	Staff Audit Exception 24
18	Payroll Tax Expense	(455)	Schedule B-4
19	Total Taxes Other Than Income Adjustments	<u>(2,408)</u>	
<u>Adjustments to Income Tax Expense</u>			
20	Interest Synchronization Adjustment	1,393	Schedule B-5
21	Impact of Adjustments to Operating Income	13,957	Schedule B-6
22	Total Income Tax Expense Adjustments	<u>15,350</u>	

(1) This net of tax adjustment does not flow to the income tax expense schedule.

Utilities, Inc. of Florida - Orange County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__ (DD-1)
 Schedule B-2

Salary & Wage Expense - Revision & Reallocation

Line No.	Description	Total	Orange Water
1	County Allocation % (1)	2.53%	
2	Allocation Between Water & W/W (1)		100%
3	Operation Employees, Revised Orange Total (2)		19,431
4	Less: Amount Included by Co. for Open Position		(2,280)
5	Office Salaries Allocated to UIF, Revised (2)	68,578	1,735
6	WSC Salaries Allocated to UIF, Original Filing		<u>1,565</u>
7	Subtotal Salaries to Orange		20,451
8	Test Year Unadjusted Amount, per Company (3)		<u>1,000</u>
9	Change to recorded test year salary and wage cost		19,451
10	Reduction for Amount to be Capitalized (13.14%)		<u>(2,556)</u>
11	Adjustment to Test Year Salary Expense, per Citizens		16,895
12	Adjustment to Test Year Salary Expense, in MFRs (3), (4)		<u>20,146</u>
13	Payroll Expense Adjustment		<u><u>(3,251)</u></u>

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-5 and B-6

Utilities, Inc. of Florida - Orange County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule B-3

Employee Benefits Expense - Revision & Reallocation

Line No.	Description	Total	Orange Water
1	County Allocation % (1)	2.53%	
2	Allocation Between Water & W/W (1)		100%
3	Operation Employees, Revised Orange Total (2)		3,369
4	Less: Amount Included by Co. for Open Position		(295)
5	Office Benefits Allocated to UIF, Revised (2)	12,843	325
6	WSC Benefits Allocated to UIF (unchanged) (3)		<u>643</u>
7	Subtotal Benefits to Orange		4,042
8	Test Year Unadjusted Amount, per Company (2), (3)		<u>4,349</u>
9	Reduction to recorded test year benefit cost		(307)
10	Adjustment to Test Year Benefit Expense in MFRs (3), (4)		<u>388</u>
11	Benefit Expense Adjustment		<u><u>(695)</u></u>

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-5 and B-6

Utilities, Inc. of Florida - Orange County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule B-4

Payroll Tax Expense - Revision & Reallocation

Line No.	Description	Total	Orange Water
1	County Allocation % (1)	2.53%	
2	Allocation Between Water & W/W (1)		100%
3	Operation Employees, Revised Orange Total (2)		1,565
4	Less: Amount Included by Co. for Open Position		(179)
5	Office Payroll Taxes Allocated to UIF, Revised (2)	5,558	141
6	WSC Payroll Taxes Allocated to UIF (unchanged)		<u>472</u>
7	Subtotal Payroll Tax to Orange		1,999
8	Test Year Unadjusted Amount, per Company (2), (3)		<u>1,534</u>
9	Reduction to recorded test year payroll tax cost		465
10	Adjustment to Test Year Benefit Expense in MFRs (3), (4)		<u>920</u>
11	Payroll Tax Expense Adjustment		<u><u>(455)</u></u>

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-15

Utilities, Inc. of Florida - Orange County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit (DD-1)
Schedule B-5

Interest Synchronization

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference:</u>
1	Rate Base, per OPC	73,433	Sch. C-1
2	Weighted Cost of Debt (debt plus customer deposits)	<u>4.05%</u>	Schedule D-1
3	Interest Deduction	2,977	
4	Interest Deduction in Filing	<u>6,679</u>	MFR Sch. C-2
5	Difference	(3,702)	
6	Composite Tax Rate	<u>37.63%</u>	
7	Increase (Decrease) in Income Tax Expense	<u><u>1,393</u></u>	

Utilities, Inc. of Florida - Orange County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__ (DD-1)
Schedule B-6

Income Tax Expense

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference:</u>
1	Adjustments to Operating Income	37,091	Schedule B-1
2	Composite Tax Rate	<u>37.63%</u>	
3	Adjustment to Income Tax Expense	<u><u>13,957</u></u>	

Utilities, Inc. of Florida - Orange County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__ (DD-1)
 Schedule C-1
 Page 1 of 2

Schedule of Water Rate Base

Line No.	Description	Utility Adjusted Balance (A)	OPC Adjustments (B)	Adjusted Rate Base (C)
1	Utility Plant in Service	192,409	(48,141)	144,268
2	Utility Land & Land Rights	2,783		2,783
3	Less: Non-Used & Useful Plant	-	(4,945)	(4,945)
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(105,540)	39,967	(65,573)
6	Less: CIAC	(38,403)		(38,403)
7	Accumulated Amortization CIAC	21,337		21,337
10	Allocated Plant	3,994	(3,994)	-
11	Working Capital Allowance	80,701	(66,735)	13,966
12	Total Rate Base	<u>157,281</u>		<u>73,433</u>

Source/Notes:

Col. (A): Orange County MFR Schedule A-1

Col. (B): See Page 2.

Col. (B): See Schedule C-2 for adjustment for non-used & useful plant

Schedule of Adjustments to Water Rate Base

Line No.	Description	Amount	Reference:
	<u>Adjustments to Plant in Service</u>		
1	Adjustment to Prior Orders	(7,056)	Staff Audit Exception 1, Sch. B
2	Common Plant Allocation	(479)	Staff Audit Exception 7
3	Crescent Heights & Davis Shores Retirements	(40,606)	Staff Audit Exception 9
4	Total Adjustments to Plant in Service	<u>(48,141)</u>	
	<u>Adjustments to Accumulated Depreciation:</u>		
5	Adjustment to Prior Orders	(8,292)	Staff Audit Exception 1, Sch. B
6	Adjustment to Prior Orders (1)	(100)	Staff Audit Exception 1, Sch. H
7	Common Plant Allocation	(517)	Staff Audit Exception 7
8	Crescent Heights & Davis Shores Retirements (2)	(31,058)	Staff Audit Exception 9
9	Total Adjustments to Accumulated Depreciation	<u>(39,967)</u>	
	<u>Allocated Plant</u>		
10	Remove Rate Base Allocations from WSC	(3,994)	Citizens' Witness Kim Dismukes
11		<u>(3,994)</u>	
	<u>Adjustments to Working Capital:</u>		
12	Adjustment to Cash Working Capital	(66,735)	See Marion Sch. C-5
13	Total Adjustments to Working Capital	<u>(66,735)</u>	

(1) Staff adjustment to accumulated depreciation reduced by 50% to reflect average test year rate base.

(2) Staff adjustment was (\$31,915) based on year end rate base. Above amount reflects average rate base.

Utilities, Inc. of Florida - Orange County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule C-2

Non-Used & Useful Net Plant in Service - Crescent Heights

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Expense (C)
	TRANSMISSION & DISTRIBUTION PLANT			
1	330.4 Distr. Reservoirs & Sandpipes	1,090	56	29
2	331.4 Transmission & Distribution Mains	54,696	(26,874)	1,274
3	Subtotal	55,786	(26,818)	1,303
4	Non-Used & Useful Percentage	17.07%	17.07%	17.07%
5	Non-Used & Useful Adjustment	(9,523)	4,578	(222)
6	Net Plant in Service Non-Used & Useful		(4,945)	

Lines 1 & 2: From Crescent Heights system amounts provided in response to Citizens' Interrogatory No. 37. Also traced to General Ledger amounts and to MFR filing.
 Line 4: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidy.

Rate of Return

Line No.	Description	Per OPC	Cost Rate	Weighted
		Capital Ratio	per OPC	Cost
		(A)	(B)	(C)
1	Long-Term Debt	38.20%	8.63%	3.30%
2	Short-Term Debt	6.96%	5.18%	0.36%
3	Common Equity (1)	38.56%	10.41%	4.01%
4	Accum. Deferred Income Taxes	8.97%	0.00%	0.00%
5	Unamortized ITC	0.69%	0.00%	0.00%
6	Customer Deposits	6.62%	6.00%	0.40%
7	Total	<u>100.00%</u>		<u>8.07%</u>
8	Common Equity at Bottom Point of Range (2)	38.56%	9.41%	<u>3.63%</u>
9	Rate of Return with ROE at Lower Point of Range			<u>7.68%</u>

Source/Notes:

Col. (A): See Page 2.

Col. (B): FPSC Staff Affiliate Transactions Audit Report - Audit Control No. 02-122-3-1,
 Audit Staff-Prepared Exhibit VII, except ROE.

(1) Common equity rate of 10.41% recommended by Citizens' Witness Mark Cicchetti, at mid-point of range.

(2) Common Equity rate of 9.41% based on the lower point of Mr. Cicchetti's recommended return on equity range.

Utilities, Inc. of Florida - Orange County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule D-1
 Page 2 of 2

Rate of Return
 Revised Capital Ratio

Line No.	Description	Parent 13-Month Average (A)	% of Total w/out Deposits (B)	Reconciled To Rate Base (C)	Adjusted Ratio (D)
1	Long-Term Debt	72,690,352	40.91%	28,050	38.20%
2	Short-Term Debt	13,245,115	7.45%	5,111	6.96%
3	Common Equity	73,384,644	41.30%	28,318	38.56%
4	Accum. Deferred Income Taxes	17,060,397	9.60%	6,583	8.97%
5	Unamortized ITC	1,318,251	0.74%	509	0.69%
6	Customer Deposits			4,862	6.62%
7	Total	177,698,759			
8	Total (Reconciled to Rate Base)			73,433	100.00%

Source/Notes:

Col. (A) FPSC Staff Affiliate Transactions Audit Report - Audit Control No. 02-122-3-1,
 Audit Staff-Prepared Exhibit VII.
 Line 6: Per General Ledger



Utilities, Inc. of Florida - Pasco County
Docket No. 020071-WS
Table of Contents to Exhibit__(DD-1)
Pasco County

Sch. No.	Schedule Title
A-1	Calculation of Water Revenue Requirement
A-2	Calculation of Sewer Revenue Requirement
B-1	Schedule of Adjustments to Operating Income
B-2	Salary & Wage Expense - Revision & Reallocation
B-3	Employee Benefits Expense - Revision & Reallocation
B-4	Payroll Tax Expense - Revision & Reallocation
B-5	Excessive Lost & Unaccounted for Water
B-6	Excessive Inflow & Infiltration Expense
B-7	Interest Synchronization
B-8	Income Tax Expense
C-1	Schedule of Water Rate Base
C-2	Schedule of Sewer Rate Base
C-3	Removal of Summertree Wastewater Treatment Plant
C-4	Non-Used & Useful Net Plant in Service
D-1	Rate of Return

Calculation of Water Revenue Requirement

Line No.	Description	(A) Utility Adjusted Amount	(B) OPC Adjustments	(C) Per OPC Adjusted Balance	(D) Revenue Increase (Decrease)	(E) Annual Revenue Requirement
1	OPERATING REVENUES	416,212	18,351	434,563	(95,069)	339,494
2	Operation & Maintenance	282,924	(78,363)	204,561		204,561
3	Depreciation	66,714	(12,317)	54,397		54,397
4	CIAC Amortization	(14,575)	(327)	(14,902)		(14,902)
5	PAA Amortization	-		-		-
6	Taxes Other Than Income	55,094	(6,894)	48,200	(4,278)	43,922
7	Provision for Income Taxes	(7,026)	46,048	39,022	(34,165)	4,857
8	OPERATING EXPENSES	383,131		331,278		292,835
9	NET OPERATING INCOME	33,081		103,285		46,659
10	RATE BASE	1,062,771	(491,675)	571,096		571,096
11	RATE OF RETURN					8.17%
12	RATE OF RETURN, at Low End of ROE Range					7.77%
13	Revenue Increase (Decrease) at Low End of ROE Range					<u>(98,940)</u>

Source:

Col. (A): Pasco County MFR Schedule B-1.

Col. (B): Schedule B-1. This column also includes adjustments recommended by Staff in its Audit Report, as indicated on Schedule B-1.

Line 10: Schedule C-1

Lines 11 & 12: Schedule D-1

Line 13: Recommended revenue increase (decrease) calculated based on rate of return on line 12.

Schedule of Adjustments to Operating Income

Line No.	Description	Water	Sewer	Reference:
<u>Adjustments to Revenue:</u>				
1	Amortization of Gain on Sales, net of tax (1)	\$18,351	5,731	Citizens' Witness Kim Dismukes
2	Total Revenue Adjustments	<u>18,351</u>	<u>5,731</u>	
<u>Adjustments to O&M Expense:</u>				
3	Remove Accruals	(600)	6,750	Staff Audit Exception 18
4	Remove City of Sanford charges		(23,770)	Staff Audit Exception 18
5	Remove Missing Invoices		(719)	Staff Audit Exception 18
6	Direct Charge Legal Fees	2,199	812	Staff Audit Exception 18
7	Remove Certain West Coast Office Expenses	(574)	(212)	Staff Audit Exception 19
8	Non-Recurring Plant - Amortization Expense	664	1,234	Staff Audit Exception 3
9	Payroll Expense	(568)	(177)	Schedule B-2
10	Employee Benefit Expense	1,259	393	Schedule B-3
11	Excessive Lost & Unaccounted for Water	(987)		Schedule B-5
12	Excessive Inflow & Infiltration Expense		(12,730)	Schedule B-6
13	Remove Expense Allocations from WSC	(41,170)	(12,859)	Citizens' Witness Kim Dismukes
14	Revise Expense Allocations from UIF	(24,151)	(7,544)	Citizens' Witness Kim Dismukes
15	Rate Case Expense Adjustment	(14,435)	(4,508)	Citizens' Witness Kim Dismukes
16	Total O&M Expense Adjustments	<u>(78,363)</u>	<u>(53,330)</u>	
<u>Adjustments to Depreciation:</u>				
17	Adjustment to Prior Orders - Orangewood & Wisbar	6,147	2,733	Staff Audit Exc 1, Sch. H; Exc 2, Sch. M
18	Non-Recurring Plant	(166)	(117)	Staff Audit Exception 3
19	Replacement & Retirement of Plant	(1,409)		Staff Audit Exception 4
20	Reclassified Plant - Summertree WWTP		(1,343)	Staff Audit Exception 5
21	Organization Cost & Capitalized Labor (2)	(638)	(22)	Staff Audit Exception 6
22	Common Plant Allocation	(59)	(22)	Staff Audit Exception 7
23	Accumulated Depreciation - Depreciation Rates Correction		7,972	Staff Audit Exception 11
24	Remove Summertree W/Water Treatment Plant Items		(6,760)	Schedule C-3
25	Non-Used & Useful Plant in Service	(16,192)	(3,708)	Schedule C-4
26	Total Depreciation Expense Adjustments	<u>(12,317)</u>	<u>(1,267)</u>	
<u>Adjustments to CIAC Amortization:</u>				
27	Adjustment to Prior Orders - Wisbar	<u>327</u>	<u>411</u>	Staff Audit Exc 1, Sch. H; Exc2, Sch. M
<u>Adjustments to Taxes Other Than Income</u>				
28	Property Tax Corrections - Staff	(7,288)	5,587	Staff Audit Exception 24
29	Payroll Tax Expense	<u>394</u>	<u>123</u>	Schedule B-4
30	Total Taxes Other Than Income Adjustments	<u>(6,894)</u>	<u>5,710</u>	
<u>Adjustments to Income Tax Expense</u>				
31	Interest Synchronization Adjustment	9,208	8,598	Schedule B-7
32	Impact of Adjustments to Operating Income	<u>36,840</u>	<u>18,551</u>	Schedule B-8
33	Total Income Tax Expense Adjustments	<u>46,048</u>	<u>27,149</u>	

(1) This net of tax adjustment does not flow to the income tax expense schedule.

(2) Company disagrees with this Staff Audit Adjustment

Calculation of Sewer Revenue Requirement

Line No.	Description	Utility Adjusted Amount (A)	OPC Adjustments (B)	Per OPC Adjusted Balance (C)	Revenue Increase (Decrease) (D)	Annual Revenue Requirement (E)
1	OPERATING REVENUES	305,251	5,731	310,982	(68,703)	242,279
2	Operation & Maintenance	246,037	(53,330)	192,707		192,707
3	Depreciation	27,887	(1,267)	26,620		26,620
4	CIAC Amortization	(13,238)	(411)	(13,649)		(13,649)
5	PAA Amortization	-		-		-
6	Taxes Other Than Income	25,293	5,710	31,003	(3,092)	27,911
7	Provision for Income Taxes	(2,494)	27,149	24,655	(24,690)	(35)
8	OPERATING EXPENSES	283,485		261,336		233,555
9	NET OPERATING INCOME	21,766		49,646		8,724
10	RATE BASE	613,009	(506,229)	106,780		106,780
11	RATE OF RETURN					8.17%
12	RATE OF RETURN, at Low End of ROE Range					7.77%
13	Revenue Increase (Decrease) at Low End of ROE Range					<u>(69,427)</u>

Source:

Col. (A): Pasco County MFR Schedule B-2.

Col. (B): Schedule B-1. This column also includes adjustments recommended by Staff in its Audit Report, as indicated on Schedule B-1.

Line 10: Schedule C-2

Lines 11 & 12: Schedule D-1

Line 13: Recommended revenue increase (decrease) calculated based on rate of return on line 12.

Utilities, Inc. of Florida - Pasco County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__ (DD-1)
 Schedule B-2

Salary & Wage Expense - Revision & Reallocation

Line No.	Description	Total	Pasco Water	Pasco W/Water
1	County Allocation % (1)	35.13%		
2	Allocation Between Water & W/W (1)		76.20%	23.80%
3	Operation Employees, Revised Pasco Total (2)	116,801	89,002	27,799
4	Office Salaries Allocated to UIF, Revised (2)	68,578	18,358	5,734
5	WSC Salaries Allocated to UIF, Original Filing		5,964	1,863
6	Subtotal Salaries to Pasco		113,324	35,396
7	Test Year Unadjusted Amount, per Company (3)		73,327	22,903
8	Increase in recorded test year salary and wage cost		39,997	12,493
9	Reduction for Amount to be Capitalized (13.14%)		(5,256)	(1,642)
10	Adjustment to Test Year Salary Expense, per Citizens		34,741	10,851
11	Adjustment to Test Year Salary Expense, in MFRs (3), (4)		35,309	11,028
12	Payroll Expense Adjustment		(568)	(177)

(1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.

(2) Response to Citizens' Interrogatory No. 144.

(3) Response to Citizens' Interrogatory No. 6.

(4) MFR Schedule B-5 and B-6

Utilities, Inc. of Florida - Pasco County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule B-3

Employee Benefits Expense - Revision & Reallocation

Line No.	Description	Total	Pasco Water	Pasco W/Water
1	County Allocation % (1)	35.13%		
2	Allocation Between Water & W/W (1)		76.20%	23.80%
3	Operation Employees, Revised Pasco Total (2)	20,306	15,473	4,833
4	Office Benefits Allocated to UIF, Revised (2)	12,843	3,438	1,074
5	WSC Benefits Allocated to UIF (unchanged) (3)		2,450	765
6	Subtotal Benefits to Pasco		21,361	6,672
7	Test Year Unadjusted Amount, per Company (2), (3)		21,524	14,816
8	Change to recorded test year benefit cost		(163)	(8,144)
9	Adjustment to Test Year Benefit Expense in MFRs (3), (4)		(1,422)	(8,537)
10	Benefit Expense Adjustment		1,259	393

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-5 and B-6

Utilities, Inc. of Florida - Pasco County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule B-4

Payroll Tax Expense - Revision & Reallocation

Line No.	Description	Total	Pasco Water	Pasco W/Water
1	County Allocation % (1)	35.13%		
2	Allocation Between Water & W/W (1)		76.20%	23.80%
3	Operation Employees, Revised Pasco Total (2)	9,404	7,166	2,238
4	Office Payroll Taxes Allocated to UIF, Revised (2)	5,558	1,488	465
5	WSC Payroll Taxes Allocated to UIF (Unchanged)		1,800	562
6	Subtotal Payroll Tax to Pasco		10,454	3,265
7	Test Year Unadjusted Amount, per Company (2), (3)		9,770	3,052
8	Reduction to recorded test year payroll tax cost		684	213
9	Adjustment to Test Year Benefit Expense in MFRs (3), (4)		290	90
10	Payroll Tax Expense Adjustment		394	123

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-15

Utilities, Inc. of Florida - Pasco County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule B-5

Excessive Lost & Unaccounted for Water

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Summertree</u> <u>System</u>	<u>Orangewood</u> <u>System</u>
1	Purchased Power Expense	5,183	5,300
2	Chemical Expense	<u>2,450</u>	<u>1,554</u>
3	Subtotal	7,633	6,854
4	Excessive Lost & Unaccounted for Water (1)	<u>6.20%</u>	<u>7.50%</u>
5	Reduction to Expense	<u>(473)</u>	<u>(514)</u>
6	Total Reduction to Expense - Water		(987)

Source/Notes:

Lines 1 & 2 from 2001 general ledger detail for each respective system.

(1) Percentage Excessive Lost & Unaccounted for Water recommended by Citizens' Witness Ted Bidy.

Utilities, Inc. of Florida - Pasco County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule B-6

Excessive Inflow & Infiltration Expense

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Summertree</u> <u>System</u>
1	Purchased Power Expense	2,094
2	Purchased Sewage Treatment Expense	<u>79,406</u>
3	Subtotal	81,500
4	Excessive Inflow & Infiltration (1)	<u>15.62%</u>
5	Reduction to Expense	<u><u>(12,730)</u></u>

Source/Notes:

Lines 1 & 2 from 2001 general ledger detail for Summertree system.

(1) Percentage Excessive I/I recommended by Citizens' Witness Ted Bidby.

Utilities, Inc. of Florida - Pasco County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule B-7

Interest Synchronization

<u>Line No.</u>	<u>Description</u>	<u>Water Amount</u>	<u>Sewer Amount</u>	<u>Reference:</u>
1	Rate Base, per OPC	571,096	106,780	Sch. C-1 & C-2
2	Weighted Cost of Debt (debt plus customer deposits)	<u>3.96%</u>	<u>3.96%</u>	Schedule D-1
3	Interest Deduction	22,634	4,232	
4	Interest Deduction in Filing	<u>47,104</u>	<u>27,080</u>	MFR Sch. C-2 & C-3
5	Difference	<u>(24,470)</u>	<u>(22,848)</u>	
6	Composite Tax Rate	<u>37.63%</u>	<u>37.63%</u>	
7	Increase (Decrease) in Income Tax Expense	<u><u>9,208</u></u>	<u><u>8,598</u></u>	

Utilities, Inc. of Florida - Pasco County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule B-8

Income Tax Expense

<u>Line No.</u>	<u>Description</u>	<u>Water Amount</u>	<u>Sewer Amount</u>	<u>Reference:</u>
1	Adjustments to Operating Income	97,901	49,298	Schedule B-1
2	Composite Tax Rate	<u>37.63%</u>	<u>37.63%</u>	
3	Adjustment to Income Tax Expense	<u>36,840</u>	<u>18,551</u>	

Schedule of Water Rate Base

Line No.	Description	Utility Adjusted Balance (A)	OPC Adjustments (B)	Adjusted Rate Base (C)
1	Utility Plant in Service	1,625,381	154,983	1,780,364
2	Utility Land & Land Rights	6,713		6,713
3	Less: Non-Used & Useful Plant	-	(288,018)	(288,018)
4	Construction Work in Progress	42,635		42,635
5	Less: Accumulated Depreciation	(573,642)	(116,308)	(689,950)
6	Less: CIAC	(466,708)	(12,627)	(479,335)
7	Accumulated Amortization CIAC	158,830	8,648	167,478
8	Allocated Plant	25,310	(25,310)	-
9	Working Capital Allowance	244,252	(213,043)	31,209
10	Total Rate Base	<u>1,062,771</u>		<u>571,096</u>

Source/Notes:

Col. (A): Pasco County MFR Schedule A-1

Col. (B): See Page 2.

Col. (B): See Schedule C-4 for Non-Used & Useful Adjustment

Schedule of Adjustments to Water Rate Base

Line No.	Description	Amount	Reference:
<u>Adjustments to Plant in Service</u>			
1	Adjustment to Prior Orders - Orangewood	(32,728)	Staff Audit Exception 1, Sch. C
2	Adjustment to Prior Orders - WisBar/Bartlet	267,542	Staff Audit Exception 1, Sch. G
3	Non-Recurring Plant Amortization	(3,318)	Staff Audit Exception 3
4	Replacement & Retirement of Plant	(50,162)	Staff Audit Exception 4
5	Organization Cost & Capitalized Labor (2)	(25,539)	Staff Audit Exception 6
6	Common Plant Allocation	(812)	Staff Audit Exception 7
7	Total Adjustments to Plant in Service	<u>154,983</u>	
<u>Adjustments to Accumulated Depreciation:</u>			
8	Adjustment to Prior Orders - Orangewood	(31,723)	Staff Audit Exception 1, Sch. C
9	Adjustment to Prior Orders - WisBar/Bartlet	191,029	Staff Audit Exception 1, Sch. G
10	Adjustment to Prior Orders - Orangewood & Wisbar	9,123	Staff Audit Exception 1, Sch. H
11	Adjustment to Prior Orders - Others		Staff Audit Exception 1, Sch. H
12	Non-Recurring Plant (1)	(83)	Staff Audit Exception 3
13	Replacement & Retirement of Plant	(50,162)	Staff Audit Exception 4
14	Replacement & Retirement of Plant - TY Deprec. (1)	(704)	Staff Audit Exception 4
15	Organization Cost & Capitalized Labor (1), (2)	(319)	Staff Audit Exception 6
16	Common Plant Allocation	(853)	Staff Audit Exception 7
17	Total Adjustments to Accumulated Depreciation	<u>116,308</u>	
<u>Adjustments to CIAC:</u>			
18	Adjustment to Prior Orders - WisBar/Bartlet	<u>12,627</u>	Staff Audit Exception 1, Sch. G
<u>Adjustments to Accumulated Amortization CIAC:</u>			
19	Adjustment to Prior Orders - WisBar/Bartlet	8,163	Staff Audit Exception 1, Sch. G
20	Adjustment to Prior Orders - WisBar/Bartlet	485	Staff Audit Exception 1, Sch. H
21		<u>8,648</u>	
<u>Allocated Plant</u>			
22	Remove Rate Base Allocations from WSC	<u>(25,310)</u>	Citizens' Witness Kim Dismukes
23		<u>(25,310)</u>	
<u>Adjustments to Working Capital:</u>			
24	Adjustments to Cash Working Capital:	<u>(213,043)</u>	See Marion Sch. C-5
25	Total Adjustments to Working Capital	<u>(213,043)</u>	

(1) Staff adjustment to accumulated depreciation reduced by 50% to reflect average test year rate base.
 (2) The Company disagrees with this Staff adjustment.

Utilities, Inc. of Florida - Pasco County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule C-2
 Page 1 of 2

Schedule of Sewer Rate Base

Line No.	Description	Utility Adjusted Balance (A)	OPC Adjustments (B)	Adjusted Rate Base (C)
1	Utility Plant in Service	996,546	(174,862)	821,684
2	Utility Land & Land Rights	10,000		10,000
3	Less: Non-Used & Useful Plant	-	(99,797)	(99,797)
4	Construction Work in Progress	11,042		11,042
5	Less: Accumulated Depreciation	(323,941)	10,716	(313,225)
6	Less: CIAC	(463,032)	(17,232)	(480,264)
7	Accumulated Amortization CIAC	119,079	8,860	127,939
8	Allocated Plant	7,905	(7,905)	-
9	Working Capital Allowance	255,410	(226,009)	29,401
10	Total Rate Base	<u>613,009</u>		<u>106,780</u>

Source/Notes:

Col. (A): Pasco County MFR Schedule A-2

Col. (B): See Page 2.

Col. (B): See Schedule C-4 for Non-Used & Useful Adjustment

Schedule of Adjustments to Sewer Rate Base

Line No.	Description	Amount	Reference:
<u>Adjustments to Plant in Service</u>			
1	Adjustment to Prior Orders - WisBar/Bartlet	114,633	Staff Audit Exception 2, Sch. L
2	Non-Recurring Plant Amortization	(6,172)	Staff Audit Exception 3
3	Reclassified Plant - Summertree WWTP	(46,944)	Staff Audit Exception 5
4	Organization Cost & Capitalized Labor (2)	(872)	Staff Audit Exception 6
5	Common Plant Allocation	(299)	Staff Audit Exception 7
6	Remove Summertree W/Water Treatment Plant Items (3)	(235,208)	Schedule C-3
7	Total Adjustments to Plant in Service	<u>(174,862)</u>	
<u>Adjustments to Accumulated Depreciation:</u>			
8	Adjustment to Prior Orders - WisBar/Bartlet	17,191	Staff Audit Exception 2, Sch. L
9	Adjustment to Prior Orders - WisBar/Bartlet	4,118	Staff Audit Exception 2, Sch. M
10	Non-Recurring Plant (1)	(59)	Staff Audit Exception 3
11	Reclassified Plant - Summertree WWTP	(12,755)	Staff Audit Exception 5
12	Organization Cost & Capitalized Labor (1), (2)	(11)	Staff Audit Exception 6
13	Common Plant Allocation	(315)	Staff Audit Exception 7
14	Accumulated Depreciation - Depreciation Rates Correction	57,828	Staff Audit Exception 11
15	Remove Summertree W/Water Treatment Plant Items (3)	(76,713)	Schedule C-3
16	Total Adjustments to Accumulated Depreciation	<u>(10,716)</u>	
<u>Adjustments to CIAC:</u>			
17	Adjustment to Prior Orders - WisBar/Bartlet	17,232	Staff Audit Exception 2, Sch. L
18		<u>17,232</u>	
<u>Adjustments to Accumulated Amortization CIAC:</u>			
19	Adjustment to Prior Orders - WisBar/Bartlet	8,234	Staff Audit Exception 2, Sch. L
20	Adjustment to Prior Orders - WisBar/Bartlet	626	Staff Audit Exception 2, Sch. M
21		<u>8,860</u>	
<u>Allocated Plant</u>			
22	Remove Rate Base Allocations from WSC	(7,905)	Citizens' Witness Kim Dismukes
23		<u>(7,905)</u>	
<u>Adjustments to Working Capital:</u>			
24	Adjustments to Cash Working Capital:	(226,009)	See Marion Sch. C-5
25	Total Adjustments to Working Capital	<u>(226,009)</u>	

- (1) Staff adjustment to accumulated depreciation reduced by 50% to reflect average test year rate base.
- (2) The Company disagrees with this Staff adjustment.
- (3) Removal of Summertree wastewater plant further supported by Citizens' Witness Ted Bidly.

Utilities, Inc. of Florida - Pasco County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule C-3

Removal of Summertree Wastewater Treatment Plant
 100% Non-Used & Useful

Line No.	Description	W/Water Amount
	<u>Average TY Plant in Service</u>	
1	Buildings & Structures (1)	30,087
2	Sewage Lagoons (2)	114,849
3	Sewage Treatment Plant (3)	90,272
4	Reduction to Plant in Service	<u>(235,208)</u>
	<u>Average TY Accumulated Depreciation</u>	
5	Buildings & Structures	12,203
6	Sewage Lagoons	44,566
7	Sewage Treatment Plant	19,944
8	Reduction to Accumulated Depreciation	<u>(76,713)</u>
9	Net Impact on Rate Base	<u>(158,495)</u>
	<u>Depreciation Expense</u>	
10	Buildings & Structures	942
11	Sewage Lagoons	3,285
12	Sewage Treatment Plant	2,533
13	Reduction to Depreciation Expense	<u>(6,760)</u>

Source/Notes:

The above schedule calculates the impact on the filing of Citizens' Witness Ted Bidy's recommended removal of Summertree wastewater treatment plant and associated costs as non-used and useful. Average rate base calculated from Company's response to Citizens Interrogatory No. 37, also traced to general ledger and MFR Schedules A-6 & A-10. The depreciation expense amounts are taken from the Company's 2001 general ledger.

- (1) Per response to Citizens Interrog. No. 37 - included in Acct. 3547003 Bldgs & Structs on balance sheet. Included in Acct. 354.4 - Structures & Improvements on MFR Sch. A-6.
- (2) Per response to Citizens Interrog. No. 37 - included in Acct. 3804004 Sewer Lagoons on balance sheet. Included in Acct. 389.4 - Other Plant & Misc. Equipment on MFR Sch. A-6.
- (3) Per response to Citizens Interrog. No. 37 - included in Acct. 3804005 - Sewage Trtmt Plant on balance sheet. Included in Acct. 380.4 - Treatment & Disposal Equipment on MFR Sch. A-6.

Utilities, Inc. of Florida - Pasco County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule C-4
Page 1 of 5

Non-Used & Useful Net Plant in Service

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Net</u> <u>Plant in</u> <u>Service</u>	<u>Deprec.</u> <u>Expense</u>
	NON-USED & USEFUL WATER ADJUSTMENTS		
1	Wisbar Water System - Page 2	(251)	(12)
2	Buena Vista Water System - Page 3	(613)	(17)
3	Summertree Water System - Page 4	(222,289)	(11,344)
4	Orangewood Water System - Page 5	<u>(64,865)</u>	<u>(4,819)</u>
5	Non-Used & Useful Adjustment - Water	<u>(288,018)</u>	<u>(16,192)</u>
	NON-USED & USEFUL WASTEWATER ADJUSTMENTS		
6	Wisbar Wastewater System - Page 2	(467)	(15)
7	Summertree Wastewater System - Page 4	<u>(99,330)</u>	<u>(3,693)</u>
8	Non-Used & Useful Adjustment - Wastewater	<u>(99,797)</u>	<u>(3,708)</u>

Non-Used & Useful Net Plant in Service - Wisbar

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
WISBAR WATER PLANT					
TRANSMISSION & DISTRIBUTION PLANT					
1	330.4 Distr. Reservoirs & Sandpipes	450	(12)	6.67%	30
2	331.4 Transmission & Distribution Mains	865	(10)	2.33%	20
3	Addition to Acct. 331 for Wisbar Acquisition (1)	<u>16,475</u>	<u>(8,805)</u>	2.33%	<u>384</u>
4	Subtotal	17,790	(8,827)		434
5	Non-Used & Useful Percentage	<u>2.80%</u>	<u>2.80%</u>		<u>2.80%</u>
6	Non-Used & Useful Adjustment	<u>(498)</u>	<u>247</u>		<u>(12)</u>
7	Net Plant in Service Non-Used & Useful		<u>(251)</u>		
WISBAR WASTEWATER PLANT					
COLLECTION PLANT					
8	361.2 Collection Sewers	195	(3)	2.20%	4
9	Addition to Acct. 361 for Wisbar Acquisition (1)	<u>24,500</u>	<u>(7,984)</u>	2.20%	<u>539</u>
10	Subtotal	24,695	(7,987)		543
11	Non-Used & Useful Percentage	<u>2.80%</u>	<u>2.80%</u>		<u>2.80%</u>
12	Non-Used & Useful Adjustment	<u>(691)</u>	<u>224</u>		<u>(15)</u>
13	Net Plant in Service Non-Used & Useful		<u>(467)</u>		

Lines 1, 2 & 8, Col. (A) & (B): From Wisbar system amounts provided in response to Citizens' Interrog. No. 37. Also traced to General Ledger amounts and to MFR filing.
 Lines 5 and 11: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidy.
 Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.
 (1) Staff Audit Exception 1, Sch. G & Exception 2, Sch. L. Allocation of A/Dep by account derived from the 2002 General Ledger in month acquisition of Wisbar and Bartelt were booked.

Utilities, Inc. of Florida - Pasco County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule C-4
 Page 3 of 5

Non-Used & Useful Net Plant in Service - Buena Vista

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
	BUENA VISTA WATER PLANT				
	TRANSMISSION & DISTRIBUTION PLANT				
1	330.4 Distr. Reservoirs & Sandpipes	2,397	(47)	6.67%	160
2	Addition to Acct. 330 for Bartelt Acquisition (1)	22,972	(7,094)		
3	331.4 Transmission & Distribution Mains	384		2.33%	9
5	Addition to Acct. 331 for Bartelt Acquisition (1)	<u>33,979</u>	<u>(18,500)</u>	2.33%	<u>792</u>
5	Subtotal	59,732	(25,641)		961
6	Non-Used & Useful Percentage	<u>1.80%</u>	<u>1.80%</u>		<u>1.80%</u>
7	Non-Used & Useful Adjustment	<u>(1,075)</u>	<u>462</u>		<u>(17)</u>
8	Net Plant in Service Non-Used & Useful		<u>(613)</u>		

Lines 1 & 2, Col. (A) & (B): From Buena Vista system amounts provided in response to Citizens' Interrog. No. 37. Also traced to MFR filing.
 Line 5: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidy.
 Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.
 (1) Staff Audit Exception 1, Sch. G.

Non-Used & Useful Net Plant in Service - Summertree

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
SUMMERTREE WATER PLANT					
SOURCE OF SUPPLY & PUMPING					
1	304.2 Structures & Improvements	7,337	(96)	3.03%	222
2	307.2 Wells & Springs	196,097	(48,580)	3.30%	6,471
3	311.2 Pumping Equipment	91,093	(40,572)	5.00%	4,555
WATER TREATMENT PLANT					
4	304.3 Structures & Improvements	829	229	3.03%	25
5	320.3 Water Treatment Equipment	19,087	(5,915)	4.55%	868
6	Subtotal	<u>314,443</u>	<u>(94,934)</u>		<u>12,141</u>
7	Non-Used & Useful Percentage	72.50%	72.50%		72.50%
8	Non-Used & Useful Adjustment	<u>(227,971)</u>	<u>68,827</u>		<u>(8,802)</u>
TRANSMISSION & DISTRIBUTION PLANT					
9	304.4 Structures & Improvements	16,379	(7,146)	3.03%	496
10	330.4 Distr. Reservoirs & Sandpipes	30,995	(1,914)	6.67%	2,067
11	331.4 Transmission & Distribution Mains	364,280	(128,050)	2.33%	8,488
12	Subtotal	<u>411,654</u>	<u>(137,110)</u>		<u>11,051</u>
13	Non-Used & Useful Percentage	23.00%	23.00%		23.00%
14	Non-Used & Useful Adjustment	<u>(94,680)</u>	<u>31,535</u>		<u>(2,542)</u>
15	Net Water Plant in Service Non-Used & Useful		<u>(222,289)</u>		
16	Water Depreciation Expense Non-Used & Useful				<u>(11,344)</u>
SUMMERTREE WASTEWATER PLANT					
COLLECTION PLANT					
17	360.2 Collection Sewers - Force	109,364	(42,678)	3.33%	3,642
18	361.2 Collection Sewers - Gravity	324,605	(99,487)	2.22%	7,206
19	Subtotal	<u>433,969</u>	<u>(142,165)</u>		<u>10,848</u>
20	Non-Used & Useful Percentage	34.04%	34.04%		34.04%
21	Non-Used & Useful Adjustment	<u>(147,723)</u>	<u>48,393</u>		<u>(3,693)</u>
22	Net Sewer Plant in Service Non-Used & Useful		<u>(99,330)</u>		
23	Sewer Depreciation Expense Non-Used & Useful				<u>(3,693)</u>

PIS & A/Deprec. amounts calculated from Summertree system amounts provided in response to Citizens' Interrogatory No. 37. Also traced to MFR filing.

Lines 7, 13 & 20: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidly.

Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.

Also, See Schedule C-3 for the removal of 100% of Summertree Wastewater Treatment Plant, sponsored by Citizens' Witness Ted Bidly.

Utilities, Inc. of Florida - Pasco County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit (DD-1)
 Schedule C-4
 Page 5 of 5

Non-Used & Useful Net Plant in Service - Orangewood

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
ORANGEWOOD WATER PLANT					
SOURCE OF SUPPLY & PUMPING					
1	304.2 Structures & Improvements	26,487	(12,367)	3.03%	803
2	307.2 Wells & Springs	18,367	(7,817)	3.30%	606
3	311.2 Pumping Equipment	50,156	(21,090)	5.00%	2,508
4	Revision to Acct. 311 - Staff Audit Exception 1, Sch.C	(126)		5.00%	(6)
5	Revision to Acct. 311 - Staff Audit Exception 3	(3,318)	83	5.00%	(166)
WATER TREATMENT PLANT					
6	304.3 Structures & Improvements	831	(441)	3.03%	25
7	320.3 Water Treatment Equipment	22,971	(12,871)	4.55%	1,045
8	Revision to Acct. 320 - Staff Audit Exception 1, Sch.C	(42)		4.55%	(2)
9	Subtotal	<u>115,326</u>	<u>(54,503)</u>		<u>4,813</u>
10	Non-Used & Useful Percentage	<u>86.80%</u>	<u>86.80%</u>		<u>86.80%</u>
11	Non-Used & Useful Adjustment	<u>(100,103)</u>	<u>47,309</u>		<u>(4,178)</u>
TRANSMISSION & DISTRIBUTION PLANT					
12	304.4 Structures & Improvements				-
13	330.4 Distr. Reservoirs & Sandpipes	63,563	(2,628)	6.67%	4,240
14	331.4 Transmission & Distribution Mains	92,180	(32,770)	2.33%	2,148
15	Subtotal	<u>155,743</u>	<u>(35,398)</u>		<u>6,388</u>
16	Non-Used & Useful Percentage	<u>10.03%</u>	<u>10.03%</u>		<u>10.03%</u>
17	Non-Used & Useful Adjustment	<u>(15,621)</u>	<u>3,550</u>		<u>(641)</u>
18	Net Water Plant in Service Non-Used & Useful		<u>(64,865)</u>		
19	Water Depreciation Expense Non-Used & Useful				<u>(4,819)</u>

PIS & A/Deprec. amounts calculated from Orangewood system amounts provided in response to Citizens' Interrogatory No. 37. Also traced to MFR filing.
 Lines 10 & 16: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidy.
 Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.

Rate of Return

Line No.	Description	Per OPC	Cost Rate	Weighted
		Capital Ratio	per OPC	Cost
		(A)	(B)	(C)
1	Long-Term Debt	39.98%	8.63%	3.45%
2	Short-Term Debt	7.29%	5.18%	0.38%
3	Common Equity (1)	40.37%	10.41%	4.20%
4	Accum. Deferred Income Taxes	9.38%	0.00%	0.00%
5	Unamortized ITC	0.73%	0.00%	0.00%
6	Customer Deposits	2.25%	6.00%	0.14%
7	Total	<u>100.00%</u>		<u>8.17%</u>
8	Common Equity at Bottom Point of Range (2)	40.37%	9.41%	<u>3.80%</u>
9	Rate of Return with ROE at Lower Point of Range			<u>7.77%</u>

Source/Notes:

Col. (A): See Page 2.

Col. (B): FPSC Staff Affiliate Transactions Audit Report - Audit Control No. 02-122-3-1,
 Audit Staff-Prepared Exhibit VII, except ROE.

(1) Common equity rate of 10.41% recommended by Citizens' Witness Mark Cicchetti, at mid-point of range.

(2) Common Equity rate of 9.41% based on the lower point of Mr. Cicchetti's recommended return on equity range.

Utilities, Inc. of Florida - Pasco County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule D-1
 Page 2 of 2

Rate of Return
 Revised Capital Ratio

Line No.	Description	Parent 13-Month Average	% of Total w/out Deposits	Reconciled To Rate Base	Adjusted Ratio
		(A)	(B)	(C)	(D)
1	Long-Term Debt	72,690,352	40.91%	271,047	39.98%
2	Short-Term Debt	13,245,115	7.45%	49,388	7.29%
3	Common Equity	73,384,644	41.30%	273,635	40.37%
4	Accum. Deferred Income Taxes	17,060,397	9.60%	63,615	9.38%
5	Unamortized ITC	1,318,251	0.74%	4,915	0.73%
6	Customer Deposits			15,276	2.25%
7	Total	177,698,759			
8	Total (Reconciled to Rate Base)			677,876	100.00%

Source/Notes:

Col. (A) FPSC Staff Affiliate Transactions Audit Report - Audit Control No. 02-122-3-1,
 Audit Staff-Prepared Exhibit VIII.
 Line 6: Per General Ledger

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Utilities, Inc. of Florida - Pinellas County
Docket No. 020071-WS
Table of Contents to Exhibit__(DD-1)
Pinellas County

Sch. No.	Schedule Title
A-1	Calculation of Water Revenue Requirement
B-1	Schedule of Adjustments to Operating Income
B-2	Salary & Wage Expense - Revision & Reallocation
B-3	Employee Benefits Expense - Revision & Reallocation
B-4	Payroll Tax Expense - Revision & Reallocation
B-5	Non-Used & Useful Water Plant - Depreciation Expense
B-6	Excessive Lost & Unaccounted for Water
B-7	Interest Synchronization
B-8	Income Tax Expense
C-1	Schedule of Water Rate Base
C-2	Non-Used & Useful Water Plant
D-1	Rate of Return

Calculation of Water Revenue Requirement

Line No.	Description	(A) Utility Adjusted Amount	(B) OPC Adjustments	(C) Per OPC Adjusted Balance	(D) Revenue Increase (Decrease)	(E) Annual Revenue Requirement
1	OPERATING REVENUES	56,037	3,950	59,987	11,355	71,342
2	Operation & Maintenance	105,098	(62,000)	43,098		43,098
3	Depreciation	12,220	(2,406)	9,814		9,814
4	CIAC Amortization	(3,792)		(3,792)		(3,792)
5	PAA Amortization	-		-		-
6	Taxes Other Than Income	9,578	(2,232)	7,346	511	7,857
7	Provision for Income Taxes	<u>(29,255)</u>	27,056	<u>(2,199)</u>	4,081	<u>1,882</u>
8	OPERATING EXPENSES	93,849		54,267		58,859
9	NET OPERATING INCOME	(37,812)		5,720		12,483
10	RATE BASE	252,881	(99,903)	152,978		152,978
11	RATE OF RETURN					8.16%
12	RATE OF RETURN, at Low End of ROE Range					7.76%
13	Revenue Increase (Decrease) at Low End of ROE Range					<u>10,320</u>

Source:

Col. (A): Pinellas County MFR Schedule B-1.

Col. (B): Schedule B-1. This column also includes adjustments recommended by Staff in its Audit Report, as indicated on Schedule B-1.

Line 10: Schedule C-1

Lines 11 & 12: Schedule D-1

Line 13: Recommended revenue increase (decrease) calculated based on rate of return on line 12.

Schedule of Adjustments to Operating Income

Line No.	Description	Amount	Reference:
<u>Adjustments to Revenue:</u>			
1	Correction to Annualization of Index Increase	\$592	Testimony; MFR Sch. E-2, Revised
2	Amortization of Gain on Sales, net of tax (1)	3,358	Citizens' Witness Kim Dismukes
3	Total Revenue Adjustments	<u>3,950</u>	
<u>Adjustments to O&M Expense:</u>			
4	Remove Certain West Coast Office Expenses	(117)	Staff Audit Exception 19
5	Payroll Expense	(21,550)	Schedule B-2
6	Employee Benefit Expense	(3,318)	Schedule B-3
7	Excessive Lost & Unaccounted for Water	(751)	Schedule B-6
8	Remove Expense Allocations from WSC	(11,484)	Citizens' Witness Kim Dismukes
9	Revise Expense Allocations from UIF	(5,837)	Citizens' Witness Kim Dismukes
10	Rate Case Expense Adjustment	(18,943)	Citizens' Witness Kim Dismukes
11	Total O&M Expense Adjustments	<u>(62,000)</u>	
<u>Adjustments to Depreciation:</u>			
12	Adjustment to Prior Orders	(905)	Staff Audit Exception 1, Sch. H
13	Replacement & Retirement of Plant	(238)	Staff Audit Exception 4
14	Common Plant Allocation	(12)	Staff Audit Exception 7
15	Non-Used & Useful Water Plant	(1,251)	Schedule B-5
16	Total Depreciation Expense Adjustments	<u>(2,406)</u>	
<u>Adjustments to Taxes Other Than Income</u>			
17	Property Tax Corrections - Staff	(736)	Staff Audit Exception 24
18	Payroll Tax Expense	(1,496)	Schedule B-4
19	Total Taxes Other Than Income Adjustments	<u>(2,232)</u>	
<u>Adjustments to Income Tax Expense</u>			
20	Interest Synchronization Adjustment	1,757	Schedule B-7
21	Impact of Adjustments to Operating Income	25,299	Schedule B-8
22	Total Income Tax Expense Adjustments	<u>27,056</u>	

(1) This net of tax adjustment does not flow to the income tax expense schedule.

Utilities, Inc. of Florida - Pinellas County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule B-2

Salary & Wage Expense - Revision & Reallocation

Line No.	Description	Total	Pinellas Water
1	County Allocation % (1)	4.90%	
2	Allocation Between Water & W/W (1)		100%
3	Operation Employees, Revised Pinellas Total (2)		14,445
4	Office Salaries Allocated to UIF, Revised (2)	68,578	3,360
5	WSC Salaries Allocated to UIF, Original Filing		<u>9,392</u>
6	Subtotal Salaries to Pinellas		27,197
7	Test Year Unadjusted Amount, per Company (3)		<u>4,406</u>
8	Change to recorded test year salary and wage cost		22,791
9	Reduction for Amount to be Capitalized (13.14%)		<u>(2,995)</u>
10	Adjustment to Test Year Salary Expense, per Citizens		19,796
11	Adjustment to Test Year Salary Expense, in MFRs (3), (4)		<u>41,346</u>
12	Payroll Expense Adjustment		<u><u>(21,550)</u></u>

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-5 and B-6

Utilities, Inc. of Florida - Pinellas County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule B-3

Employee Benefits Expense - Revision & Reallocation

Line No.	Description	Total	Pinellas Water
1	County Allocation % (1)	4.90%	
2	Allocation Between Water & W/W (1)		100%
3	Operation Employees, Revised Pinellas Total (2)		2,212
4	Office Benefits Allocated to UIF, Revised (2)	12,843	629
5	WSC Benefits Allocated to UIF (unchanged) (3)		<u>3,858</u>
6	Subtotal Benefits to Pinellas		6,699
7	Test Year Unadjusted Amount, per Company (2), (3)		<u>2,799</u>
8	Change to recorded test year benefit cost		3,900
9	Adjustment to Test Year Benefit Expense in MFRs (3), (4)		<u>7,218</u>
10	Benefit Expense Adjustment		<u><u>(3,318)</u></u>

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-5 and B-6

Utilities, Inc. of Florida - Pinellas County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule B-4

Payroll Tax Expense - Revision & Reallocation

Line No.	Description	Total	Pinellas Water
1	County Allocation % (1)	4.90%	
2	Allocation Between Water & W/W (1)		100%
3	Operation Employees, Revised Pinellas Total (2)		1,152
4	Office Payroll Taxes Allocated to UIF, Revised (2)	5,558	272
5	WSC Payroll Taxes Allocated to UIF (Unchanged)		<u>2,835</u>
6	Subtotal Payroll Tax to Pinellas		4,259
7	Test Year Unadjusted Amount, per Company (2), (3)		<u>987</u>
8	Change to recorded test year payroll tax cost		<u>3,272</u>
9	Adjustment to Test Year Benefit Expense in MFRs (3), (4)		<u>4,768</u>
10	Payroll Tax Expense Adjustment		<u><u>(1,496)</u></u>

Source/Notes:

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-15

Non-Used & Useful Water Plant - Depreciation Expense

Line No.	Description	Per Co. Deprec. Expense (A)	Adjs. (B)	Adj. Amt. (C)	Non-Used & Useful & Useful Percent (D)	Reduction to Deprec. (E)
1	SOURCE OF SUPPLY AND PUMPING PLANT					
2	303.2 Land & Land Rights					
3	304.2 Structures & Improvements					
4	305.2 Collect. & Impound Reservoirs					
5	306.2 Lake, River & Other Intakes					
6	307.2 Wells & Springs	859		859	60.69%	(521)
7	308.2 Infiltration, Galleries & Tunnels					
8	309.2 Supply Mains					
9	310.2 Power Generation Equipment					
10	311.2 Pumping Equip	303		303	60.69%	(184)
11	339.2 Other Plant & Misc. Equip					
12	WATER TREATMENT PLANT					
13	303.3 Land & Land Rights					
14	304.3 Structures & Improvements	23		23	60.69%	(14)
15	320.3 Water Treatment Equipment					
16	339.3 Other Plant & Misc. Equip	484		484	60.69%	(294)
17	TRANSMISSION & DISTRIBUTION PLANT					
18	303.4 Land & Land Rights					
19	304.4 Structures & Improvements	142		142	5.58%	(8)
20	330.4 Distr. Reservoirs & Standpipes	471		471	5.58%	(26)
21	331.4 Transm. & Distrib. Mains	3,895	(238)	3,657	5.58%	(204)
22	333.4 Services	1,344		1,344		
23	334.4 Meters & Meter Installations	641		641		
24	335.4 Hydrants	20		20		
25	339.4 Other Plant & Misc. Equip					
26	Reduction to Depreciation Expense for Non-Used & Useful PIS					<u>(1,251)</u>

Col. (A): MFR Schedule B-13

Col. (B): Impact of flowing through Staff Audit Exception 4.

Col. (D): Based on recommendation of Citizens' Witness Ted Bidy.

Utilities, Inc. of Florida - Pinellas County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule B-6

Excessive Lost & Unaccounted for Water

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Water</u> <u>Amount</u>
1	Purchased Power	2,557
2	Purchased Water	4,321
3	Chemicals	<u>210</u>
4	Subtotal	7,088
5	Excessive Lost & Unaccounted for Water (1)	<u>10.60%</u>
6	Reduction to Expense	<u><u>(751)</u></u>

Source/Notes:

Lines 1 - 3 from MFR Schedule B-5.

(1) Percentage Excessive Lost & Unaccounted for Water recommended by Citizens'
Witness Ted Bidy.

Utilities, Inc. of Florida - Pinellas County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule B-7

Interest Synchronization

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference:</u>
1	Rate Base, per OPC	152,978	Sch. C-1
2	Weighted Cost of Debt (debt plus customer deposits)	<u>3.97%</u>	Schedule D-1
3	Interest Deduction	6,069	
4	Interest Deduction in Filing	<u>10,739</u>	MFR Sch. C-2
5	Difference	(4,670)	
6	Composite Tax Rate	<u>37.63%</u>	
7	Increase (Decrease) in Income Tax Expense	<u>1,757</u>	

Utilities, Inc. of Florida - Pinellas County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule B-8

Income Tax Expense

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference:</u>
1	Adjustments to Operating Income	67,230	Schedule B-1
2	Composite Tax Rate	<u>37.63%</u>	
3	Adjustment to Income Tax Expense	<u><u>25,299</u></u>	

Schedule of Water Rate Base

Line No.	Description	Utility Adjusted Balance (A)	OPC Adjustments (B)	Adjusted Rate Base (C)
1	Utility Plant in Service	374,376	(44,773)	329,603
2	Utility Land & Land Rights	6,106		6,106
3	Less: Non-Used & Useful Plant	-	(33,464)	(33,464)
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(69,149)	9,731	(59,418)
6	Less: CIAC	(138,847)		(138,847)
7	Accumulated Amortization CIAC	42,423		42,423
8	Allocated Plant	6,750	(6,750)	-
9	Working Capital Allowance	31,222	(24,647)	6,575
10	Total Rate Base	<u>252,881</u>		<u>152,978</u>

Source/Notes:

Col. (A): Pinellas County MFR Schedule A-1

Col. (B): See Page 2.

Col. (B): See Schedule C-3 for adjustment for non-used & useful plant

Schedule of Adjustments to Water Rate Base

Line No.	Description	Amount	Reference:
<u>Adjustments to Plant in Service</u>			
1	Adjustment to Prior Orders	(34,352)	Staff Audit Exception 1, Sch. D
2	Replacement & Retirement of Plant	(10,250)	Staff Audit Exception 4
3	Common Plant Allocation	(171)	Staff Audit Exception 7
4	Total Adjustments to Plant in Service	<u>(44,773)</u>	
<u>Adjustments to Accumulated Depreciation:</u>			
5	Adjustment to Prior Orders	1,266	Staff Audit Exception 1, Sch. D
6	Adjustment to Prior Orders (1)	(453)	Staff Audit Exception 1, Sch. H
7	Replacement & Retirement of Plant	(10,250)	Staff Audit Exception 4
8	Replacement & Retirement of Plant - TY Deprec. (1)	(119)	Staff Audit Exception 4
9	Common Plant Allocation	(175)	Staff Audit Exception 7
10	Total Adjustments to Accumulated Depreciation	<u>(9,731)</u>	
<u>Allocated Plant</u>			
11	Remove Rate Base Allocations from WSC	(6,750)	Citizens' Witness Kim Dismukes
12		<u>(6,750)</u>	
<u>Adjustments to Working Capital:</u>			
13	Adjustments to Cash Working Capital:	(24,647)	See Marion Sch. C-5
14	Total Adjustments to Working Capital	<u>(24,647)</u>	

(1) Staff adjustment to accumulated depreciation reduced by 50% to reflect average test year rate base.

Non-Used & Useful Water Plant
 - Plant in Service

Line No.	Description	Per Co. Avg. TY PIS (A)	Adjustments (B)	Adj. PIS (C)	Non-Used & Useful Percent (D)	Reduction to PIS (E)
	SOURCE OF SUPPLY AND PUMPING PLANT					
1	303.2 Land & Land Rights	6,106	(3,701)	2,405		
2	304.2 Structures & Improvements	4,702	3,701	8,403	60.69%	(5,100)
3	305.2 Collect. & Impound Reservoirs					
4	306.2 Lake, River & Other Intakes					
5	307.2 Wells & Springs	25,810	(1,500)	24,310	60.69%	(14,754)
6	308.2 Infiltration, Galleries & Tunnels					
7	309.2 Supply Mains					
8	310.2 Power Generation Equipment		1,170	1,170	60.69%	(710)
9	311.2 Pumping Equip	6,162	(1,399)	4,763	60.69%	(2,891)
10	339.2 Other Plant & Misc. Equip					
11	WATER TREATMENT PLANT					
12	303.3 Land & Land Rights	3,701		3,701		
13	304.3 Structures & Improvements	772		772	60.69%	(469)
14	320.3 Water Treatment Equipment	10,648	(31)	10,617	60.69%	(6,443)
15	339.3 Other Plant & Misc. Equip					
16	TRANSMISSION & DISTRIBUTION PLANT					
17	303.4 Land & Land Rights					
18	304.4 Structures & Improvements					
19	330.4 Distr. Reservoirs & Standpipes	17,922	(1,176)	16,746	5.58%	(934)
20	331.4 Transm. & Distrib. Mains	167,242	(10,250)	156,992	5.58%	(8,760)
21	333.4 Services	55,599	(382)	55,217		
22	334.4 Meters & Meter Installations	12,780	(1,006)	11,774		
23	335.4 Hydrants	900		900		
24	339.4 Other Plant & Misc. Equip	31		31		
25	Reduction to Plant in Service					(40,061)
26	Reduction to Accumulated Depreciation (Page 2)					6,597
27	Adjustment for Non-Used & Useful Water Plant					<u>(33,464)</u>

Col. (A): MFR Schedule A-5, page 1
 Col. (B): Impact of flowing through Staff Audit Exception 4.
 Col. (D): Based on recommendation of Citizens' Witness Ted Bidby.

Utilities, Inc. of Florida - Pinellas County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule C-2
 Page 2 of 2

Non-Used & Useful Water Plant
 - Accumulated Depreciation

Line No.	Description	Per Co. Avg. TY A/Dep (A)	Adjustments (B)	Adj. A/Dep (C)	Non-Used & Useful Percent (D)	Reduction to A/Dep (E)
	SOURCE OF SUPPLY AND PUMPING PLANT					
1	303.2 Land & Land Rights					
2	304.2 Structures & Improvements	543		543	60.69%	(330)
3	305.2 Collect. & Impound Reservoirs					
4	306.2 Lake, River & Other Intakes					
5	307.2 Wells & Springs	(6,706)		(6,706)	60.69%	4,070
6	308.2 Infiltration, Galleries & Tunnels					
7	309.2 Supply Mains					
8	310.2 Power Generation Equipment			-		
9	311.2 Pumping Equip	(1,822)		(1,822)	60.69%	1,106
10	339.2 Other Plant & Misc. Equip					
11	WATER TREATMENT PLANT					
12	303.3 Land & Land Rights					
13	304.3 Structures & Improvements	(58)		(58)	60.69%	35
14	320.3 Water Treatment Equipment	(759)		(759)	60.69%	461
15	339.3 Other Plant & Misc. Equip					
16	TRANSMISSION & DISTRIBUTION PLANT					
17	303.4 Land & Land Rights					
18	304.4 Structures & Improvements					
19	330.4 Distr. Reservoirs & Standpipes	(2,114)		(2,114)	5.58%	118
20	331.4 Transm. & Distrib. Mains	(30,747)	10,369	(20,378)	5.58%	1,137
21	333.4 Services	(160)		(160)		
22	334.4 Meters & Meter Installations	(3,550)		(3,550)		
23	335.4 Hydrants	(181)		(181)		
24	339.4 Other Plant & Misc. Equip					
25	Reduction to Accumulated Depreciation					<u>6,597</u>

Col. (A): MFR Schedule A-9, page 1
 Col. (B): Impact of flowing through Staff Audit Exception 4.
 Col. (D): Based on recommendation of Citizens' Witness Ted Bidy.

Rate of Return

Line No.	Description	Per OPC Capital Ratio (A)	Cost Rate per OPC (B)	Weighted Cost (C)
1	Long-Term Debt	39.91%	8.63%	3.44%
2	Short-Term Debt	7.27%	5.18%	0.38%
3	Common Equity (1)	40.29%	10.41%	4.19%
4	Accum. Deferred Income Taxes	9.37%	0.00%	0.00%
5	Unamortized ITC	0.72%	0.00%	0.00%
6	Customer Deposits	2.43%	6.00%	0.15%
7	Total	<u>100.00%</u>		<u>8.16%</u>
8	Common Equity at Bottom Point of Range (2)	40.29%	9.41%	<u>3.79%</u>
9	Rate of Return with ROE at Lower Point of Range			<u>7.76%</u>

Source/Notes:

Col. (A): See Page 2.

Col. (B): FPSC Staff Affiliate Transactions Audit Report - Audit Control No. 02-122-3-1,
 Audit Staff-Prepared Exhibit VII, except ROE.

(1) Common equity rate of 10.41% recommended by Citizens' Witness Mark Cicchetti, at mid-point of range.

(2) Common Equity rate of 9.41% based on the lower point of Mr. Cicchetti's recommended return on equity range.

Rate of Return
 Revised Capital Ratio

Line No.	Description	Parent 13-Month Average (A)	% of Total w/out Deposits (B)	Reconciled To Rate Base (C)	Adjusted Ratio (D)
1	Long-Term Debt	72,690,352	40.91%	61,055	39.91%
2	Short-Term Debt	13,245,115	7.45%	11,125	7.27%
3	Common Equity	73,384,644	41.30%	61,638	40.29%
4	Accum. Deferred Income Taxes	17,060,397	9.60%	14,330	9.37%
5	Unamortized ITC	1,318,251	0.74%	1,107	0.72%
6	Customer Deposits			3,723	2.43%
7	Total	177,698,759			
8	Total (Reconciled to Rate Base)			152,978	100.00%

Source/Notes:

Col. (A) FPSC Staff Affiliate Transactions Audit Report - Audit Control No. 02-122-3-1,
 Audit Staff-Prepared Exhibit IX.

Line 6: Per General Ledger



Utilities, Inc. of Florida - Seminole County
Docket No. 020071-WS
Table of Contents to Exhibit__(DD-1)
Seminole County

Sch. No.	Schedule Title
A-1	Calculation of Water Revenue Requirement
A-2	Calculation of Sewer Revenue Requirement
B-1	Schedule of Adjustments to Operating Income
B-2	Oakland Shores Purchase Water Expense
B-3	Salary & Wage Expense - Revision & Reallocation
B-4	Employee Benefits Expense - Revision & Reallocation
B-5	Payroll Tax Expense - Revision & Reallocation
B-6	Excessive Lost & Unaccounted and Inflow & Infiltration
B-7	Excessive Inflow & Infiltration Expense
B-8	Uncollectible Expense Adjustment - Weathersfield
B-9	Purchase Wastewater Treatment - Lincoln Heights
B-10	Interest Synchronization
B-11	Income Tax Expense
C-1	Schedule of Water Rate Base
C-2	Schedule of Sewer Rate Base
C-3	Removal of Weathersfield Plant not Used & Useful
C-4	Removal of Lincoln Heights Plant not Used & Useful
C-5	Non-Used & Useful Net Plant in Service
D-1	Rate of Return

Calculation of Water Revenue Requirement

Line No.	Description	(A) Utility Adjusted Amount	(B) OPC Adjustments	(C) Per OPC Adjusted Balance	(D) Revenue Increase (Decrease)	(E) Annual Revenue Requirement
1	OPERATING REVENUES	604,197	25,427	629,624	(100,290)	529,334
2	Operation & Maintenance	412,507	(98,263)	314,244		314,244
3	Depreciation	129,143	(22,866)	106,277		106,277
4	CIAC Amortization	(24,109)	(2,225)	(26,334)		(26,334)
5	PAA Amortization	-		-		-
6	Taxes Other Than Income	42,401	2,691	45,092	(4,513)	40,579
7	Provision for Income Taxes	<u>(11,563)</u>	61,523	<u>49,960</u>	<u>(36,041)</u>	<u>13,919</u>
8	OPERATING EXPENSES	548,379		489,239		448,685
9	NET OPERATING INCOME	55,818		140,385		80,650
10	RATE BASE	1,786,855	(799,713)	987,142		987,142
11	RATE OF RETURN					8.17%
12	RATE OF RETURN, at Low End of ROE Range					7.77%
13	Revenue Increase (Decrease) at Low End of ROE Range					<u>(107,000)</u>

Source:

Col. (A): Seminole County MFR Schedule B-1.

Col. (B): Schedule B-1. This column also includes adjustments recommended by Staff in its Audit Report, as indicated on Schedule B-1.

Line 10: Schedule C-1

Lines 11 & 12: Schedule D-1

Line 13: Recommended revenue increase (decrease) calculated based on rate of return on line 12.

Calculation of Sewer Revenue Requirement

Line No.	Description	Utility Adjusted Amount (A)	OPC Adjustments (B)	Per OPC Adjusted Balance (C)	Revenue Increase (Decrease) (D)	Annual Revenue Requirement (E)
1	OPERATING REVENUES	398,992	11,654	410,646	152,436	563,082
2	Operation & Maintenance	555,520	(154,463)	401,057		401,057
3	Depreciation	27,717	(6,775)	20,942		20,942
4	CIAC Amortization	(16,666)	(4,652)	(21,318)		(21,318)
5	PAA Amortization	-		-		-
6	Taxes Other Than Income	26,112	(11)	26,101	6,860	32,961
7	Provision for Income Taxes	(110,404)	83,291	(27,113)	54,781	27,668
8	OPERATING EXPENSES	482,279		399,669		461,309
9	NET OPERATING INCOME	(83,287)		10,977		101,772
10	RATE BASE	2,377,793	(1,132,108)	1,245,685		1,245,685
11	RATE OF RETURN					8.17%
12	RATE OF RETURN, at Low End of ROE Range					7.77%
13	Revenue Increase (Decrease) at Low End of ROE Range					<u>143,969</u>

Source:

Col. (A): Seminole County MFR Schedule B-2.

Col. (B): Schedule B-1. This column also includes adjustments recommended by Staff in its Audit Report, as indicated on Schedule B-1.

Line 10: Schedule C-2

Lines 11 & 12: Schedule D-1

Line 13: Recommended revenue increase (decrease) calculated based on rate of return on line 12.

Schedule of Adjustments to Operating Income

Line No.	Description	Water	Sewer	
<u>Adjustments to Revenue:</u>				
1	Amortization of Gain on Sales, net of tax (3)	22,034	11,899	Citizens' Witness Kim Dismukes
2	Correction to Annualization of Index Increase	3,393	(245)	Testimony; MFR Sch. E-2, Revised
3	Total Revenue Adjustments	<u>25,427</u>	<u>11,654</u>	
<u>Adjustments to O&M Expense:</u>				
4	Remove accruals	(175)	(9,300)	Staff Audit Exception 18
5	City of Sanford charges, correct recording		23,770	Staff Audit Exception 18
6	Remove missing invoice	(1,894)		Staff Audit Exception 18
7	Remove Certain Orlando Office Center Expenses	(978)	(529)	Staff Audit Exception 19
8	Correct Annualization of City of Sanford Connection		(80,751)	Staff Audit Exception 23
9	Non-Recurring Plant - Amortization Expense		-	(1)
10	Normalize Oakland Shores Purchase Water Expense	(1,632)		Schedule B-5
11	Payroll Expense Adjustment	(7,574)	(4,088)	Schedule B-2
12	Employee Benefit Expense	58	33	Schedule B-3
13	Excessive Lost & Unaccounted for Water	(285)		Schedule B-6
14	Excessive Inflow & Infiltration Expense		(30,122)	Schedule B-7
15	Uncollectible Expense	(538)		Schedule B-8
16	Purchase Wastewater Treatment - Lincoln Heights		(7,451)	Schedule B-9
17	Remove Expense Allocations from WSC	(45,395)	(24,508)	Citizens' Witness Kim Dismukes
18	Revise Expense Allocations from UIF	(27,549)	(14,875)	Citizens' Witness Kim Dismukes
19	Rate Case Expense Adjustment	(12,301)	(6,642)	Citizens' Witness Kim Dismukes
20	Total O&M Expense Adjustments	<u>(98,263)</u>	<u>(154,463)</u>	
<u>Adjustments to Depreciation:</u>				
21	Non-Recurring Plant		(61)	Staff Audit Exception 3
22	Replacement & Retirement of Plant	(1,854)	(1,495)	Staff Audit Exception 4
23	Reclassified Plant (577 + 313)		890	Staff Audit Exception 5
24	Organization Cost & Capitalized Labor (2)	(74)	(552)	Staff Audit Exception 6
25	Common Plant Allocation	(57)	(31)	Staff Audit Exception 7
26	Depreciation Rates Correction		11,988	Staff Audit Exception 11
27	Remove Weathersfield W/Water Treatment Plant		(4,723)	Schedule C-3
28	Remove Lincoln Heights W/Water Treatment Plant		(11,148)	Schedule C-4
29	Non-Used & Useful Plant in Service	(20,881)	(1,643)	Schedule C-5
30	Total Depreciation Expense Adjustments	<u>(22,866)</u>	<u>(6,775)</u>	
<u>Adjustments to CIAC Amortization</u>				
31	CIAC - Transfer from Advances	2,225	1,085	Staff Audit Exception 10
32	Contribution from City of Altamonte Amortization		3,567	Citizens' Witness Kim Dismukes
33	CIAC - Advances Transferred	<u>2,225</u>	<u>4,652</u>	
<u>Adjustments to Taxes Other Than Income</u>				
34	Property Tax Corrections - Staff	2,946	127	Staff Audit Exception 24
35	Payroll Tax Expense	(255)	(138)	Schedule B-4
36	Total Taxes Other Than Income Adjustments	<u>2,691</u>	<u>(11)</u>	
<u>Adjustments to Income Tax Expense</u>				
37	Interest Synchronization Adjustment	14,841	20,955	Schedule B-10
38	Impact of Adjustments to Operating Income	46,682	62,336	Schedule B-11
39	Total Income Tax Expense Adjustments	<u>61,523</u>	<u>83,291</u>	

- (1) Staff Audit Exception 3 included amortization expense of \$272. OPC recommends the amount be \$0 as the item would have been fully amortized by the test year.
 (2) The Company disagrees with this Staff Audit Adjustment.
 (3) This net of tax adjustment does not flow to the income tax expense schedule.

Salary & Wage Expense - Revision & Reallocation

Line No.	Description	Total	Seminole Water	Seminole W/Water
1	County Allocation % (1)	49.50%		
2	Allocation Between Water & W/W (1)		64.94%	35.06%
3	Operation Employees, Revised Seminole Total (2)	199,432	129,511	69,921
4	Correction to UI Allocation (25%) for Pinder (2)	(2,321)	(1,507)	(814)
5	Remove Amount Included for Open Position (2)	(9,120)	(5,923)	(3,197)
6	Office Salaries Allocated to UIF, Revised (2)	68,578	22,045	11,902
7	WSC Salaries Allocated to UIF, Original Filing		6,099	3,293
8	Subtotal Salaries to Seminole		150,225	81,105
9	Test Year Unadjusted Amount, per Company (3)		130,760	70,595
10	Change to recorded test year salary and wage cost		19,465	10,510
11	Reduction for Amount to be Capitalized (13.14%)		(2,558)	(1,381)
12	Adjustment to Test Year Salary Expense, per Citizens		16,907	9,129
13	Adjustment to Test Year Salary Expense, in MFRs (3), (4)		24,481	13,217
14	Payroll Expense Adjustment		(7,574)	(4,088)

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-5 and B-6

Utilities, Inc. of Florida - Seminole County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule B-3

Employee Benefits Expense - Revision & Reallocation

Line No.	Description	Total	Seminole Water	Seminole W/Water
1	County Allocation % (1)	49.50%		
2	Allocation Between Water & W/W (1)		64.94%	35.06%
3	Operation Employees, Revised Seminole Total (2)	35,217	22,870	12,347
4	Remove Amount Included for Open Position (2)	(1,179)	(766)	(413)
5	Office Benefits Allocated to UIF, Revised (2)	12,843	4,128	2,229
6	WSC Benefits Allocated to UIF (unchanged) (3)		2,505	1,353
7	Subtotal Benefits to Seminole		28,737	15,516
8	Test Year Unadjusted Amount, per Company (2), (3)		32,514	17,554
9	Change to recorded test year benefit cost		(3,777)	(2,038)
10	Adjustment to Test Year Benefit Expense in MFRs (3), (4)		(3,835)	(2,071)
11	Benefit Expense Adjustment		58	33

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-5 and B-6

Utilities, Inc. of Florida - Seminole County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__ (DD-1)
 Schedule B-4

Payroll Tax Expense - Revision & Reallocation

Line No.	Description	Total	Seminole Water	Seminole W/Water
1	County Allocation % (1)	49.50%		
2	Allocation Between Water & W/W (1)		64.94%	35.06%
3	Operation Employees, Revised Seminole Total (2)	16,082	10,444	5,638
4	Remove Amount Included for Open Position (2)	(719)	(467)	(252)
5	Office Payroll Taxes Allocated to UIF, Revised (2)	5,558	1,787	965
6	WSC Payroll Taxes Allocated to UIF (Unchanged)		<u>1,841</u>	<u>994</u>
7	Subtotal Payroll Tax to Seminole		13,605	7,345
8	Test Year Unadjusted Amount, per Company (2), (3)		<u>11,472</u>	<u>6,193</u>
9	Reduction to recorded test year payroll tax cost		2,133	1,152
10	Adjustment to Test Year Benefit Expense in MFRs (3), (4)		<u>2,388</u>	<u>1,290</u>
11	Payroll Tax Expense Adjustment		<u>(255)</u>	<u>(138)</u>

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-15

Utilities, Inc. of Florida - Seminole County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule B-5

Oakland Shores Purchase Water Expense

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
	Annual Purchase Water Expense - <u>Acct. 090*0604*6101010 - Purchase Water - Water Systems</u>	
1	1999	952
2	2000	117
3	2001	2,620
4	2002	<u>263</u>
5	Average purchase water expense - Oakland Shores	988
6	Test Year Expense	<u>2,620</u>
7	Reduction to normalize test year purchase water expense	<u><u>(1,632)</u></u>

Source: _____
Response to OPC Interrogatory No. 155

Excessive Lost & Unaccounted and Inflow & Infiltration

Line No.	Description	Weathers-field System	Little Wekiva System	Phillips System	Ravenna Park System
1	Purchased Power Expense	31	866	1,065	4,795
2	Chemical Expense	<u>4,672</u>	<u>306</u>	<u>873</u>	<u>8,658</u>
3	Subtotal	4,703	1,172	1,938	13,453
4	Excessive Lost & Unaccounted for Water (1)	<u>0.20%</u>	<u>3.04%</u>	<u>6.80%</u>	<u>0.80%</u>
5	Reduction to Expense	<u>(9)</u>	<u>(36)</u>	<u>(132)</u>	<u>(108)</u>
6	Total Reduction to Expense - Water				<u>(285)</u>

Source/Notes:

Lines 1 & 2 from 2001 general ledger detail for each respective system.

(1) Percentage Excessive Lost & Unaccounted for Water recommended by Citizens' Witness Ted Bidy.

Utilities, Inc. of Florida - Seminole County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule B-7

Excessive Inflow & Infiltration Expense

Line No.	Description	Weathersfield System	Ravenna/Lincoln System
1	Purchased Power Expense	2,772	742
2	Purchased Sewage Treatment Expense	83,136	134,635
3	Subtotal	85,908	135,377
4	Excessive Inflow & Infiltration (1)	1.23%	21.47%
5	Subtotal	(1,057)	(29,065)
6	Reduction to Expense for Excessive I/I		(30,122)

Source/Notes:

Amounts for Weathersfield from the 2001 general ledger. The Ravenna Park/Lincoln Heights amounts are based on the as adjusted amounts from Staff Audit Exception 23 (applied on Sch. B-1), along with the further adjustment to wastewater treatment expense on Schedule B-9.

(1) Percentage Excessive I/I recommended by Citizens' Witness Ted Biddy.

Utilities, Inc. of Florida - Seminole County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__ (DD-1)
Schedule B-8

Uncollectible Expense Adjustment - Weathersfield

Line No.	Description	Amount
	<u>Account 090*0602*6708000 - Uncolletible Accounts</u>	
1	- 2000 Expense	2,252
2	- 2001 Test Year Expense	2,923
3	- 2002 Expense	<u>1,979</u>
4	Average Expense Level	2,385
5	Test Year Expense	<u>2,923</u>
6	Reduction to Normalize Weathersfield Uncollectible Expense	<u><u>(538)</u></u>

Source: _____

Company's 2000, 2001 and 2002 General Ledgers
According to the response to Citizens' Interrogatory No. 154, the Company
finalized several accounts with large amounts outstanding in June 2001.

Utilities, Inc. of Florida - Seminole County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule B-9

Purchase Wastewater Treatment - Lincoln Heights

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Total Purchase W/Water Treatment Expense for July 2001 - August 2002	165,767
2	Less: July 2001 Purchase W/Water Treatment Expense	(19,906)
3	Less: August 2001 Purchase W/Water Treatment Expense	<u>(11,226)</u>
4	Purchase W/Water Treatment Expense - September 2001 - August 2002	134,635
5	Average Annual W/Water Treatment Expense, per Staff Exception 23	<u>142,086</u>
6	Further reduction to purchase wastewater expense	<u><u>(7,451)</u></u>

Source/Notes:

Lines 1 - 3: Amounts from Staff Audit Workpaper 43-15. 2001 amounts also traced to
Company's 2001 General Ledger

Line 5: Staff Audit Exception 23.

Utilities, Inc. of Florida - Seminole County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule B-10

Interest Synchronization

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Water</u> <u>Amount</u>	<u>Sewer</u> <u>Amount</u>	<u>Reference:</u>
1	Rate Base, per OPC	987,142	1,245,685	Sch. C-1 & C-2
2	Weighted Cost of Debt (debt plus customer deposits)	3.96%	3.96%	Schedule D-1
3	Interest Deduction	39,063	49,294	
4	Interest Deduction in Filing	78,502	104,981	MFR Sch. C-2 & C-3
5	Difference	(39,439)	(55,687)	
6	Composite Tax Rate	37.63%	37.63%	
7	Increase (Decrease) in Income Tax Expense	14,841	20,955	

Utilities, Inc. of Florida - Seminole County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__ (DD-1)
Schedule B-11

Income Tax Expense

<u>Line No.</u>	<u>Description</u>	<u>Water Amount</u>	<u>Sewer Amount</u>	<u>Reference:</u>
1	Adjustments to Operating Income	124,056	165,656	Schedule B-1
2	Composite Tax Rate	<u>37.63%</u>	<u>37.63%</u>	
3	Adjustment to Income Tax Expense	<u>46,682</u>	<u>62,336</u>	

Utilities, Inc. of Florida - Seminole County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule C-1
 Page 1 of 2

Schedule of Water Rate Base

Line No.	Description	Utility Adjusted Balance (A)	OPC Adjustments (B)	Adjusted Rate Base (C)
1	Utility Plant in Service	2,462,506	(76,656)	2,385,850
2	Utility Land & Land Rights	16,778		16,778
3	Less: Non-Used & Useful Plant	-	(376,694)	(376,694)
4	Construction Work in Progress	375,277		375,277
5	Less: Accumulated Depreciation	(1,224,197)	75,016	(1,149,181)
6	Less: CIAC	(737,162)	(52,000)	(789,162)
7	Accumulated Amortization CIAC	475,217	1,113	476,330
8	Allocated Plant	21,037	(21,037)	-
9	Working Capital Allowance	397,399	(349,455)	47,944
10	Total Rate Base	<u>1,786,855</u>		<u>987,142</u>

Source/Notes:

Col. (A): Seminole County MFR Schedule A-1

Col. (B): See Page 2.

Col. (B): See Schedule C-5 for Non-Used & Useful Adjustment

Schedule of Adjustments to Water Rate Base

Line No.	Description	Amount	Reference:
<u>Adjustments to Plant in Service</u>			
1	Replacement & Retirement of Plant	(69,891)	Staff Audit Exception 4
2	Organization Cost and Capitalized Labor (2)	(2,952)	Staff Audit Exception 6
3	Common Plant Allocation	(3,813)	Staff Audit Exception 7
4	Total Adjustments to Plant in Service	<u>(76,656)</u>	
<u>Adjustments to Accumulated Depreciation:</u>			
5	Replacement & Retirement of Plant	(69,891)	Staff Audit Exception 4
6	Replacement & Retirement of Plant - TY Deprec. (1)	(927)	Staff Audit Exception 4
7	Organization Cost and Capitalized Labor (1), (2)	(37)	Staff Audit Exception 6
8	Common Plant Allocation	(4,161)	Staff Audit Exception 7
9	Total Adjustments to Accumulated Depreciation	<u>(75,016)</u>	
<u>Adjustments to CIAC:</u>			
10	CIAC - Transfer from Advances	<u>52,000</u>	Staff Audit Exception 10
<u>Adjustments to Accumulated Amortization of CIAC:</u>			
11	CIAC - Transfer from Advances (1)	<u>1,113</u>	Staff Audit Exception 10
<u>Allocated Plant</u>			
12	Remove Rate Base Allocations from WSC	<u>(21,037)</u>	Citizens' Witness Kim Dismukes
13		<u>(21,037)</u>	
<u>Adjustments to Working Capital:</u>			
14	Adjustments to Cash Working Capital	<u>(349,455)</u>	See Marion Sch. C-5
15	Total Adjustments to Working Capital	<u>(349,455)</u>	

(1) Staff adjustment to accumulated depreciation reduced by 50% to reflect average test year rate base.

Utilities, Inc. of Florida - Seminole County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit __ (DD-1)
 Schedule C-2
 Page 1 of 2

Schedule of Sewer Rate Base

Line No.	Description	Utility Adjusted Balance (A)	OPC Adjustments (B)	Adjusted Rate Base (C)
1	Utility Plant in Service	2,299,836	(658,800)	1,641,036
2	Utility Land & Land Rights	24,281		24,281
3	Less: Non-Used & Useful Plant	-	(49,087)	(49,087)
4	Construction Work in Progress	581,322		581,322
5	Less: Accumulated Depreciation	(774,978)	144,430	(630,548)
6	Less: CIAC	(610,051)	(153,217)	(763,268)
7	Accumulated Amortization CIAC	380,218	543	380,761
8	Allocated Plant	11,358	(11,358)	-
9	Working Capital Allowance	465,807	(404,619)	61,188
10	Total Rate Base	<u>2,377,793</u>		<u>1,245,685</u>

Source/Notes:

Col. (A): Seminole County MFR Schedule A-2

Col. (B): See Page 2.

Col. (B): See Schedule C-5 for Non-Used & Useful Adjustment

Schedule of Adjustments to Sewer Rate Base

Line No.	Description	Amount	Reference:
<u>Adjustments to Plant in Service</u>			
1	Non-Recurring Plant Amortization	(2,725)	Staff Audit Exception 3
2	Replacement & Retirement of Plant	(67,270)	Staff Audit Exception 4
3	Reclassified Plant - land (-101,519+43,859+28,185)	(29,474)	Staff Audit Exception 5
4	Organization Cost and Capitalized Labor (2)	(19,303)	Staff Audit Exception 6
5	Common Plant Allocation	(2,059)	Staff Audit Exception 7
6	Remove Weathersfield W/Water Treatment Plant	(151,733)	Schedule C-3
7	Removal of Lincoln Heights W/Water Treatment Plant	(386,236)	Schedule C-4
8	Total Adjustments to Plant in Service	<u>(658,800)</u>	
<u>Adjustments to Accumulated Depreciation:</u>			
9	Non-Recurring Plant (1)	(31)	Staff Audit Exception 3
10	Replacement & Retirement of Plant	(67,270)	Staff Audit Exception 4
11	Replacement & Retirement of Plant - TY Deprec. (1)	(747)	Staff Audit Exception 4
12	Reclassified Plant (577 + 313)	890	Staff Audit Exception 5
13	Organization Cost and Capitalized Labor (1), (3)	(276)	Staff Audit Exception 6
14	Common Plant Allocation	(2,250)	Staff Audit Exception 7
15	Accumulated Depreciation - Depreciation Rates Correction	83,141	Staff Audit Exception 11
16	Remove Weathersfield W/Water Treatment Plant Items (2)	(88,054)	Schedule C-3
17	Removal of Lincoln Heights W/Water Treatment Plant (2)	(69,833)	Schedule C-4
18	Total Adjustments to Accumulated Depreciation	<u>(144,430)</u>	
<u>Adjustments to CIAC:</u>			
19	CIAC - Transfer from Advances	48,000	Staff Audit Exception 10
20	Contribution from City of Altamonte Springs	105,217	Citizens' Witness Kim Dismukes
21	Total Adjustments to CIAC	<u>153,217</u>	
<u>Adjustments to Accumulated Amortization of CIAC:</u>			
22	CIAC - Transfer from Advances (1)	<u>543</u>	Staff Audit Exception 10
<u>Allocated Plant</u>			
23	Remove Rate Base Allocations from WSC	<u>(11,358)</u>	Citizens' Witness Kim Dismukes
24		<u>(11,358)</u>	
<u>Adjustments to Working Capital:</u>			
25	Adjustments to Cash Working Capital	<u>(404,619)</u>	See Marion Sch. C-5
26	Total Adjustments to Working Capital	<u>(404,619)</u>	

(1) Staff adjustment to accumulated depreciation reduced by 50% to reflect average test year rate base.
 (2) Removal of Lincoln Heights & Weathersfield w/water plant further supported by Citizens' Witness Bidy.
 (3) The Company disagreed with this Staff Audit Report recommendation.

Utilities, Inc. of Florida - Seminole County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit (DD-1)
 Schedule C-3

Removal of Weathersfield Plant not Used & Useful
 Wastewater Treatment Plant

Line No.	Description	W/Water Amount
	<u>Average TY Plant in Service</u>	
1	Buildings & Structures (Acct. 354)	146,561
2	Sewage Treatment Plant (Acct. 380)	5,172
3	Reduction to Plant in Service	<u>(151,733)</u>
	<u>Average TY Accumulated Depreciation</u>	
4	Buildings & Structures	85,038
5	Sewage Treatment Plant	3,016
6	Reduction to Accumulated Depreciation	<u>(88,054)</u>
7	Net Impact on Rate Base	<u>(63,679)</u>
	<u>Depreciation Expense (1)</u>	
8	Buildings & Structures	4,587
9	Sewage Treatment Plant	136
10	Reduction to Depreciation Expense	<u>(4,723)</u>

Source/Notes:

The above schedule calculates the impact on the filing of Citizens' Witness Ted Bidy's recommended removal of Weathersfield wastewater treatment plant and associated costs as non-used and useful.

The PIS & A/Dep amounts are taken from the Company's response to Citizens' Interrog. No. 37 and were traced to both the 2001 general ledger and the MFR filing.

(1) Amount from the Company's 2001 general ledger.

Utilities, Inc. of Florida - Seminole County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule C-4

Removal of Lincoln Heights Plant not Used & Useful
Wastewater Treatment Plant

<u>Line No.</u>	<u>Description</u>	<u>W/Water Amount</u>
	<u>Average TY Plant in Service</u>	
1	Buildings & Structures (Acct. 354)	57,100
2	Sewage Treatment Plant (Acct. 380)	328,546
3	Sewer Lagoons (Acct. 389)	590
4	Reduction to Plant in Service	<u>(386,236)</u>
	<u>Average TY Accumulated Depreciation</u>	
5	Buildings & Structures	24,793
6	Sewage Treatment Plant	45,032
7	Sewer Lagoons	8
8	Reduction to Accumulated Depreciation	<u>(69,833)</u>
9	Net Impact on Rate Base	<u>(316,403)</u>
	<u>Depreciation Expense (1)</u>	
10	Buildings & Structures	1,787
11	Sewage Treatment Plant	9,344
12	Sewer Lagoons	17
13	Reduction to Depreciation Expense	<u>(11,148)</u>

Source/Notes:

The above schedule calculates the impact on the filing of Citizens' Witness Ted Bidy's recommended removal of Ravenna Park/Lincoln Heights wastewater treatment plant as non-used and useful.

Staff's Audit Report, Exception 9 also recommended removal. The above amounts differ from Staff's recommendation as it uses the 13-month average amounts that tie into the MFR filing, MFR Schedule A-6 and A-10.

The PIS & A/Dep amounts are taken from the Company's response to Citizens' Interrog. No. 37 and were traced to both the 2001 general ledger and the MFR filing.

(1) Amounts from the Company's 2001 general ledger.

Utilities, Inc. of Florida - Seminole County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__ (DD-1)
 Schedule C-5
 Page 1 of 10

Non-Used & Useful Net Plant in Service

Line No.	Description	Net Plant in Service	Deprec. Expense
NON-USED & USEFUL WATER ADJUSTMENTS			
1	Weathersfield Water System - Page 2	(69,896)	(4,307)
2	Oakland Shores Water System - Page 3	(103,867)	(4,275)
3	Little Wekiva Water System - Page 4	(2,078)	(106)
4	Park Ridge Water System - Page 5	(23,868)	(1,427)
5	Phillips Water System - Page 6	(6,504)	(234)
6	Crystal Lake Water System - Page 7	(8,879)	(294)
7	Ravenna Park / Lincoln Hts. Water - Page 8	(67,476)	(4,021)
8	Bear Lake Water System - Page 9	(23,885)	(1,929)
9	Jansen Water System - Page 10	<u>(70,241)</u>	<u>(4,288)</u>
10	Non-Used & Useful Water	<u>(376,694)</u>	<u>(20,881)</u>
NON-USED & USEFUL WASTEWATER ADJUSTMENTS			
11	Weathersfield Wastewater System - Page 2	(19,746)	(914)
12	Ravenna Park / Lincoln Hts. Water - Page 8	<u>(29,341)</u>	<u>(729)</u>
13	Non-Used & Useful Wastewater	<u>(49,087)</u>	<u>(1,643)</u>

Non-Used & Useful Net Plant in Service - Weathersfield

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
WEATHERSFIELD WATER PLANT					
SOURCE OF SUPPLY & PUMPING					
1	304.2 Structures & Improvements	30,509	(7,024)	3.03%	924
2	307.2 Wells & Springs	44,682	(21,787)	3.30%	1,475
3	311.2 Pumping Equipment	116,311	(44,721)	5.00%	5,816
4	Subtotal	191,502	(73,532)		8,215
5	Non-Used & Useful Percentage	38.10%	38.10%		38.10%
6	Non-Used & Useful Adjustment	(72,962)	28,016		(3,130)
TRANSMISSION & DISTRIBUTION PLANT					
7	304.4 Structures & Improvements			3.03%	-
8	330.4 Distr. Reservoirs & Sandpipes	33,647	(13,556)	6.67%	2,244
9	331.4 Transmission & Distribution Mains	390,472	(170,199)	2.33%	9,098
10	Subtotal	424,119	(183,755)		11,342
11	Non-Used & Useful Percentage	10.38%	10.38%		10.38%
12	Non-Used & Useful Adjustment	(44,024)	19,074		(1,177)
13	Net Water Plant in Service Non-Used & Useful		(69,896)		
14	Water Depreciation Expense Non-Used & Useful				(4,307)
WEATHERSFIELD WASTEWATER PLANT					
COLLECTION PLANT					
15	360.2 Collection Sewers - Force	9,563	(5,677)	3.33%	318
16	361.2 Collection Sewers - Gravity	513,350	(264,085)	2.22%	11,396
17	Subtotal	522,913	(269,762)		11,714
18	Non-Used & Useful Percentage	7.80%	7.80%		7.80%
19	Non-Used & Useful Adjustment	(40,787)	21,041		(914)
20	Net Sewer Plant in Service Non-Used & Useful		(19,746)		
21	Sewer Depreciation Expense Non-Used & Useful				(914)

PIS & A/Deprec. amounts calculated from Weathersfield system amounts provided in response to Citizens' Interrogatory No. 37. Also traced to MFR filing.
 Lines 5, 11 & 18: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidy.
 Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.
 Also, See Schedule C-3 for the removal of 100% of Weathersfield Wastewater Treatment Plant, sponsored by Citizens' Witness Ted Bidy.

Non-Used & Useful Net Plant in Service - Oakland Shores

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
OAKLAND SHORES WATER PLANT					
SOURCE OF SUPPLY & PUMPING					
1	304.2 Structures & Improvements	17,835	(2,948)	3.03%	540
2	307.2 Wells & Springs	9,598	(2,787)	3.30%	317
3	311.2 Pumping Equipment	38,602	8,332	5.00%	1,930
WATER TREATMENT PLANT					
4	304.3 Structures & Improvements	676	(183)	3.03%	20
5	320.3 Water Treatment Equipment	22,280	(5,006)	4.55%	1,014
6	Subtotal	88,991	(2,592)		3,821
7	Non-Used & Useful Percentage	80.30%	80.30%		80.30%
8	Non-Used & Useful Adjustment	(71,460)	2,081		(3,068)
HIGH SERVICE PUMPS					
9	(Unable to Determine \$ Amount)				
10	Non-Used & Useful Percentage	82.20%	82.20%		82.20%
11	Non-Used & Useful Adjustment	-	-		-
TRANSMISSION & DISTRIBUTION PLANT					
12	330.4 Distr. Reservoirs & Sandpipes	25,089	(976)	6.67%	1,673
13	331.4 Transmission & Distribution Mains	126,659	(18,634)	2.33%	2,951
14	Subtotal	151,748	(19,610)		4,624
15	Non-Used & Useful Percentage	26.10%	26.10%		26.10%
16	Non-Used & Useful Adjustment	(39,606)	5,118		(1,207)
17	Net Water Plant in Service Non-Used & Useful		(103,867)		
18	Water Depreciation Expense Non-Used & Useful				(4,275)

PIS & A/Deprec. amounts calculated from Oakland Shores system amounts provided in response to Citizens' Interrogatory No. 37.

Lines 7, 10 & 15: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidy.

Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.

Utilities, Inc. of Florida - Seminole County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule C-5
 Page 4 of 10

Non-Used & Useful Net Plant in Service - Little Wekiva

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
	LITTLE WEKIVA WATER PLANT				
	TRANSMISSION & DISTRIBUTION PLANT				
1	330.4 Distr. Reservoirs & Sandpipes	4,852	(915)	6.67%	324
2	331.4 Transmission & Distribution Mains	13,731	(5,000)	2.33%	320
3	Subtotal	<u>18,583</u>	<u>(5,915)</u>		<u>644</u>
4	Non-Used & Useful Percentage	<u>16.40%</u>	<u>16.40%</u>		<u>16.40%</u>
5	Non-Used & Useful Adjustment	<u>(3,048)</u>	<u>970</u>		<u>(106)</u>
6	Net Plant in Service Non-Used & Useful		<u>(2,078)</u>		

PIS & A/Dep amounts from Little Wekiva system amounts provided in response to Citizens' Interrog. No. 37.

Line 5: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidy.
 Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.

Utilities, Inc. of Florida - Seminole County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit (DD-1)
 Schedule C-5
 Page 5 of 10

Non-Used & Useful Net Plant in Service - Park Ridge

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
	PARK RIDGE WATER PLANT				
	HIGH SERVICE PUMPS				
1	311.2 Pumping Equipment (Electric) (1)	25,223	(6,154)	5.00%	1,261
2	Non-Used & Useful Percentage	94.10%	94.10%		94.10%
3	Non-Used & Useful Adjustment	(23,735)	5,791		(1,187)
	TRANSMISSION & DISTRIBUTION PLANT				
4	304.4 Structures & Improvements				-
5	330.4 Distr. Reservoirs & Sandpipes	7,993	(3,665)	6.67%	533
6	331.4 Transmission & Distribution Mains	36,958	(6,848)	2.33%	861
7	Subtotal	44,951	(10,513)		1,394
8	Non-Used & Useful Percentage	17.20%	17.20%		17.20%
9	Non-Used & Useful Adjustment	(7,732)	1,808		(240)
10	Net Water Plant in Service Non-Used & Useful		(23,868)		
11	Water Depreciation Expense Non-Used & Useful				(1,427)

PIS & A/Deprec. amounts calculated from Park Ridge system amounts provided in response to Citizens' Interrogatory No. 37. Also traced to MFR filing.

Lines 2 & 8: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidy.

Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.

(1) This includes the total average balances in account 311.2. Breakdown between high service pumps and other pumping equipment was not available.

Utilities, Inc. of Florida - Seminole County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule C-5
 Page 6 of 10

Non-Used & Useful Net Plant in Service - Phillips

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
	PHILLIPS WATER PLANT				
	TRANSMISSION & DISTRIBUTION PLANT				
1	330.4 Distr. Reservoirs & Sandpipes	5,398	(1,857)	6.67%	360
2	331.4 Transmission & Distribution Mains	41,831	(8,208)	2.33%	975
3	Subtotal	47,229	(10,065)		1,335
4	Non-Used & Useful Percentage	17.50%	17.50%		17.50%
5	Non-Used & Useful Adjustment	(8,265)	1,761		(234)
6	Net Plant in Service Non-Used & Useful		(6,504)		

PIS & A/Dep amounts from Phillips system amounts provided in response to Citizens' Interrog.

No. 37. Also traced to MFR filing.

Line 5: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidy.

Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.

Utilities, Inc. of Florida - Seminole County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__ (DD-1)
 Schedule C-5
 Page 7 of 10

Non-Used & Useful Net Plant in Service - Crystal Lake

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
	CRYSTAL LAKE WATER PLANT				
	TRANSMISSION & DISTRIBUTION PLANT				
1	330.4 Distr. Reservoirs & Sandpipes	5,957	8,519	6.67%	397
2	331.4 Transmission & Distribution Mains	61,883	(20,864)	2.33%	1,442
3					
4	Subtotal	67,840	(12,345)		1,839
5	Non-Used & Useful Percentage	16.00%	16.00%		16.00%
6	Non-Used & Useful Adjustment	(10,854)	1,975		(294)
7	Net Plant in Service Non-Used & Useful		(8,879)		

PIS & A/Dep amounts from Crystal Lake system amounts provided in response to Citizens' Interrog.

No. 37. Also traced to MFR filing.

Line 5: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidy.

Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
RAVENNA PARK/LINCOLN HEIGHTS WATER PLANT					
SOURCE OF SUPPLY & PUMPING					
1	304.2 Structures & Improvements	22,526	(6,518)	3.03%	683
2	307.2 Wells & Springs	8,151	(3,845)	3.30%	269
3	311.2 Pumping Equipment	51,648	(14,933)	5.00%	2,582
4	Subtotal	82,325	(25,296)		3,534
5	Non-Used & Useful Percentage	66.10%	66.10%		66.10%
6	Non-Used & Useful Adjustment	(54,417)	16,721		(2,336)
WATER TREATMENT PLANT					
7	304.3 Structures & Improvements	30,299	(13,700)	3.03%	918
8	320.3 Water Treatment Equipment	16,619	(4,629)	4.55%	756
9	Subtotal	46,918	(18,329)		1,674
10	Non-Used & Useful Percentage	75.80%	75.80%		75.80%
11	Non-Used & Useful Adjustment	(35,564)	13,893		(1,269)
HIGH SERVICE PUMPS					
12	(Unable to Determine \$ Amount)				
13	Non-Used & Useful Percentage	72.80%	72.80%		72.80%
14	Non-Used & Useful Adjustment	-	-		-
TRANSMISSION & DISTRIBUTION PLANT					
15	304.4 Structures & Improvements				
16	330.4 Distr. Reservoirs & Sandpipes	44,475	(6,772)	6.67%	2,966
17	331.4 Transmission & Distribution Mains	75,642	(21,198)	2.33%	1,762
18	Subtotal	120,117	(27,970)		4,728
19	Non-Used & Useful Percentage	8.80%	8.80%		8.80%
20	Non-Used & Useful Adjustment	(10,570)	2,461		(416)
21	Net Water Plant in Service Non-Used & Useful		(67,476)		
22	Water Depreciation Expense Non-Used & Useful				(4,021)
RAVENNA PARK / LINCOLN HEIGHTS WASTEWATER PLANT					
COLLECTION PLANT					
23	360.2 Collection Sewers - Force	308	(36)	3.33%	10
24	361.2 Collection Sewers - Gravity	286,523	(45,489)	2.22%	6,361
25	Addition to Acct. 361 for Staff Except. 5	28,185	(313)		313
26	Subtotal	315,016	(45,838)		6,684
27	Non-Used & Useful Percentage	10.90%	10.90%		10.90%
28	Non-Used & Useful Adjustment	(34,337)	4,996		(729)
29	Net Sewer Plant in Service Non-Used & Useful		(29,341)		
30	Sewer Depreciation Expense Non-Used & Useful				(729)

PIS & A/Deprec. amounts calculated from Ravenna Park / Lincoln Heights system amounts provided in response to Citizens' Interrogatory No. 37. Also traced to MFR filing.
 Lines 5, 10, 13, 18 and 27: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidy.
 Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.
 See Schedule C-2 for the removal of 100% of Ravenna Park/Lincoln Heights Wastewater Treatment Plant, sponsored by Citizens' Witness Ted Bidy & also recommended in Staff Audit Exception 9.

Non-Used & Useful Net Plant in Service - Bear Lake

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
BEAR LAKE WATER PLANT					
WATER TREATMENT PLANT					
1	304.3 Structures & Improvements	294	(123)	3.03%	9
2	320.3 Water Treatment Equipment	2,165	2,569	4.55%	99
3	Subtotal	2,459	2,446		108
4	Non-Used & Useful Percentage	67.20%	67.20%		67.20%
5	Non-Used & Useful Adjustment	(1,652)	(1,644)		(73)
HIGH SERVICE PUMPS					
6	311.2 Pumping Equipment (1)	41,610	(20,358)	5.00%	2,081
7	Non-Used & Useful Percentage	78.80%	78.80%		78.80%
8	Non-Used & Useful Adjustment	(32,789)	16,042		(1,640)
TRANSMISSION & DISTRIBUTION PLANT					
9	304.4 Structures & Improvements				
10	330.4 Distr. Reservoirs & Sandpipes	30,473	(3,471)	6.67%	2,033
11	331.4 Transmission & Distribution Mains	43,118	(16,004)	2.33%	1,005
12	Subtotal	73,591	(19,475)		3,038
13	Non-Used & Useful Percentage	7.10%	7.10%		7.10%
14	Non-Used & Useful Adjustment	(5,225)	1,383		(216)
15	Net Water Plant in Service Non-Used & Useful		(23,885)		
16	Water Depreciation Expense Non-Used & Useful				(1,929)

PIS & A/Deprec. amounts calculated from Bear Lake system amounts provided in response to Citizens' Interrogatory No. 37. Also traced to MFR filing.

Lines 4, 7 & 13: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidy.

Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.

(1) This includes the total average balances in account 311.2. Breakdown between high service pumps and other pumping equipment was not available.

Non-Used & Useful Net Plant in Service - Jansen

Line No.	Description	Plant in Service (A)	Accum. Deprec. (B)	Deprec. Rate (C)	Deprec. Expense (D)
JANSEN WATER PLANT					
SOURCE OF SUPPLY & PUMPING					
1	304.2 Structures & Improvements	3,741	(81)	3.03%	113
2	307.2 Wells & Springs	74,231	(32,991)	3.30%	2,450
3	311.2 Pumping Equipment	59,373	(17,972)	5.00%	2,969
4	Subtotal	137,345	(51,044)		5,532
5	Non-Used & Useful Percentage	70.10%	70.10%		70.10%
6	Non-Used & Useful Adjustment	(96,279)	35,782		(3,878)
WATER TREATMENT PLANT					
7	304.3 Structures & Improvements	2,186	(848)	3.03%	66
8	320.3 Water Treatment Equipment	7,400	250	4.55%	337
9	Subtotal	9,586	(598)		403
10	Non-Used & Useful Percentage	70.10%	70.10%		70.10%
11	Non-Used & Useful Adjustment	(6,720)	419		(283)
TRANSMISSION & DISTRIBUTION PLANT					
12	304.4 Structures & Improvements				
13	330.4 Distr. Reservoirs & Sandpipes	18,250	5,159	6.67%	1,217
14	331.4 Transmission & Distribution Mains	94,940	(25,303)	2.33%	2,212
15	Subtotal	113,190	(20,144)		3,429
16	Non-Used & Useful Percentage	3.70%	3.70%		3.70%
17	Non-Used & Useful Adjustment	(4,188)	745		(127)
18	Net Water Plant in Service Non-Used & Useful		(70,241)		
19	Water Depreciation Expense Non-Used & Useful				(4,288)

PIS & A/Deprec. amounts calculated from Jansen system amounts provided in response to Citizens' Interrogatory No. 37. Also traced to MFR filing.
 Lines 5, 10 & 16: Non-Used & Useful percentage recommended by Citizens' Witness Ted Bidly.
 Col. (C): Depreciation rates from Staff Audit Workpaper 16-7 / 1.

Rate of Return

Line No.	Description	Per OPC Capital Ratio (A)	Cost Rate per OPC (B)	Weighted Cost (C)
1	Long-Term Debt	40.10%	8.63%	3.46%
2	Short-Term Debt	7.31%	5.18%	0.38%
3	Common Equity (1)	40.49%	10.41%	4.21%
4	Accum. Deferred Income Taxes	9.41%	0.00%	0.00%
5	Unamortized ITC	0.73%	0.00%	0.00%
6	Customer Deposits	1.96%	6.00%	0.12%
7	Total	<u>100.00%</u>		<u>8.17%</u>
8	Common Equity at Bottom Point of Range (2)	40.49%	9.41%	<u>3.81%</u>
9	Rate of Return with ROE at Lower Point of Range			<u>7.77%</u>

Source/Notes:

Col. (A): See Page 2.

Col. (B): FPSC Staff Affiliate Transactions Audit Report - Audit Control No. 02-122-3-1,
 Audit Staff-Prepared Exhibit VII, except ROE.

(1) Common equity rate of 10.41% recommended by Citizens' Witness Mark Cicchetti, at mid-point of range.

(2) Common Equity rate of 9.41% based on the lower point of Mr. Cicchetti's recommended return on equity range.

Utilities, Inc. of Florida - Seminole County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule D-1
 Page 2 of 2

Rate of Return
 Revised Capital Ratio

Line No.	Description	Parent 13-Month Average	% of Total w/out Deposits	Reconciled To Rate Base	Adjusted Ratio
		(A)	(B)	(C)	(D)
1	Long-Term Debt	72,690,352	40.91%	895,459	40.10%
2	Short-Term Debt	13,245,115	7.45%	163,164	7.31%
3	Common Equity	73,384,644	41.30%	904,012	40.49%
4	Accum. Deferred Income Taxes	17,060,397	9.60%	210,164	9.41%
5	Unamortized ITC	1,318,251	0.74%	16,239	0.73%
6	Customer Deposits			43,789	1.96%
7	Total	177,698,759			
8	Total (Reconciled to Rate Base)			2,232,827	100.00%

Source/Notes:

Col. (A) FPSC Staff Affiliate Transactions Audit Report - Audit Control No. 02-122-3-1,
 Audit Staff-Prepared Exhibit X.
 Line 6: Per General Ledger

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Utilities, Inc. of Florida - Marion County
Docket No. 020071-WS
Table of Contents to Exhibit__(DD-1)
Marion County

Sch. No.	Schedule Title
A-1	Calculation of Water Revenue Requirement
A-2	Calculation of Sewer Revenue Requirement
B-1	Schedule of Adjustments to Operating Income
B-2	Salary & Wage Expense - Revision & Reallocation
B-3	Employee Benefits Expense - Revision & Reallocation
B-4	Payroll Tax Expense - Revision & Reallocation
B-5	Non-Used & Useful Water Plant - Depreciation Expense
B-6	Non-Used & Useful Sewer Plant - Depreciation Expense
B-7	Excessive Lost & Unaccounted for Water
B-8	Interest Synchronization
B-9	Income Tax Expense
C-1	Schedule of Water Rate Base
C-2	Schedule of Sewer Rate Base
C-3	Non-Used & Useful Water Plant
C-4	Non-Used & Useful Sewer Plant
C-5	Adjustment to Cash Working Capital - All Systems
D-1	Rate of Return

Calculation of Water Revenue Requirement

Line No.	Description	(A) Utility Adjusted Amount	(B) OPC Adjustments	(C) Per OPC Adjusted Balance	(D) Revenue Increase (Decrease)	(E) Annual Revenue Requirement
1	OPERATING REVENUES	151,712	4,737	156,449	(27,584)	128,865
2	Operation & Maintenance	117,173	(34,362)	82,811		82,811
3	Depreciation	21,133	(4,418)	16,715		16,715
4	CIAC Amortization	(3,999)		(3,999)		(3,999)
5	PAA Amortization	-		-		-
6	Taxes Other Than Income	17,769	(4,438)	13,331	(1,241)	12,090
7	Provision for Income Taxes	<u>(6,333)</u>	19,399	<u>13,066</u>	(9,913)	<u>3,153</u>
8	OPERATING EXPENSES	145,743		121,924		110,770
9	NET OPERATING INCOME	5,969		34,525		18,095
10	RATE BASE	379,822	(158,341)	221,481		221,481
11	RATE OF RETURN					8.17%
12	RATE OF RETURN, at Low End of ROE Range					7.76%
13	Revenue Increase (Decrease) at Low End of ROE Range					<u>(29,092)</u>

Source:

Col. (A): Marion County MFR Schedule B-1.

Col. (B): Schedule B-1. This column also includes adjustments recommended by Staff in its Audit Report, as indicated on Schedule B-1.

Col. (D): Calculated using rate of return on line 11, prior to recommended penalty.

Line 10: Schedule C-1

Lines 11 & 12: Schedule D-1

Line 13: Recommended revenue increase (decrease) calculated based on rate of return on line 12.

Calculation of Sewer Revenue Requirement

Line No.	Description	Utility Adjusted Amount (A)	OPC Adjustments (B)	Per OPC Adjusted Balance (C)	Revenue Increase (Decrease) (D)	Annual Revenue Requirement (E)
1	OPERATING REVENUES	58,529	12,079	70,608	(21,696)	48,912
2	Operation & Maintenance	41,166	(4,596)	36,570		36,570
3	Depreciation	2,999	1,257	4,256		4,256
4	CIAC Amortization	(12)		(12)		(12)
5	PAA Amortization	-		-		-
6	Taxes Other Than Income	4,304	(641)	3,663	(976)	2,687
7	Provision for Income Taxes	1,717	7,064	8,781	(7,797)	984
8	OPERATING EXPENSES	50,174		53,257		44,484
9	NET OPERATING INCOME	8,355		17,351		4,428
10	RATE BASE	123,352	(69,150)	54,202		54,202
11	RATE OF RETURN					8.17%
12	RATE OF RETURN, at Low End of ROE Range					7.76%
13	Revenue Increase (Decrease) at Low End of ROE Range					<u>(22,065)</u>

Source:

Col. (A): Marion County MFR Schedule B-2.

Col. (B): Schedule B-1. This column also includes adjustments recommended by Staff in its Audit Report, as indicated on Schedule B-1.

Line 10: Schedule C-2

Lines 11 & 12: Schedule D-1

Line 13: Recommended revenue increase (decrease) calculated based on rate of return on line 12.

Schedule of Adjustments to Operating Income

Line No.	Description	Water	Sewer	Reference:
<u>Adjustments to Revenue:</u>				
1	Annualize/Correct Revenues from BFF Corporation		11,374	Staff Audit Exception 17
2	Amortization of Gain on Sales, net of tax (1)	4,737	705	Citizens' Witness Kim Dismukes
3	Total Revenue Adjustments	<u>4,737</u>	<u>12,079</u>	
<u>Adjustments to O&M Expense:</u>				
4	Remove accrual	(818)		Staff Audit Exception 18
5	Non-Recurring Plant - Amortization Expense		180	Staff Audit Exception 3
6	Payroll Expense Adjustment	(587)	(86)	Schedule B-2
7	Employee Benefits Expense	(335)	(50)	Schedule B-3
8	Excessive Lost & Unaccounted for water	(1,465)		Schedule B-7
9	Remove Expense Allocations from WSC	(9,018)	(1,343)	Citizens' Witness Kim Dismukes
10	Revise Expense Allocations from UIF	(5,652)	(841)	Citizens' Witness Kim Dismukes
11	Rate Case Expense Adjustment	(16,487)	(2,456)	Citizens' Witness Kim Dismukes
12	Total O&M Expense Adjustments	<u>(34,362)</u>	<u>(4,596)</u>	
<u>Adjustments to Depreciation:</u>				
13	Adjustment to Prior Orders	(603)		Staff Audit Exceptions 1 (Sch. H) & 2 (Sch. M)
14	Non-Recurring Plant	(34)	(26)	Staff Audit Exception 3
15	Replacement & Retirement of Plant	(721)		Staff Audit Exception 4
16	Organization Cost & Capitalized Labor	(7)		Staff Audit Exception 6
17	Common Plant Allocation	(10)	(2)	Staff Audit Exception 7
18	Accumulated Depreciation - Depreciation Rates Correction		2,632	Staff Audit Exception 11
19	Non-Used & Useful PIS	(3,043)	(1,347)	Schedules B-5 & B-6
20	Total Depreciation Expense Adjustments	<u>(4,418)</u>	<u>1,257</u>	
<u>Adjustments to Taxes Other Than Income</u>				
21	Property Tax Corrections - Staff	(4,225)	(609)	Staff Audit Exception 24
22	Payroll Tax Expense	(213)	(32)	Schedule B-4
23	Total Taxes Other Than Income Adjustments	<u>(4,438)</u>	<u>(641)</u>	
<u>Adjustments to Income Tax Expense</u>				
24	Interest Synchronization Adjustment	3,136	1,286	Schedule B-8
25	Impact of Adjustments to Operating Income	16,263	5,778	Schedule B-9
26	Total Income Tax Expense Adjustments	<u>19,399</u>	<u>7,064</u>	

(1) This net of tax adjustment does not flow to the income tax expense schedule.

Salary & Wage Expense - Revision & Reallocation

Line No.	Description	Total	Marion Water	Marion W/Water
1	County Allocation % (1)	7.94%		
2	Allocation Between Water & W/W (1)		87.04%	12.96%
3	Operation Employees, Revised Marion Total (2)	41,976	36,536	5,440
4	Office Salaries Allocated to UIF, Revised (2)	68,578	4,739	706
5	WSC Salaries Allocated to UIF, Original Filing		2,725	406
6	Subtotal Salaries to Marion		44,000	6,552
7	Test Year Unadjusted Amount, per Company (3)		60,340	8,984
8	Change to recorded test year salary and wage cost		(16,340)	(2,432)
9	Reduction for Amount to be Capitalized (13.14%)		2,147	320
10	Adjustment to Test Year Salary Expense, per Citizens		(14,193)	(2,112)
11	Adjustment to Test Year Salary Expense, in MFRs (3), (4)		(13,606)	(2,026)
12	Payroll Expense Adjustment		(587)	(86)

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-5 and B-6

Employee Benefits Expense - Revision & Reallocation

Line No.	Description	Total	Marion Water	Marion W/Water
1	County Allocation % (1)	7.94%		
2	Allocation Between Water & W/W (1)		87.04%	12.96%
3	Operation Employees, Revised Marion Total (2)	7,213	6,278	935
4	Office Benefits Allocated to UIF, Revised (2)	12,843	888	132
5	WSC Benefits Allocated to UIF (unchanged) (3)		1,119	167
6	Subtotal Benefits to Marion		8,285	1,234
7	Test Year Unadjusted Amount, per Company (2), (3)		7,812	3,038
8	Change to recorded test year benefit cost		473	(1,804)
9	Adjustment to Test Year Benefit Expense in MFRs (3), (4)		808	(1,754)
10	Benefit Expense Adjustment		(335)	(50)

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-5 and B-6

Utilities, Inc. of Florida - Marion County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit (DD-1)
 Schedule B-4

Payroll Tax Expense - Revision & Reallocation

Line No.	Description	Total	Marion Water	Marion W/Water
1	County Allocation % (1)	7.94%		
2	Allocation Between Water & W/W (1)		87.04%	12.96%
3	Operation Employees, Revised Marion Total (2)	3,378	2,940	438
4	Office Payroll Taxes Allocated to UIF, Revised (2)	5,558	384	57
5	WSC Payroll Taxes Allocated to UIF (unchanged)		822	122
6	Subtotal Payroll Tax to Marion		4,146	617
7	Test Year Unadjusted Amount, per Company (2), (3)		3,332	496
8	Reduction to recorded test year payroll tax cost		814	121
9	Adjustment to Test Year Benefit Expense in MFRs (3), (4)		1,027	153
10	Payroll Tax Expense Adjustment		(213)	(32)

- (1) Allocation percentages based on recommendation of Citizens' Witness Kim Dismukes.
- (2) Response to Citizens' Interrogatory No. 144.
- (3) Response to Citizens' Interrogatory No. 6.
- (4) MFR Schedule B-15

Non-Used & Useful Water Plant - Depreciation Expense

Line No.	Description	Per Co. Deprec. Expense (A)	Adjs. (B)	Adj. Amt. (C)	Non-Used & Useful Percent (D)	Reduction to Deprec. (E)
1	INTANGIBLE PLANT					
2	301.1 Organization	72	(7)	65		
3	302.1 Franchises					
4	339.1 Other Plant & Misc. Equip					
5	SOURCE OF SUPPLY AND PUMPING PLANT					
6	303.2 Land & Land Rights				52.20%	
7	304.2 Structures & Improvements					
8	305.2 Collect. & Impound Reservoirs					
9	306.2 Lake, River & Other Intakes					
10	307.2 Wells & Springs	788		788	52.20%	(411)
11	308.2 Infiltration, Galleries & Tunnels					
12	309.2 Supply Mains					
13	310.2 Power Generation Equipment					
14	311.2 Pumping Equip	3,129		3,129	52.20%	(1,633)
15	339.2 Other Plant & Misc. Equip					
16	WATER TREATMENT PLANT					
17	303.3 Land & Land Rights					
18	304.3 Structures & Improvements	29		29	52.20%	(15)
19	320.3 Water Treatment Equipment					
20	339.3 Other Plant & Misc. Equip	596		596		
21	TRANSMISSION & DISTRIBUTION PLANT					
22	303.4 Land & Land Rights					
23	304.4 Structures & Improvements	2,052	(34)	2,018	11.36%	(229)
24	330.4 Distr. Reservoirs & Standpipes	2,464	(721)	1,743	11.36%	(198)
25	331.4 Transm. & Distrib. Mains	4,904		4,904	11.36%	(557)
26	333.4 Services	1,964		1,964		
27	334.4 Meters & Meter Installations	1,305		1,305		
28	335.4 Hydrants	422		422		
29	339.4 Other Plant & Misc. Equip					
30	Reduction to Depreciation Expense for Non-Used & Useful PIS					<u>(3,043)</u>

Col. (A): MFR Schedule B-13

Col. (B): Impact of flowing through Staff Audit Exceptions 3, 4 and 6.

Col. (D): Based on recommendation of Citizens' Witness Ted Bidly.

Non-Used & Useful Sewer Plant - Depreciation Expense

Line No.	Description	Per Co. Deprec. Expense (A)	Adjs. (B)	Adj. Amt. (C)	Non-Used & Useful Percent (D)	Reduction to Deprec. (E)
1	COLLECTION PLANT					
2	353.2 Land & Land Rights					
3	354.2 Structures & Improvements					
4	360.2 Collections Sewers - Force					
5	361.2 Collection Sewers - Gravity	992		992	48.53%	(481)
6	362.2 Special Collecting Structures					
7	363.2 Services to Customers	5		5		
8	364.2 Flow Measuring Devices					
9	365.2 Flow Measuring Installations					
10	389.2 Other Plant & Misc. Equip					
11	SYSTEM PUMPING PLANT					
12	353.3 Land & Land Rights					
13	354.3 Structures & Improvements					
14	370.3 Receiving Wells					
15	371.3 Pumping Equipment					
16	389.3 Other Plant & Misc. Equip	2		2		
17	TREATMENT & DISPOSAL PLANT					
18	353.4 Land & Land Rights					
19	354.4 Structures & Improvements	204		204	32.25%	(66)
20	380.4 Treatment & Disposal Equip	2,587	2,601	5,188	32.25%	(1,673)
21	381.4 Plant Sewers					
22	382.4 Outfall Sewer Lines					
23	389.4 Other Plant & Misc. Equip					
24	Reduction to Depreciation Expense for Non-Used & Useful PIS					(2,220)
25	Reduction to Depreciation Expense for Non-Used & Useful PIS, per Company (MFR Sch. B-14)					(873)
26	Add'l Reduction to Depreciation Expense					<u>(1,347)</u>

Col. (A): MFR Schedule B-14

Col. (B): Impact of flowing through Staff Audit Exception 3.

Col. (D): Based on recommendation of Citizens' Witness Ted Bidby.

Utilities, Inc. of Florida - Marion County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__ (DD-1)
Schedule B-7

Excessive Lost & Unaccounted for Water

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Water</u> <u>Amount</u>
1	Purchased Power Expense	10,852
2	Chemical Expense	<u>1,150</u>
3	Subtotal	12,002
4	Excessive Lost & Unaccounted for Water (1)	<u>12.21%</u>
5	Reduction to Expense	<u><u>(1,465)</u></u>

Source/Notes:

Lines 1 & 2 from MFR Schedules B-5

Percentage Excessive Lost & Unaccounted for Water recommended by Citizens'
Witness Ted Bidby.

Utilities, Inc. of Florida - Marion County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule B-8

Interest Synchronization

<u>Line No.</u>	<u>Description</u>	<u>Water Amount</u>	<u>Sewer Amount</u>	<u>Reference:</u>
1	Rate Base, per OPC	221,481	54,202	Sch. C-1 & C-2
2	Weighted Cost of Debt (debt plus customer deposits)	<u>3.95%</u>	<u>3.95%</u>	Schedule D-1
3	Interest Deduction	8,758	2,143	
4	Interest Deduction in Filing	<u>17,093</u>	<u>5,560</u>	MFR Sch. C-2 & C-3
5	Difference	<u>(8,335)</u>	<u>(3,417)</u>	
6	Composite Tax Rate	<u>37.63%</u>	<u>37.63%</u>	
7	Increase (Decrease) in Income Tax Expense	<u>3,136</u>	<u>1,286</u>	

Utilities, Inc. of Florida - Marion County
Test Year Ended December 31, 2001

Docket No. 020071-WS
Exhibit__(DD-1)
Schedule B-9

Income Tax Expense

<u>Line No.</u>	<u>Description</u>	<u>Water Amount</u>	<u>Sewer Amount</u>	<u>Reference:</u>
1	Adjustments to Operating Income	43,218	15,355	Schedule B-1
2	Composite Tax Rate	<u>37.63%</u>	<u>37.63%</u>	
3	Adjustment to Income Tax Expense	<u><u>16,263</u></u>	<u><u>5,778</u></u>	

Schedule of Water Rate Base

Line No.	Description	Utility Adjusted Balance	OPC Adjustments	Adjusted Rate Base
		(A)	(B)	(C)
1	Utility Plant in Service	639,911	(38,062)	601,849
2	Utility Land & Land Rights	12,615		12,615
3	Less: Non-Used & Useful Plant	-	(41,686)	(41,686)
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(302,255)	28,524	(273,731)
6	Less: CIAC	(134,337)		(134,337)
7	Accumulated Amortization CIAC	44,137		44,137
8	Allocated Plant	4,925	(4,925)	-
9	Working Capital Allowance	114,826	(102,192)	12,634
10	Total Rate Base	<u>379,822</u>		<u>221,481</u>

Source/Notes:

Col. (A): Marion County MFR Schedule A-1

Col. (B): See Page 2.

Col. (B): See Schedule C-3 for adjustment for non-used & useful plant

Schedule of Adjustments to Water Rate Base

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference:</u>
<u>Adjustments to Plant in Service</u>			
1	Adjustment to Prior Orders	(9,847)	Staff Audit Exception 1, Sch. A
2	Non-Recurring Plant Amortization	(1,122)	Staff Audit Exception 3
3	Replacement & Retirement of Plant	(26,688)	Staff Audit Exception 4
4	Organization Cost & Capitalized Labor (2)	(263)	Staff Audit Exception 6
5	Common Plant Allocation	(142)	Staff Audit Exception 7
6	Total Adjustments to Plant in Service	<u>(38,062)</u>	
<u>Adjustments to Accumulated Depreciation:</u>			
7	Adjustment to Prior Orders	(1,005)	Staff Audit Exception 1, Sch. A
8	Adjustment to Prior Orders (1)	(302)	Staff Audit Exception 1, Sch. H
9	Non-Recurring Plant (1)	(17)	Staff Audit Exception 3
10	Replacement & Retirement of Plant	(26,688)	Staff Audit Exception 4
11	Replacement & Retirement of Plant - TY Deprec. (1)	(361)	Staff Audit Exception 4
12	Organization Cost & Capitalized Labor (1), (2)	(4)	Staff Audit Exception 6
13	Common Plant Allocation	(147)	Staff Audit Exception 7
14	Total Adjustments to Accumulated Depreciation	<u>(28,524)</u>	
<u>Allocated Plant</u>			
15	Remove Rate Base Allocations from WSC	(4,925)	Citizens' Witness Kim Dismukes
16		<u>(4,925)</u>	
<u>Adjustments to Working Capital:</u>			
17	Adjustment to Cash Working Capital	(102,192)	Schedule C-5
18	Total Adjustments to Working Capital	<u>(102,192)</u>	

(1) Staff adjustment to accumulated depreciation reduced by 50% to reflect average test year rate base.
 (2) The Company disagrees with this Staff adjustment.

Schedule of Sewer Rate Base

Line No.	Description	Utility Adjusted Balance (A)	OPC Adjustments (B)	Adjusted Rate Base (C)
1	Utility Plant in Service	149,912	(914)	148,998
2	Utility Land & Land Rights	10,080		10,080
3	Less: Non-Used & Useful Plant	(17,812)	(6,458)	(24,270)
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(64,041)	(21,712)	(85,753)
6	Less: CIAC	(450)		(450)
7	Accumulated Amortization CIAC	18		18
8	Allocated Plant	733	(733)	-
9	Working Capital Allowance	44,912	(39,333)	5,579
10	Total Rate Base	<u>123,352</u>		<u>54,202</u>

Source/Notes:

Col. (A): Marion County MFR Schedule A-2

Col. (B): See Page 2.

Col. (B): See Schedule C-4 for adjustment for non-used & useful plant

Schedule of Adjustments to Sewer Rate Base

Line No.	Description	Amount	Reference:
<u>Adjustments to Plant in Service</u>			
1	Non-Recurring Plant Amortization	(901)	Staff Audit Exception 3
2	Common Plant Allocation	(13)	Staff Audit Exception 7
3	Total Adjustments to Plant in Service	<u>(914)</u>	
<u>Adjustments to Accumulated Depreciation:</u>			
4	Non-Recurring Plant (1)	(13)	Staff Audit Exception 3
5	Common Plant Allocation	(19)	Staff Audit Exception 7
6	Accumulated Depreciation - Depreciation Rates Correction	21,744	Staff Audit Exception 11
7	Total Adjustments to Accumulated Depreciation	<u>21,712</u>	
<u>Allocated Plant</u>			
8	Remove Rate Base Allocations from WSC	<u>(733)</u>	Citizens' Witness Kim Dismukes
9		<u>(733)</u>	
<u>Adjustments to Working Capital:</u>			
10	Adjustment to Cash Working Capital	<u>(39,333)</u>	Schedule C-5
11	Total Adjustments to Working Capital	<u>(39,333)</u>	

(1) Staff adjustment to accumulated depreciation reduced by 50% to reflect average test year rate base.

Non-Used & Useful Water Plant
 - Plant in Service

Line No.	Description	Per Co. Avg. TY PIS (A)	Adjustments (B)	Adj. PIS (C)	Non-Used & Useful Percent (D)	Reduction to PIS (E)
1	INTANGIBLE PLANT					
2	301.1 Organization	2,895	(2,455)	440		
3	302.1 Franchises					
4	339.1 Other Plant & Misc. Equip					
5	SOURCE OF SUPPLY AND PUMPING PLANT					
6	303.2 Land & Land Rights	12,615	4,467	17,082		
7	304.2 Structures & Improvements	67,720	(13,247)	54,473	52.20%	(28,435)
8	305.2 Collect. & Impound Reservoirs					
9	306.2 Lake, River & Other Intakes					
10	307.2 Wells & Springs	23,669		23,669	52.20%	(12,355)
11	308.2 Infiltration, Galleries & Tunnels					
12	309.2 Supply Mains		1,371	1,371	52.20%	(716)
13	310.2 Power Generation Equipment		19,696	19,696		
14	311.2 Pumping Equip	62,653	(22,039)	40,614	52.20%	(21,201)
15	339.2 Other Plant & Misc. Equip					
16	WATER TREATMENT PLANT					
17	303.3 Land & Land Rights					
18	304.3 Structures & Improvements	948		948	52.20%	(495)
19	320.3 Water Treatment Equipment	13,255	(332)	12,923	52.20%	(6,746)
20	339.3 Other Plant & Misc. Equip					
21	TRANSMISSION & DISTRIBUTION PLANT					
22	303.4 Land & Land Rights					
23	304.4 Structures & Improvements					
24	330.4 Distr. Reservoirs & Standpipes	91,460	(30,287)	61,173	11.36%	(6,949)
25	331.4 Transm. & Distrib. Mains	210,608	19,052	229,660	11.36%	(26,089)
26	333.4 Services	80,859	(3,529)	77,330		
27	334.4 Meters & Meter Installations	23,947	(3,051)	20,896		
28	335.4 Hydrants	18,995		18,995		
29	339.4 Other Plant & Misc. Equip	2,156		2,156		
30	Reduction to Plant in Service					(102,986)
31	Reduction to Accumulated Depreciation (Page 2)					61,300
32	Adjustment for Non-Used & Useful Water Plant					<u>(41,686)</u>

Col. (A): MFR Schedule A-5, page 1
 Col. (B): Impact of flowing through Staff Audit Exceptions 1, 3, 4 and 6.
 Col. (D): Based on recommendation of Citizens' Witness Ted Bidly.

Non-Used & Useful Water Plant
 - Accumulated Depreciation

Line No.	Description	Per Co. Avg. TY A/Dep (A)	Adjs. (B)	Adj. A/Dep (C)	Non-Used & Useful Percent (D)	Reduction to A/Dep (E)
1	INTANGIBLE PLANT					
2	301.1 Organization	(1,383)	4	(1,379)		
3	302.1 Franchises					
4	339.1 Other Plant & Misc. Equip	(5,362)				
5	SOURCE OF SUPPLY AND PUMPING PLANT					
6	303.2 Land & Land Rights					
7	304.2 Structures & Improvements	(37,364)	17	(37,347)	52.20%	19,495
8	305.2 Collect. & Impound Reservoirs					
9	306.2 Lake, River & Other Intakes					
10	307.2 Wells & Springs	(14,290)		(14,290)	52.20%	7,459
11	308.2 Infiltration, Galleries & Tunnels					
12	309.2 Supply Mains					
13	310.2 Power Generation Equipment					
14	311.2 Pumping Equip	(34,304)		(34,304)	52.20%	17,907
15	339.2 Other Plant & Misc. Equip					
16	WATER TREATMENT PLANT					
17	303.3 Land & Land Rights					
18	304.3 Structures & Improvements	(562)		(562)	52.20%	293
19	320.3 Water Treatment Equipment	(8,397)		(8,397)	52.20%	4,383
20	339.3 Other Plant & Misc. Equip					
21	TRANSMISSION & DISTRIBUTION PLANT					
22	303.4 Land & Land Rights					
23	304.4 Structures & Improvements					
24	330.4 Distr. Reservoirs & Standpipes	(29,327)	27,049	(2,278)	11.36%	259
25	331.4 Transm. & Distrib. Mains	(101,268)		(101,268)	11.36%	11,504
26	333.4 Services	(27,074)		(27,074)		
27	334.4 Meters & Meter Installations	(12,116)		(12,116)		
28	335.4 Hydrants	(10,008)		(10,008)		
29	339.4 Other Plant & Misc. Equip	-		-		
30	Reduction to Accumulated Depreciation					<u>61,300</u>

Col. (A): MFR Schedule A-9, page 1

Col. (B): Impact of flowing through Staff Audit Exceptions 3, 4 and 6.

Col. (D): Based on recommendation of Citizens' Witness Ted Bidy.

Utilities, Inc. of Florida - Marion County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule C-4
 Page 1 of 2

Non-Used & Useful Sewer Plant
 - Plant in Service

Line No.	Description	Per Co. Avg. TY PIS	Adjs.	Adj. PIS	Non-Used & Useful Percent	Reduction to PIS
1	COLLECTION PLANT					
2	353.2 Land & Land Rights	10,080		10,080		
3	354.2 Structures & Improvements					
4	360.2 Collections Sewers - Force					
5	361.2 Collection Sewers - Gravity	45,625		45,625	48.53%	(22,142)
6	362.2 Special Collecting Structures					
7	363.2 Services to Customers	185		185		
8	364.2 Flow Measuring Devices					
9	365.2 Flow Measuring Installations					
10	389.2 Other Plant & Misc. Equip					
11	SYSTEM PUMPING PLANT					
12	353.3 Land & Land Rights					
13	354.3 Structures & Improvements					
14	370.3 Receiving Wells	264		264		
15	371.3 Pumping Equipment					
16	389.3 Other Plant & Misc. Equip	63		63		
17	TREATMENT & DISPOSAL PLANT					
18	353.4 Land & Land Rights					
19	354.4 Structures & Improvements					
20	380.4 Treatment & Disposal Equip	90,580	(901)	89,679	32.25%	(28,921)
21	381.4 Plant Sewers					
22	382.4 Outfall Sewer Lines					
23	389.4 Other Plant & Misc. Equip	6,774		6,774	32.25%	(2,185)
24	Reduction to Plant in Service					(53,248)
25	Reduction to Accumulated Depreciation (Page 2)					28,978
26	Subtotal					(24,270)
27	Non-Used & Useful Net Plant in Service, per Company (MFR. Sch. A-2)					(17,812)
28	Add'l Reduction for Non-Used & Useful Plant in Service					(6,458)

Col. (A): MFR Schedule A-6, page 1
 Col. (B): Impact of flowing through Staff Audit Exception 3.
 Col. (D): Based on recommendation of Citizens' Witness Ted Bidby.

Utilities, Inc. of Florida - Marion County
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit__(DD-1)
 Schedule C-4
 Page 2 of 2

Non-Used & Useful Sewer Plant
 - Accumulated Depreciation

Line No.	Description	Per Co. Avg. TY A/Dep	Adjs.	Adj. A/Dep	Non-Used & Useful Percent	Reduction to A/Dep
1	COLLECTION PLANT					
2	353.2 Land & Land Rights					
3	354.2 Structures & Improvements	(1,921)				
4	360.2 Collections Sewers - Force					
5	361.2 Collection Sewers - Gravity	(18,441)		(18,441)	48.53%	8,949
6	362.2 Special Collecting Structures					
7	363.2 Services to Customers	(65)		(65)		
8	364.2 Flow Measuring Devices					
9	365.2 Flow Measuring Installations					
10	389.2 Other Plant & Misc. Equip					
11	SYSTEM PUMPING PLANT					
12	353.3 Land & Land Rights					
13	354.3 Structures & Improvements					
14	370.3 Receiving Wells	(148)		(148)		
15	371.3 Pumping Equipment					
16	389.3 Other Plant & Misc. Equip					
17	TREATMENT & DISPOSAL PLANT					
18	353.4 Land & Land Rights					
19	354.4 Structures & Improvements					
20	380.4 Treatment & Disposal Equip	(38,887)	(21,695)	(60,582)	32.25%	19,538
21	381.4 Plant Sewers					
22	382.4 Outfall Sewer Lines					
23	389.4 Other Plant & Misc. Equip	(1,521)		(1,521)	32.25%	<u>491</u>
24	Reduction to Accumulated Depreciation					<u><u>28,978</u></u>

Col. (A): MFR Schedule A-10, page 1

Col. (B): Impact of flowing through Staff Audit Exceptions 3 & 11.

Col. (D): Based on recommendation of Citizens' Witness Ted Bidy.

Utilities, Inc. of Florida - All Counties
 Test Year Ended December 31, 2001

Docket No. 020071-WS
 Exhibit (DD-1)
 Schedule C-5

Adjustment to Cash Working Capital - All Systems

Line No.	Conty System	OPC Adj O&M Expense (A)	Percentage (B)	Allocated Working Capital (C)	Working Capital per Company (D)	Adjustment to Working Capital (E)
1	Seminole Water	314,244	22.99%	47,944	397,399	(349,455)
2	Seminole Wastewater	401,057	29.35%	61,188	465,807	(404,619)
3	Pinellas Water	43,098	3.15%	6,575	31,222	(24,647)
4	Pasco Water	204,561	14.97%	31,209	244,252	(213,043)
5	Pasco Wastewater	192,707	14.10%	29,401	255,410	(226,009)
6	Marion Water	82,811	6.06%	12,634	114,826	(102,192)
7	Marion Wastewater	36,570	2.68%	5,579	44,912	(39,333)
8	Orange Water	91,537	6.70%	13,966	80,701	(66,735)
9	Total	1,366,586		208,497	1,634,529	<u>(1,426,033)</u>

Col. (A): See Schedule A for each respective County

Col. (C): \$208,497 adjusted working capital requirement, per Staff Audit Exception No. 14 Revised.

Rate of Return

Line No.	Description	Per OPC Capital Ratio (A)	Cost Rate per OPC (B)	Weighted Cost (C)
1	Long-Term Debt	40.16%	8.63%	3.47%
2	Short-Term Debt	7.32%	5.18%	0.38%
3	Common Equity (1)	40.54%	10.41%	4.22%
4	Accum. Deferred Income Taxes	9.43%	0.00%	0.00%
5	Unamortized ITC	0.73%	0.00%	0.00%
6	Customer Deposits	1.82%	6.00%	0.11%
7	Total	<u>100.00%</u>		<u>8.17%</u>
8	Common Equity at Bottom Point of Range (2)	40.54%	9.41%	<u>3.82%</u>
9	Rate of Return with ROE at Lower Point of Range			<u>7.76%</u>

Source/Notes:

Col. (A): See Page 2.

Col. (B): FPSC Staff Affiliate Transactions Audit Report - Audit Control No. 02-122-3-1,
 Audit Staff-Prepared Exhibit VI, except ROE.

(1) Common equity rate of 10.41% recommended by Citizens' Witness Mark Cicchetti, at mid-point of range.

(2) Common Equity rate of 9.41% based on the lower point of Mr. Cicchetti's recommended return on equity range.

Rate of Return
 Revised Capital Ratio

Line No.	Description	Parent 13-Month Average	% of Total w/out Deposits	Reconciled To Rate Base	Adjusted Ratio
		(A)	(B)	(C)	(D)
1	Long-Term Debt	72,690,352	40.91%	110,716	40.16%
2	Short-Term Debt	13,245,115	7.45%	20,174	7.32%
3	Common Equity	73,384,644	41.30%	111,774	40.54%
4	Accum. Deferred Income Taxes	17,060,397	9.60%	25,985	9.43%
5	Unamortized ITC	1,318,251	0.74%	2,008	0.73%
6	Customer Deposits			5,026	1.82%
7	Total	177,698,759	100.00%		
8	Total (Reconciled to Rate Base)			275,683	100.00%

Source/Notes:

Col. (A) FPSC Staff Affiliate Transactions Audit Report - Audit Control No. 02-122-3-1,
 Audit Staff-Prepared Exhibit VI
 Line 6: Per General Ledger