

DOCKET NO. 020071-WS: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida

WITNESS: Direct Testimony Of Kathy L. Welch, Appearing On Behalf Of Staff

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DIRECT TESTIMONY OF KATHY L. WELCH

1
2 Q. Please state your name and business address.

3 A. My name is Kathy L. Welch and my business address is 3625 N.W. 82nd
4 Ave., Suite 400, Miami, Florida, 33166.

5 Q. By whom are you presently employed and in what capacity?

6 A. I am employed by the Florida Public Service Commission as a Public
7 Utilities Supervisor in the Division of Auditing and Safety.

8 Q. How long have you been employed by the Commission?

9 A. I have been employed by the Florida Public Service Commission since
10 June, 1979.

11 Q. Briefly review your educational and professional background.

12 A. I have a Bachelor of Business Administration degree with a major in
13 accounting from Florida Atlantic University and a Masters of Adult Education
14 and Human Resource Development from Florida International University. I have
15 a Certified Public Manager certificate from Florida State University. I am
16 also a Certified Public Accountant licensed in the State of Florida and I am
17 a member of the American and Florida Institutes of Certified Public
18 Accountants. I was hired as a Public Utilities Analyst I by the Florida
19 Public Service Commission in June of 1979. I was promoted to Public Utilities
20 Supervisor on June 1, 2001.

21 Q. Please describe your current responsibilities.

22 A. Currently, I am a Public Utilities Supervisor with the responsibilities
23 of administering the District Office and reviewing work load and allocating
24 resources to complete field work and issue audit reports when due. I also
25 supervise, plan, and conduct utility audits of manual and automated accounting

1 | systems for historical and forecasted financial statements and exhibits.

2 | Q. Have you presented expert testimony before this Commission or any other
3 | regulatory agency?

4 | A. Yes. I testified in the following cases before this Commission: Tamiami
5 | Village Utility, Inc. rate case, Docket No. 910560-WS; Tamiami Village
6 | Utility, Inc. transfer to North Fort Myers, Docket No. 940963-SU; General
7 | Development Utilities, Inc. rate case, Docket No. 911030-WS; Transcall
8 | America, Inc. complaint, Docket No. 951232-TI, Econ Utilities Corporation
9 | transfer to Wedgefield Utilities, Inc., Docket No. 960235-WS, Gulf Utility
10 | Company rate case, Docket No. 960329-WS; the Fuel and Purchased Power cost
11 | recovery clause case, Docket No. 010001-EI; and The Woodlands of Lake Placid,
12 | L.P. staff-assisted rate case, Docket No. 020010-WS.

13 | Q. What is the purpose of your testimony today?

14 | A. The purpose of my testimony is to sponsor the staff audit report of the
15 | allocations among the affiliated companies of Utilities, Inc. and Utilities,
16 | Inc. of Florida (UIF, or utility) in Marion, Orange, Pasco, Pinellas, and
17 | Seminole Counties, Docket No. 020071-WS. The audit report is filed with my
18 | testimony and is identified as K LW-1.

19 | Q. Was this audit report prepared by you or under your supervision?

20 | A. Yes, I was the primary auditor in charge of this audit.

21 | Q. Please review the work you performed in this audit.

22 | A. For rate base, I examined plant for Water Service Corp. from December
23 | 31, 1995 forward, by selecting invoices and tracing to source documents. I
24 | also recalculated depreciation using Commission rates and reviewed allowance
25 | for funds used during construction. I determined the allocation methodology

1 and reviewed it for reasonableness. For cost of capital, I compiled the
2 components of cost of capital from consolidated Utilities, Inc. ledgers and
3 tested interest expense by tracing to bank statements and notes. For net
4 operating income, I examined selected expense accounts and judgmentally traced
5 sampled amounts from the ledger to invoices. I also determined the current
6 payroll and compared it to the prior year. I reviewed expenses for items that
7 were nonrecurring because of a recent reorganization. I determined the
8 allocation methodology and reviewed it for reasonableness. I reviewed
9 expenses to determine if they were merger-related, nonrecurring items,
10 acquisition costs, or if they should have been charged to a particular
11 division as opposed to being allocated. I also scanned the process used to
12 record all costs related to one acquisition. I recalculated the allocation
13 methodology and the amounts charged to Florida and reconciled these to the
14 filings. I also obtained supporting documentation for the sources of the
15 components used to calculate the allocation factors and determined that the
16 factors were consistently applied from year to year.

17 Q. Please review the audit exceptions in the audit report.

18 A. Audit Exceptions disclose substantial non-compliance with the National
19 Association of Regulatory Utility Commissioners (NARUC) Uniform System of
20 Accounts (USOA), a Commission rule or order, and formal company policy. Audit
21 Exceptions also disclose company exhibits that do not represent company books
22 and records and company failure to provide underlying records or documentation
23 to support the general ledger or exhibits.

24 Audit Exception No. 1 discusses rate base invoices that were missing and
25 inventory transfers that were not recorded. When I was testing Water Service

1 Corporation's (WSC) rate base additions, the company could not locate some
2 invoices. In addition, when I was auditing the supporting documentation for
3 computer costs, I found two problems. One was that the company could not
4 locate some invoices and the second was that some equipment transfers or
5 retirements were never posted to the ledgers. When I reviewed the invoices
6 that were found, I noted that new computers replaced old ones which were
7 either transferred or destroyed. I asked the company to prove that these
8 retirements and transfers were booked. It provided a transfer entry for
9 August 31, 2000, and said that no other support existed. The entry did not
10 contain detail as to which computers were being transferred or retired. The
11 company finally provided a list of all transfers and retirements by inventory
12 number. The transfers out of WSC were traced to ledger entries of the same
13 amount for all the years. Because several entries had similar dollar amounts,
14 the exact entry could not be determined. The transfer report contained
15 \$120,817.53 of entries that could not be traced to the ledger and therefore
16 never posted. Most of these items were transferred to other divisions.
17 \$71,434.83 of the items on the transfer report were for items that were
18 destroyed and therefore debited to accumulated depreciation. The company also
19 provided an inventory dated August 14, 2002, for computer equipment for WSC.
20 The inventory totals \$589,322.24. Rate base shows the mainframe computer at
21 \$377,085 and minicomputers at \$473,693 for a total of \$850,778. As detailed
22 further in the audit report, I recommend that the WSC plant should be reduced
23 by the \$8,817.35 for invoices not located, and the associated accumulated
24 depreciation should also be reduced. I also recommend that the WSC plant
25 should also be reduced for computer equipment by the \$56,774 for invoices that

1 | could not be located and the \$120,817 of transfers that were never recorded.
2 | I further recommend that computer equipment and accumulated depreciation
3 | should reflect a zero balance as of December 31, 2001, for the following
4 | reasons.

5 | 1) The company could not provide the purchase dates for the computers on
6 | its inventory list that would have enabled the Commission to determine
7 | the amount of accumulated depreciation relating to its computer
8 | equipment

9 | 2) When you apply the adjustments recommended above to the company's
10 | current balances for mainframe and minicomputers, it creates a negative
11 | rate base balance since accumulated depreciation would exceed the
12 | balance in both accounts.

13 | Therefore, I have set both accounts and respective accumulated
14 | depreciation to zero as displayed in Exhibit I of the audit report. Since the
15 | plant appears to be fully depreciated after the adjustments are made, computer
16 | depreciation expense of \$63,482 should also be removed from expenses. I also
17 | recommend that the utility improve the procedures for recording retirements
18 | and transfers and expand its inventory data base to include dates of purchase.

19 | Audit Exception No. 2 discusses interest expense. The company included
20 | interest expense and interest income in the Water Service Corporation costs
21 | which are allocated to the utility divisions. Interest expense is recorded
22 | in Account 4192000 and totals \$392,910. Interest income is the interest on
23 | the cash accounts and is recorded in Account 4272090 and totals \$9,426. The
24 | Commission does not include interest expense in recoverable expenses because
25 | the cost of capital calculation used allows a return sufficient to cover the

1 interest expenses related to the rate base investment. Interest income is
2 included when cash accounts are included in working capital (see Commission
3 Order No. PSC-96-1404-FOF-GU, issued November 20, 1996 in the City Gas rate
4 case, Docket No. 960502-GU and Order No. PSC-96-1320-FOF-WS issued October 30,
5 1996 in a Southern States rate case, Docket No. 950495-WS.) The company has
6 not included any working capital for Water Service Corporation. Therefore,
7 I recommend that the interest expense and income should be removed from the
8 income statement and not allocated to the utility divisions.

9 Audit Exception No. 3 discusses audit fees. The year end balance of
10 account 6329002 contains audit fees paid to Arthur Anderson. The company
11 accrued \$132,000 in this account. The invoices showed total audit fees for
12 the year 2000 audit of \$119,400. The difference is \$12,600. I asked the
13 company why there was a difference in the account and if its fees would
14 increase for the 2001 audit. The response stated that the \$119,400 is the
15 actual cost and no increase in costs had been determined. Account 6369090,
16 Other Outside Services, also includes an invoice from Arthur Anderson for
17 \$7,550. This invoice is related to the review of year 2000 acquisitions.
18 Acquisition costs are included by the company in a preliminary survey account
19 and then allocated to capital accounts at the individual utility division.
20 I recommend that since the company did not provide any reason for the
21 difference in costs in Account 6329002, the account should be reduced by
22 \$12,600. Further, acquisition costs should be charged to the individual
23 divisions. Therefore, allocated costs from Account 6369090 should be reduced
24 by \$7,550.

25 Audit Exception No. 4 discusses directors' fees. Account 6369008 in

1 Water Service Corp. includes directors' fees of \$116,500. Utilities, Inc. has
2 been purchased by Nuon Acquisition Sub, Inc. Since the takeover, the number
3 of directors has been reduced from six to three. Since rates are set on a
4 going-forward basis, expenses should reflect the costs that will be in effect
5 when the new rates are implemented. Costs for directors' fees are expected
6 to be \$18,000 (an annual fee of \$6,000 times three directors), and \$42,000 for
7 meeting fees (\$3,500 per meeting times three directors times 4 meetings.)
8 This totals \$60,000 on an annual basis. The actual directors' fees in the
9 year 2001 were \$116,500, for a difference of \$56,500. I recommend that the
10 cost be reduced on a going-forward basis by \$56,500.

11 Audit Exception No. 5 discusses finder's fees. The company provides
12 finder's fees for information about systems that can be purchased. In a prior
13 rate case for Mid-County Services, Inc., Docket No. 971065-SU, the Commission
14 issued Order No. PSC-98-0524-FOF-SU, on April 16, 1998, and removed these
15 costs from rate base but allowed them as expenses. The average rate base
16 included in the MFRs included \$46,529 for the deferred portion of employee
17 finder's fees. The company included \$21,615 of these costs in expenses in
18 Account 636006, Employee Finder's Fees and allocated this to all systems. I
19 believe these costs should be charged to the acquisition costs of the system
20 being purchased and should be removed from expenses. Since they can be
21 identified with a particular system, they should not be allocated through a
22 process that is for common costs.

23 Audit Exception No. 6 discusses FICA expenses. Account 4081201 showed
24 FICA expenses at \$246,309. These costs were allocated to the utility
25 divisions. I calculated actual FICA costs for Water Service Corp. using 7.65

1 percent of salaries up to a maximum salary level of \$80,440. The total was
2 \$122,911.71 or \$123,397.29 less than the booked amount. The company did not
3 allocate any of this account to capitalized wages, computers, or customer
4 service expense. I recommend that the expense account should be reduced by
5 \$123,397.29. I reviewed the division FICA costs to determine if there is a
6 misallocation that would result in the division costs being understated. This
7 was not the case. The company response indicated that an error had been made
8 in booking the costs. No further explanation was provided. The audit report
9 includes an adjustment to payroll and benefits for the Northbrook office,
10 detailed for each division.

11 Audit Exception No. 7 discusses payroll and benefits. Utilities, Inc.
12 was taken over by Nuon Acquisition Sub, Inc. in 2001 and several employees
13 left the company. The company made "change of control pay-outs" in 2001. The
14 net payroll at December 31, 2001, is more than the annual salary for staff
15 employed at June 30, 2002, because several employees left and were not
16 replaced. The total reduction is \$220,022.50 for salaries, \$10,288.70 for
17 FICA, \$6,600.68 for pension and \$6,671.45 for the Employee Stock Option Plan
18 (ESOP). The actual salaries are charged to three allocation pools: computers,
19 customer service, and regular administrative and general. The administrative
20 and general salaries were adjusted by the company for capitalized salaries.
21 No adjustment was made to charge payroll taxes, pension or employee benefits
22 to these allocation groups. I recommend that the FICA and pension benefits
23 related to the capitalized salaries should be removed and capitalized since
24 they create a mismatch of payroll and related expenses. The audit report
25 details the specific adjustment amounts that should be made.

1 Audit Exception No. 8 discusses training costs charged to Water Service
2 Corp. Account 7048055, Office Education Training includes \$7,849.96 for
3 tuition for David Orr who is a Florida employee. This account was allocated
4 using allocation factor five. The allocated costs should not include those
5 costs that relate to a specific state or division. Therefore, I recommend
6 that the \$7,849.96 be removed from Water Service Corp. expenses.

7 Audit Exception No. 9 discusses Northbrook employees life insurance.
8 The life insurance charged through Water Service Corp. included some insurance
9 for officers who are no longer with the company. These costs total \$6,427.21.
10 Commission Order PSC-98-0524-FOF-SU, issued April 16, 1998, removed life
11 insurance where the utility is the beneficiary and fiduciary policies
12 protecting directors, officers, and pension funds. The amounts for these
13 policies, added to the nonrecurring costs of \$6,427, total \$104,112. I
14 recommend that this amount be removed from allocated expenses.

15 Audit Exception No. 10 discusses cost of capital. The company included
16 a credit for accumulated deferred taxes of \$339,113 in rate base. The
17 Commission routinely includes deferred taxes in the capital structure at zero
18 cost (see Commission Order No. 11487, issued January 5, 1983, in Docket No.
19 820014-WS, rate case for Avatar Utilities, Inc of Florida, Barefoot Bay
20 Division.) In addition, the amount the company included is the portion of
21 deferred taxes that relates to Water Service Corp. and is not the consolidated
22 Utilities, Inc. balance. The MFRs in this case included \$2,788 for deferred
23 taxes in all counties except Marion, on Schedule D-1. I believe this is the
24 average of Account 237 for one division, which is accrued interest. The
25 company also has a regulatory asset that offsets deferred taxes. The average

1 balance for the consolidated Utilities, Inc. deferred income tax is
2 \$16,345,859, net of the regulatory asset. The company also has unamortized
3 investment tax credits averaging \$1,318,251.

4 All counties used an amount for customer deposits that did not agree
5 with the division's general ledger. The audit report details the specific
6 differences. I used the general ledger balances for the customer deposits for
7 the five counties in Exhibits VII through X of the audit report.

8 I also reviewed the notes related to short-term debt. I determined that
9 the amounts in MFR Schedule D-4 for short-term debt did not agree to the MFR
10 Schedule D-1. The company corrected this in the revised filing but included
11 an adjustment to interest that removed interest related to acquisitions. I
12 used the bank statements to calculate an effective rate for short-term debt
13 of 5.18 percent and used the 13-month average balances from the general
14 ledger.

15 I traced long-term debt in MFR Schedule D-5 to the notes. I could not
16 reconcile it to the lead schedules. In addition, a note paid off during the
17 year was left off of MFR Schedule D-5. I recalculated MFR Schedule D-5 using
18 all notes and the 13-month average balances from the general ledger. The
19 effective rate is 8.63 percent.

20 The company used different rates of return for equity for each division.
21 The equity ratio should be the same for all companies so using the formula
22 should provide the same rate for all companies. The equity rate for all
23 companies was changed to 10.914 percent based on the Consummating Order PSC-
24 02-1252-CO-WS, issued September 11, 2002 and Proposed Agency Action Order PSC-
25 02-0898-PAA-WS, issued July 5, 2002.

1 My calculated overall weighted cost of capital for Utilities, Inc. is
2 8.42 percent. I calculated the weighted cost rates for the five Utilities,
3 Inc. of Florida counties using a portion of the consolidated deferred taxes.
4 These rates are: Marion - 8.39%; Orange - 8.29%; Pasco - 8.40%; Pinellas -
5 8.38%; and Seminole - 8.39%. I also calculated the weighted cost rates for
6 the five Utilities, Inc. of Florida counties using the direct deferred taxes,
7 by division. These rates are: Marion - 4.96%; Orange - 4.96%; Pasco - 5.22%;
8 Pinellas - 4.93%; and Seminole - 5.94%. The schedules calculating these rates
9 are attached as Exhibit KLV-2.

10 Q. Please review the audit disclosures in the audit report.

11 A. Audit Disclosure No. 1 discusses Allowance for Funds Used During
12 Construction. Water Service Corp. capitalized interest for a few projects
13 over the years. These costs are included in plant allocated to the
14 subsidiaries. There is no approved AFUDC rate for Water Service Corp.
15 However, there are approved rates for Seminole, Orange, Pasco, Marion and
16 Pinellas Counties. The capitalized rates used at Water Service Corp. are
17 higher than the rates approved for the counties. The rates range from 8.61
18 percent to 9.01 percent. However, the difference is immaterial and after an
19 allocation to each division, the amount would not be material. I performed
20 no additional follow-up work. However, if the company requested one rate for
21 the entire company, this problem would be eliminated.

22 Audit Disclosure No. 2 discusses Water Service Corp. allocation factors.
23 Water Service Corp. allocates rate base and expenses using 11 different
24 allocation factors. Most of these factors are based on the customer
25 equivalent factor. To determine customer equivalents, the company records

1 | single family equivalents for each development as of the end of June of the
2 | year the allocation is to take place. It then determines the customer
3 | equivalents by taking the single family equivalents and adjusting it to one
4 | half for the following reasons.

5 | 1. The division has both water and wastewater. The wastewater is counted at
6 | one half.

7 | 2. The customer is an availability customer only. The customer is counted
8 | at one quarter.

9 | 3. The water company is distribution only. The customer is counted at one
10 | half.

11 | 4. The wastewater company is collection only. The customer is counted at one
12 | half.

13 | The company could not provide a formula or methodology for determining the
14 | single family equivalent number. The company is also the contract operator
15 | for two water plants and three wastewater plants. According to a company
16 | representative, no costs were ever allocated to these operations.

17 | I believe that the lack of a formalized methodology for determining
18 | single family equivalents can cause inconsistency between divisions.
19 | According to a company representative, the company determines the estimated
20 | gallons at the time of purchase and inputs a number for single family
21 | equivalents based on gallons. This may not be based on the same number of
22 | gallons per single family as a different person may use the next year or year
23 | after. The company did not state how the single factor equivalent is adjusted
24 | for new customers. I attempted to determine gallons of water purchased and
25 | pumped and gallons of wastewater treated so that I could determine my own

1 | calculation of equivalent residential connections (ERCs) for each company.
2 | I planned on using these ERCs to prepare my own customer equivalent schedule
3 | and to compare it to the Florida allocations using customer equivalents. If
4 | it was significantly different, almost all 11 allocation factors would have
5 | to be redone. The company could not provide gallons of wastewater treated for
6 | states other than Florida. It claimed that operating reports were not
7 | available to provide the information. In addition, some small water plants
8 | did not have usage reports. The report of number of customers that the
9 | company provided showed water customers and did not break down wastewater
10 | number of customers by division. Therefore, I was unable to determine ERCs
11 | and unable to determine if the company's computation is reasonable. I believe
12 | that the company should be required to provide to the Commission the
13 | calculation based on ERCs using a method consistent between each division.
14 | The ERC calculation should be compared to the customer equivalent factors
15 | provided by the company to determine if the company allocation methodology is
16 | reasonable. If not, the company should revise all 11 allocation factors so
17 | that the allocations of expenses and rate base can be reallocated. The
18 | allocation methodology also needs to allocate costs to the divisions that the
19 | company is acting as a contract operator and billing agent for.

20 | Q. Does this conclude your testimony?

21 | A. Yes, it does.

22 |
23 |
24 |
25 |

DOCKET NO. 020071-WS: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida

WITNESS: Direct Testimony Of Kathy L. Welch, Appearing On Behalf Of Staff

EXHIBIT: K LW-1 - Staff Affiliate Transactions Audit Report



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

Orlando District Office

UTILITIES, INC.

AFFILIATE TRANSACTIONS AUDIT

YEAR ENDED DECEMBER 31, 2001

**UNDOCKETED
AUDIT CONTROL NO. 02-122-3-1**

A handwritten signature in black ink, appearing to read "Jeffery A. Small".

Jeffery A. Small, Audit Manager

A handwritten signature in black ink, appearing to read "Kathy L. Welch".

Kathy L. Welch, Audit Staff

A handwritten signature in black ink, appearing to read "Charleston J. Winston".

Charleston J. Winston, District Audit Supervisor

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**DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING**

October 23, 2002

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit affiliate transactions and allocations of Utilities, Inc. and all Florida affiliates for the historical 12-month period ended December 31, 2001. There is confidential information associated with this audit.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT FINDINGS

Plant-in-service should be reduced by \$8,817 and \$56,774 for lack of support. Transfers that were not recorded for \$120,817 should also be removed from plant-in-service.

Expenses for audit fees should be reduced by \$12,600 for lack of support and \$7,550 for acquisition costs.

Expenses for directors' fees should be reduced by \$56,500 to include the reduction of these costs on a going-forward basis.

Expenses for FICA should be reduced by \$123,397 due to an error in computation.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report.

Scanned - The documents or accounts were read quickly looking for obvious errors.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Reviewed - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

RATE BASE: Examined plant from December 31, 1995, by selecting invoices and tracing to source documents. Recalculated depreciation using Commission rates. Reviewed allowance for funds used during construction. Determined allocation methodology and reviewed for reasonableness.

COST OF CAPITAL: Compiled cost of capital. Tested interest expense by tracing to bank statements and notes. Recalculated all schedules.

NET OPERATING INCOME: Examined selected expense accounts and judgmentally sampled amounts from the ledger to invoices. Determined the current payroll and compared to the prior year. Reviewed expenses for items that were nonrecurring because of the reorganization. Recalculated depreciation. Determined allocation methodology and reviewed for reasonableness. Reviewed expenses that should have been charged to a particular division as opposed to being allocated, merger-related expenses, nonrecurring items, and acquisition costs. Scanned the process used to record all costs related to one acquisition.

ALLOCATIONS: Recalculated allocation methodology and amounts charged to Florida and reconciled to the filings. Obtained supporting documentation for sources of the components used to calculate the allocation factors. Determined factors were consistently applied from year to year.

OTHER: Reviewed Board of Director Minutes and outside auditor work papers.

Exception No. 1

Subject: Rate Base Invoices Missing and Inventory Transfer Not Recorded

Statement of Fact: When testing Water Service Corporation's (WSC) rate base additions, some invoices could not be located by the company.

Standard 46476*11177	1996	\$4,607.54 office equipment
Execution 46181*94282	1996	<u>\$4,209.81</u> communication equipment
Total		\$8,817.35

The company depreciated both of these assets at 10 percent a year. Using 5.5 years, the accumulated depreciation at December 31, 2001, would be \$2,534.15 and \$2,315.39, respectively.

In addition, when auditing the supporting documentation for computer costs, two problems were found. One was that some invoices could not be located, and the second was that some equipment transfers or retirements were never posted to the ledgers. The invoices missing are:

Acct. 3406020 21557*09834 CDW Comp.	1999	\$ 1,240.05
Acct. 3406020 22204*09834 CDW Comp.	1999	3,572.09
Acct. 3406020 23173*11867 JDI Tech.	1999	5,728.26
Acct. 3406010 52739*10729 Wink Com.	1998	21,125.27
Acct. 3406020 78305*09834 CDW Comp.	1998	<u>25,109.07</u>
Total		\$56,774.74

When invoices were reviewed, it was determined that new computers replaced old ones which were either transferred or destroyed. The company was asked to prove that these retirements and transfers were booked. It provided a transfer entry for August 31, 2000, and said that no other support existed. The entry did not contain detail as to which computers were being transferred or retired. The company finally provided a list of all transfers and retirements by inventory number. These transfers out of WSC were traced to ledger entries of the same amount for all the years. Because several entries had similar dollar amounts, the exact entry could not be determined. The transfer report contained \$120,817.53 of entries that could not be traced to the ledger and therefore never posted. Most of these items were transferred to other divisions. \$71,434.83 of the items on the transfer report were for items that were destroyed and therefore debited to accumulated depreciation.

The company also provided an inventory dated August 14, 2002, for computer equipment for WSC. The inventory totals \$589,322.24. Rate base shows the mainframe computer at \$377,085 and minicomputers at \$473,693 for a total of \$850,778.

Recommendation: WSC plant should be reduced by the \$8,817.35 for invoices not located, and the associated accumulated depreciation should also be reduced.

WSC plant should also be reduced for computer equipment by the \$56,774 for invoices that could not be located and the \$120,817 of transfers that were never recorded. We further recommend that computer equipment and accumulated depreciation should reflect a zero balance as of December 31, 2001, for the following audit staff findings.

Exception No. 1, continued

- 1) The company could not provide the purchase dates for the computers on its inventory list that would have enabled the audit staff to determine the amount of accumulated depreciation relating to its computer equipment
- 2) The audit staff's adjustment of \$8,817.35 for the missing invoices and \$120,817.53 for the transfers of computer equipment that was not recorded, as discussed above, when applied to the company's current balances for mainframe and minicomputers would create a negative rate base balance since accumulated depreciation would exceed the balance in both accounts.

Therefore, the audit staff has set both accounts and respective accumulated depreciation to zero as displayed in Exhibit I of this report.

	<u>Plant</u>	<u>Accumulated Depreciation</u>
Balance in Rate Base for Mainframe and Minicomputers	\$850,778	\$769,593
Remove invoices not found	(56,775)	
Remove transfers not made	(120,818)	(71,435)
Net after adjustments	\$673,185	\$698,158
Per company inventory	\$589,322	

Since the plant appears to be fully depreciated after the adjustments are made, computer depreciation expense of \$63,482 should also be removed from expenses. The company needs to improve the procedures for recording retirements and transfers and expand its inventory data base to include dates of purchase.

Exception No. 2

Subject: Interest Expense

Statement of Fact: The company has included interest expense and interest income in the Water Service Corporation costs which are allocated to the utility divisions. Interest expense is recorded in Account 4192000 and totals \$392,910. Interest income is the interest on the cash accounts and is recorded in Account 4272090 and totals \$9,426.

The Commission does not include interest expense in recoverable expenses because the cost of capital calculation used allows a return sufficient to cover the interest expenses related to the rate base investment. Interest income is included when cash accounts are included in working capital. The company has not included any working capital for Water Service Corporation.

Recommendation: Interest expense and income should be removed from the income statement and not allocated to the utility divisions. An audit staff-adjusted WSC expense statement that shows amounts allocated to each division is included as Exhibit II in this report. The revised amounts for each Florida division are detailed in this report. Utilities, Inc. of Florida is shown as one division as reflected by the company. It has not been allocated to the individual counties as reflected in the recent filing made by the company.

Exception No. 3

Subject: Audit Fees

Statement of Fact: Account 6329002, Year End 2001 contains audit fees paid to Arthur Anderson. Invoices were requested which showed total audit fees for the year 2000 audit of \$119,400. The company had accrued \$132,000 in this account. The difference is \$12,600. The company was asked why there was a difference in the account and if its fees would increase for the 2001 audit. The response provided was that the \$119,400 is the actual cost and no increase in costs had been determined. The \$132,000 of costs was allocated using allocation factor one which is the basic customer equivalent factor.

Account 6369090, Other Outside Services includes an invoice from Arthur Anderson for \$7,550 that is related to the review of year 2000 acquisitions. Acquisition costs are included by the company in a preliminary survey account and then allocated to capital accounts at the individual utility division. These costs were allocated to the utility divisions using allocation factor one which is the basic customer equivalent factor.

Recommendation: Since the company did not provide any reason for the difference, the costs in Account 6329002 should be reduced by \$12,600. Acquisition costs should be charged to the individual divisions and allocated costs from Account 6369090 should be reduced by \$7,550. An audit staff-adjusted WSC expense statement that shows amounts allocated to each division is included as Exhibit II in this report. The revised amounts for each Florida division are detailed in this report. Utilities, Inc. of Florida is shown as one division as reflected by the company. It has not been allocated to the individual counties as reflected in the recent filing made by the company.

Exception No. 4

Subject: Directors' Fees

Statement of Fact: Directors' fees included in Water Service Corp. costs are \$116,500 and recorded in Account 6369008. This account is allocated using allocation factor one which is the basic customer equivalent factor. Utilities, Inc. has been purchased by Nuon Acquisition Sub, Inc. Since the takeover, the number of directors has been reduced from six to three.

Recommendation: Since rates are set on a going-forward basis, expenses should reflect the costs that will be in effect in 2002. Costs for directors' fees are expected to be:

Annual fee of \$6,000 times three directors	\$ 18,000
\$3,500 per meeting times three directors times 4 meetings	<u>42,000</u>
Total Estimated Cost Per Year	\$ 60,000
Actual directors' fees in the year 2001	\$116,500
Difference	\$ 56,500

Cost should be reduced on a going-forward basis by \$56,500. An audit staff-adjusted WSC expense statement that shows amounts allocated to each division is included as Exhibit II in this report. The revised amounts for each Florida division are detailed in this report. Utilities, Inc. of Florida is shown as one division as reflected by the company. It has not been allocated to the individual counties as reflected in the recent filing made by the company.

Exception No. 5

Subject: Finder's Fees

Statement of Fact: The company provides finder's fees for informing the company about systems that can be purchased. Prior rate Order No. PSC-98-05224-SU, issued April 16, 1998, removed these costs from rate base but allowed them as expenses. The company charged \$46,529 to average rate base for the deferred portion of employee finder's fees.

The company included \$21,615.00 of these costs in expenses in Account 636006, Employee Finder's Fees and allocated them using factor one which is the customer equivalent factor for all states.

Recommendation: These costs should be charged to the acquisition costs of the system being purchased and should be removed from expenses. Since they can be identified with a particular system, they should not be allocated through a process that is for common costs. The amounts allocated to the Florida divisions can be found in the audit staff-prepared Exhibit II of this report.

Exception No. 6

Subject: FICA Expenses

Statement of Fact: Account 4081201 showed FICA expenses at \$246,309. These costs were allocated to the utility divisions using allocation methodology five. Actual FICA costs were computed for Water Service Corp. using 7.65 percent of salaries up to a maximum salary level of \$80,440. The total was \$122,911.71 or \$123,397.29 less than the booked amount. The company did not allocate any of this account to capitalized wages, computers or customer service expense. The schedule attached to Exception No. 7 details these costs by these categories.

Recommendation: The expense account should be reduced by \$123,397.29. (See Exception No. 7 for additional FICA adjustments.) Division FICA costs were reviewed to determine if there is a misallocation that would result in the division costs being understated. This was not the case. The company response indicated that an error had been made in booking the costs. No further explanation was provided. An audit staff-adjusted WSC expense statement that shows amounts allocated to each division is included as Exhibit II in this report. The revised amounts for each Florida division are detailed in this report. Utilities, Inc. of Florida is shown as one division as reflected by the company. It has not been allocated to the individual counties as reflected in the recent filing made by the company.

Exception No. 7

Subject: Payroll and Benefits

Statement of Fact: Because the company was taken over by Nuon Acquisition Sub, Inc. in 2001, several employees left the company. There were change of control pay-outs made in 2001, none of which were charged and allocated through Water Service Corporations allocations. The net payroll at December 31, 2001, after these change of control payments that were used in the allocation methodology schedules for Water Service Corporation is more than the annual salary for staff employed at June 30, 2002, because several employees left and were not replaced. The total reduction is \$220,022.50 for salaries, \$10,288.70 for FICA, \$6,600.68 for pension and \$6,671.45 for the Employee Stock Option Plan (ESOP). The actual salaries are charged to three allocation pools: computers, customer service and regular administrative and general. The administrative and general salaries were adjusted by the company for capitalized salaries. (See the attached schedule for amounts.) No adjustment was made to charge payroll taxes, pension or employee benefits to these allocation groups.

Recommendation: FICA and pension benefits related to the capitalized salaries should be removed and capitalized since they create a mismatch of payroll and related expenses. The FICA costs relating to these capitalized salaries after the above reduction are \$66,691.37. Pension costs are \$40,225 (3 percent of \$1,340,830.93 salaries capitalized) and employee stock options are \$53,633 (4 percent of \$1,340,830.93 salaries capitalized). Although the company does not actually have an employee stock option plan since the takeover, they are still contributing money to an employee pension program for the same amount.

The attached schedule shows the actual total salaries by category compared to the June 30, 2002 salaries. Based on this schedule, Account 6019045, Computer Salaries should be reduced by \$10,439.49. Account 6019070, Customer Service which is allocated using factor two and not charged to Florida increases by \$3,362.26. Account 6019054, Administrative Salaries would be reduced by \$63,585.43. Capitalized salaries would be reduced by \$149,359.74. However, since amounts capitalized are based on actual test year costs, and those costs were actually incurred, it would not be proper to adjust the plant accounts for 2001. On a going-forward basis, this reduction would not affect expenses since the capitalized portion was not charged to them to begin with.

Account 40811201, FICA Expense should be reduced by \$3,626 for the difference between FICA using actual 2001 payroll versus pro forma payroll times the FICA rate. The portion related to capitalized salaries has not been included in this amount since it was adjusted above. This account is allocated using allocation formula number five.

Account 6049020, Pension Contributions should be reduced by \$2,119.88 and Account 6049070, ESOP Contributions should be reduced by \$2,190.66. Again, these are net of the amounts transferred to capitalized wages. Both of these accounts are allocated using allocation factor six. The reasonableness of the allocation methodologies is discussed in Disclosure No. 2.

Exception No. 7, continued

An audit staff-adjusted WSC expense statement that shows amounts allocated to each division is included as Exhibit II in this report. The revised amounts for each Florida division are detailed in this report. Utilities, Inc. of Florida is shown as one division as reflected by the company. It has not been allocated to the individual counties as reflected in the recent filing made by the company.

Schedule for Exception No. 7

UTILITIES, INC.
 ANALYSIS OF WATER SERVICE CORP PAYROLL
 WATER SERVICE CORP.
 PAYROLL IN TEST YEAR COMPARED TO CURRENT AND FICA DIFFERENCE
 TEST YEAR ENDED DECEMBER 31, 2001

EMPLOYEE	PAYROLL 12/31/01 W/O CHANGE OF CONTROL	FICA AT 7.65%	JUNE 30, 2002 SALARY	FICA AT 7.65%	SALARY DIFFERENCE	FICA DIFFERENCE	PENSION 3%	ESOP 4%
TOTAL COMPUTERS	\$196,339.81	\$15,020.00	\$185,900.22	\$14,221.37	(\$10,439.59)	(\$798.63)	(\$313.19)	(\$417.58)
TOTAL CUSTOMER SERVICE	171,479.74	12,808.50	174,842.00	12,816.96	3,362.26	8.46	100.87	134.49
ADMINISTRATIVE/ACCTG. SALARIES PERCENT CAPITALIZED	1,911,649.45	95,083.22	1,698,704.28	85,584.68	(212,945.17)	(9,498.53)	(6,388.36)	(6,388.36)
PORTION CAPITAL	1,340,830.93	66,691.37	1,191,471.18	60,029.10	(149,359.74)	(6,662.27)	(4,480.79)	(4,480.79)
PORTION EXPENSE	570,818.53	28,391.85	507,233.10	25,555.59	(63,585.43)	(2,836.26)	(1,907.56)	(1,907.56)
TOTAL	1,911,649.45	95,083.22	1,698,704.28	85,584.68	(212,945.17)	(9,498.53)	(6,388.36)	(6,388.36)
TOTAL ALL DIVISIONS	2,279,469.00	122,911.71	2,059,446.50	112,623.01	(220,022.50)	(10,288.70)	(6,600.68)	(6,671.45)
FICA PER GL IN 2001 DIFFERENCE		246,309.00 (123,397.29)						
EXCLUDING CAPITALIZED SAL.	\$938,638.07	\$56,220.34	\$867,975.32	\$52,593.91	(\$70,662.76)	(\$3,626.43)	(\$2,119.88)	(\$2,190.66)
(TOTAL COMPUTER+TOTAL CUSTOMER SERVICE+ADMINISTRATIVE EXPENSED)								

Exception No. 8

Subject: Training Costs

Statement of Fact: Included in Account 7048055, Office Education Training was \$7,849.96 for tuition for David Orr who is a Florida employee. This account was allocated using allocation factor five.

Recommendation: The allocated costs should not include those costs that relate to a specific state or division. The \$7,849.96 should be removed from expenses. The amounts allocated to the Florida divisions can be found on the attached staff-adjusted expense analysis.

Exception No. 9

Subject: Life Insurance

Statement of Fact: Life insurance charged through Water Service Corp. included some insurance for officers who are no longer with the company. These costs total \$6,427.21. Commission Order PSC-98-0524-FOF-SU, issued April 16, 1998, removed life insurance where the utility is the beneficiary and fiduciary policies protecting directors, officers and pension funds. The amounts charged related to these policies including the \$6,427 that is nonrecurring is \$104,112.

Insurance was allocated using allocation factor 11.

Recommendation: Nonrecurring expenses and amounts determined by the prior Commission Order to be inappropriate should be removed from the allocations. The amounts allocated to the Florida divisions are shown in the audit-staff prepared Exhibit II of this report.

Exception No. 10

Subject: Cost of Capital

Statement of Fact: The company included a credit for accumulated deferred taxes of \$339,113 in rate base. This is the portion of deferred taxes that relates to Water Service Corp. and is not the consolidated Utilities, Inc. balance. Order No. PSC-98-0524-FOF-SU removed these taxes in the past.

In calculating the cost of capital, the company did not include consolidated deferred taxes. In all counties except Marion, in Docket No. 020071-WS of Utilities, Inc. of Florida's Minimum Filing Requirements (MFRs) Schedule D-1 included \$2,788 for deferred taxes. This is believed to be the average of the Account 237 for one division which is accrued interest.

The company did have a regulatory asset that offset deferred taxes. The average balance for the consolidated Utilities, Inc. deferred income tax is \$16,345,859 net of the regulatory asset. The company also has unamortized investment tax credits averaging \$1,318,251.

All counties used an amount for customer deposits that did not agree with the division's general ledger. The amounts follow:

	<u>Per Filing</u>	<u>Per Ledger</u>
Orange County	\$ 4,765	\$ 4,862
Marion County	(4,865)	5,026
Seminole County	43,948	43,789
Pasco County	14,973	15,276
Pinellas County	3,413	3,723

The notes related to short-term debt were reviewed. It was determined that the amounts in MFRs Schedule D-4 for short-term debt did not agree to the MFRs Schedule D-1. The company corrected this in the revised filing but included an adjustment to interest that removed interest related to acquisitions.

Long-term debt in MFRs Schedule D-5 was traced to the notes. It could not be reconciled to the lead schedules. In addition, a note paid off during the year was left off of MFRs Schedule D-5.

The company used different rates of return for equity for each division. The equity ratio is the same for all companies and thus using the formula provides the same rate for all companies.

Recommendation: The audit staff-prepared revised cost of capital exhibits that incorporated the correct general ledger amounts and the corrected interest rates which were computed from the company's outstanding notes and bank statements. See Exhibits VI through X of this report.

The revised cost of capital exhibits also include consolidated Utilities, Inc.'s deferred taxes net of the regulatory assets.

Exception No. 10, continued

The MFRs Schedule D-4 of short-term debt was recalculated. The actual effective rate for short-term debt calculated by the audit staff using bank statements is 5.18 percent. The 13-month average balances from the general ledger were used.

The MFRs Schedule D-5 of debt was recalculated using all notes and the 13-month average balances from the general ledger. The effective rate is 8.63 percent.

The general ledger balances for the customer deposits for the five counties are included in the revised cost of capital Exhibits VII through X of this report.

The equity rate for all companies was changed to 10.914 percent based on Order PSC-02-1252-CO-WS, issued September 11, 2002.

The weighted cost rate for Utilities, Inc. is 8.42 percent.

The weighted cost rates for the five Utilities, Inc. of Florida counties are:

Marion	8.39%
Orange	8.29%
Pasco	8.40%
Pinellas	8.38%
Seminole	8.39%

Disclosure No. 1

Subject: Allowance for Funds Used During Construction

Statement of Fact: Water Service Corp. capitalized interest for a few projects over the years. Therefore, these costs are included in plant allocated to the subsidiaries. There is no approved AFUDC rate for Water Service Corp. However, there are approved rates for Seminole, Orange, Pasco, Marion and Pinellas Counties. Interest capitalized is as follows:

2001	Obtain water service for Northbrook office	\$5,433.00	10.11%
2000	Obtain water service for Northbrook office	\$2,285.00	10.11%
1998	Backup generator	\$2,541.00	10.16%
1998	Convert chart of accounts	\$ 880.00	10.16%
1997	Various	\$1,592.00	10.20%
1996	Various	<u>\$9,574.00</u>	10.32%
Total		\$22,305.00	

Recommendation: These rates are higher than the rates approved for the counties which range from 8.61 percent to 9.01 percent. However, the difference is immaterial and after allocating to each division, the amount would not be material. No further work was done. However, if the company requested one rate for the entire company, this problem would be eliminated.

Disclosure No. 2

Subject: WSC Allocation Factors

Statement of Fact: Water Service Corp. allocates rate base and expenses using 11 different allocation factors. Most of these factors are based on the customer equivalent factor. To determine customer equivalents, the company records single family equivalents for each development as of the end of June of the year the allocation is to take place. It then determines the customer equivalents by taking the single family equivalents and adjusting it to one half for the following reasons:

1. The division has both water and wastewater. The wastewater is counted at one half.
2. The customer is an availability customer only. The customer is counted at one quarter.
3. The water company is distribution only. The customer is counted at one half.
4. The wastewater company is collection only. The customer is counted at one half.

The company could not provide a formula or methodology for determining the single family equivalent number.

Also, the company is the contract operator for two water plants and three wastewater plants. According to a company representative, no costs were ever allocated to these operations.

Recommendation: Not having a formalized methodology for determining single family equivalents can cause inconsistency between divisions. According to a company representative, the company determines the estimated gallons at the time of purchase and inputs a number for single family equivalents based on gallons. This may not be based on the same number of gallons per single family as a different person may use the next year or year after. No mention was made of how the single factor equivalent is adjusted for new customers.

The audit staff attempted to determine gallons of water purchased and pumped and gallons of wastewater treated so that we could determine our own calculation of equivalent residential connections (ERCs) for each company. The audit staff planned on using these ERCs to prepare our own customer equivalent schedule and to compare it to the Florida allocations using customer equivalents. If it was significantly different, almost all 11 allocation factors would have to be redone.

The company could not provide gallons of wastewater treated for states other than Florida. It claimed that operating reports were not available to provide the information. In addition, some small water plants did not have usage reports. The report of number of customers that the company provided showed water customers and did not break down wastewater number of customers by division. Therefore, we were unable to determine ERCs and unable to determine if the company's computation is reasonable.

Disclosure No. 2, continued

The company should be required to provide to the Commission as part of the Utilities, Inc. of Florida filing, the calculation based on ERCs using a method consistent between each division. It should be compared to the customer equivalent factors provided by the company to determine if the company allocation methodology is reasonable. If not, the company should revise all 11 allocation factors so that the allocations of expenses and rate base can be reallocated. The allocation methodology needs to allocate costs to the divisions that the company is acting as a contract operator and billing agent for.

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WATER SERVICE CORP. AVERAGE RATE BASE CALCULATION TEST YEAR ENDED DECEMBER 31, 2001

	13-MONTH AVERAGE BALANCE CO.	PSC STAFF ADJUSTMENTS	13-MONTH AVERAGE ADJUSTED BALANCE	ALLOCATION METHODOLOGY	MILES GRANT ALLOCATION %	MILES GRANT AMOUNT	TERRE VERDE ALLOCATION %	TERRE VERDE AMOUNT
LAND AND LAND RIGHTS	\$95,000		\$95,000	5	0.839%	\$797	0.467%	\$444
OFFICE STRUCTURES	2,537,870		2,537,870	5	0.839%	21,293	0.467%	11,852
OFFICE FURNITURE	1,056,260	(4,608)	1,051,652	5	0.839%	8,823	0.467%	4,911
TELEPHONE	120,696	(4,210)	116,486	5	0.839%	977	0.467%	544
TOOLS SHOP AND MISC.	20,040		20,040	3		0		0
COMMUNICATION EQUIPMENT	246,250		246,250	5	0.839%	2,066	0.467%	1,150
TOTAL PLANT	4,076,116	(8,817)	4,067,299		4.195%	33,957	2.335%	18,901
A/D OFFICE STRUCTURES	(819,906)		(819,906)	5	0.839%	(6,879)	0.467%	(3,829)
A/D OFFICE FURNITURE	(833,804)	2,534	(831,270)	5	0.839%	(6,974)	0.467%	(3,882)
A/D TELEPHONE	(89,208)	2,315	(86,893)	5	0.839%	(729)	0.467%	(406)
A/D TOOLS SHOP AND MISC.	(19,806)		(19,806)	3		0		0
A/D COMMUNICATIONS EQUIP.	(130,530)		(130,530)	5	0.839%	(1,095)	0.467%	(610)
TOTAL ACC. DEPRECIATION	(1,893,254)	4,849	(1,888,405)	23	0	(15,678)	0	(8,726)
PLANT IN PROGRESS	122,552		122,552	5	0.839%	1,028	0.467%	572
DEFERRED CHARGES EMP. FEES	46,529	(46,529)	0	1	1.013%	0	0.619%	0
MAINFRAME COMPUTER	374,917	(374,917)	0	4	0.550%	0	0.020%	0
MINI COMPUTERS	459,923	(459,923)	0	4	0.550%	0	0.020%	0
A/D MAINFRAME COMPUTER	(321,872)	321,872	0	4	0.550%	0	0.020%	0
A/D MINI COMPUTER	(412,766)	412,766	0	4	0.550%	0	0.020%	0
COMPUTER SYSTEM COST	781,626		781,626	4	0.550%	4,299	0.020%	156
MICRO COST	95,939		95,939	4	0.550%	528	0.020%	19
COMP. SYSTEM AMORTIZATION	(696,639)		(696,639)	4	0.550%	(3,832)	0.020%	(139)
MICRO SYSTEM AMORTIZATION	(76,663)		(76,663)	4	0.550%	(422)	0.020%	(15)
DEFERRED TAXES	(339,113)	339,113	0	5	0.839%	0	0.467%	0
TOTAL NET RATE BASE	\$2,217,295	\$188,414	\$2,405,709			\$19,881		\$10,768

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**WATER SERVICE CORP.
AVERAGE RATE BASE CALCULATION
TEST YEAR ENDED DECEMBER 31, 2001**

	LAKE PLACID ALLOCATION %	LAKE PLACID AMOUNT	EASTLAKE WATER ALLOCATION %	EASTLAKE WATER AMOUNT	PEBBLE CREEK ALLOCATION %	PEBBLE CREEK AMOUNT	ALAFAYA ALLOCATION %	ALAFAYA AMOUNT
LAND AND LAND RIGHTS	0.156%	\$148	0.662%	\$629	1.021%	\$970	2.985%	\$2,836
OFFICE STRUCTURES	0.156%	3,959	0.662%	16,801	1.021%	25,912	2.985%	75,755
OFFICE FURNITURE	0.156%	1,641	0.662%	6,962	1.021%	10,737	2.985%	31,392
TELEPHONE	0.156%	182	0.662%	771	1.021%	1,189	2.985%	3,477
TOOLS SHOP AND MISC.		0		0		0		0
COMMUNICATION EQUIPMENT	0.156%	384	0.662%	1,630	1.021%	2,514	2.985%	7,351
TOTAL PLANT	0.780%	6,314	3.310%	26,793	5.105%	41,323	14.925%	120,811
A/D OFFICE STRUCTURES	0.156%	(1,279)	0.662%	(5,428)	1.021%	(8,371)	2.985%	(24,474)
A/D OFFICE FURNITURE	0.156%	(1,297)	0.662%	(5,503)	1.021%	(8,487)	2.985%	(24,813)
A/D TELEPHONE	0.156%	(136)	0.662%	(575)	1.021%	(887)	2.985%	(2,594)
A/D TOOLS SHOP AND MISC.		0		0		0		0
A/D COMMUNICATIONS EQUIP.	0.156%	(204)	0.662%	(864)	1.021%	(1,333)	2.985%	(3,896)
TOTAL ACC. DEPRECIATION	0	(2,915)	0	(12,370)	0	(19,078)	0	(55,778)
PLANT IN PROGRESS	0.156%	191	0.662%	811	1.021%	1,251	2.985%	3,658
DEFERRED CHARGES EMP. FEES	0.176%	0	0.741%	0	1.140%	0	3.098%	0
MAINFRAME COMPUTER	0.170%	0	0.740%	0	1.160%	0	4.630%	0
MINI COMPUTERS	0.170%	0	0.740%	0	1.160%	0	4.630%	0
A/D MAINFRAME COMPUTER	0.170%	0	0.740%	0	1.160%	0	4.630%	0
A/D MINI COMPUTER	0.170%	0	0.740%	0	1.160%	0	4.630%	0
COMPUTER SYSTEM COST	0.170%	1,329	0.740%	5,784	1.160%	9,067	4.630%	36,189
MICRO COST	0.170%	163	0.740%	710	1.160%	1,113	4.630%	4,442
COMP. SYSTEM AMORTIZATION	0.170%	(1,184)	0.740%	(5,155)	1.160%	(8,081)	4.630%	(32,254)
MICRO SYSTEM AMORTIZATION	0.170%	(130)	0.740%	(567)	1.160%	(889)	4.630%	(3,549)
DEFERRED TAXES	0.156%	0	0.662%	0	1.021%	0	2.985%	0
TOTAL NET RATE BASE		\$3,767		\$16,006		\$24,705		\$73,519

Audit Staff-Prepared Exhibit I

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WATER SERVICE CORP. AVERAGE RATE BASE CALCULATION TEST YEAR ENDED DECEMBER 31, 2001

	UTILITIES INC. OF LONGWOOD ALLOCATION %	UTILITIES INC. OF LONGWOOD AMOUNT	WEDGEFIELD ALLOCATION %	WEDGEFIELD AMOUNT	CYPRESS LAKES ALLOCATION %	CYPRESS LAKES AMOUNT	EAGLE RIDGE ALLOCATION %	EAGLE RIDGE AMOUNT
LAND AND LAND RIGHTS	0.937%	\$890	0.695%	\$660	0.793%	\$753	1.188%	\$1,129
OFFICE STRUCTURES	0.937%	23,780	0.695%	17,638	0.793%	20,125	1.188%	30,150
OFFICE FURNITURE	0.937%	9,854	0.695%	7,309	0.793%	8,340	1.188%	12,494
TELEPHONE	0.937%	1,091	0.695%	810	0.793%	924	1.188%	1,384
TOOLS SHOP AND MISC.		0		0		0		0
COMMUNICATION EQUIPMENT	0.937%	2,307	0.695%	1,711	0.793%	1,953	1.188%	2,925
TOTAL PLANT	4.685%	37,923	3.475%	28,128	3.965%	32,095	5.940%	48,081
A/D OFFICE STRUCTURES	0.937%	(7,683)	0.695%	(5,698)	0.793%	(6,502)	1.188%	(9,740)
A/D OFFICE FURNITURE	0.937%	(7,789)	0.695%	(5,777)	0.793%	(6,592)	1.188%	(9,875)
A/D TELEPHONE	0.937%	(814)	0.695%	(604)	0.793%	(689)	1.188%	(1,032)
A/D TOOLS SHOP AND MISC.		0		0		0		0
A/D COMMUNICATIONS EQUIP.	0.937%	(1,223)	0.695%	(907)	0.793%	(1,035)	1.188%	(1,551)
TOTAL ACC. DEPRECIATION	0	(17,509)	0	(12,987)	0	(14,818)	0	(22,199)
PLANT IN PROGRESS	0.937%	1,148	0.695%	852	0.793%	972	1.188%	1,456
DEFERRED CHARGES EMP. FEES	0.986%	0	0.765%	0	0.883%	0	1.450%	0
MAINFRAME COMPUTER	1.380%	0	0.850%	0	0.920%	0	0.710%	0
MINI COMPUTERS	1.380%	0	0.850%	0	0.920%	0	0.710%	0
A/D MAINFRAME COMPUTER	1.380%	0	0.850%	0	0.920%	0	0.710%	0
A/D MINI COMPUTER	1.380%	0	0.850%	0	0.920%	0	0.710%	0
COMPUTER SYSTEM COST	1.380%	10,786	0.850%	6,644	0.920%	7,191	0.710%	5,550
MICRO COST	1.380%	1,324	0.850%	815	0.920%	883	0.710%	681
COMP. SYSTEM AMORTIZATION	1.380%	(9,614)	0.850%	(5,921)	0.920%	(6,409)	0.710%	(4,946)
MICRO SYSTEM AMORTIZATION	1.380%	(1,058)	0.850%	(652)	0.920%	(705)	0.710%	(544)
DEFERRED TAXES	0.937%	0	0.695%	0	0.793%	0	1.188%	0
TOTAL NET RATE BASE	22.333%	\$23,001	15.210%	\$16,880	16.966%	\$19,208	20.198%	\$28,079

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**WATER SERVICE CORP.
AVERAGE RATE BASE CALCULATION
TEST YEAR ENDED DECEMBER 31, 2001**

	SANLANDO ALLOCATION %	SANLANDO AMOUNT	LAKE GROVES ALLOCATION %	LAKE GROVES AMOUNT	SANDALHAVEN ALLOCATION %	SANDALHAVEN AMOUNT	BAYSIDE ALLOCATION %	BAYSIDE AMOUNT
LAND AND LAND RIGHTS	8.701%	\$8,266	1.324%	\$1,258	0.501%	\$476	0.205%	\$195
OFFICE STRUCTURES	8.701%	220,820	1.324%	33,601	0.501%	12,715	0.205%	5,203
OFFICE FURNITURE	8.701%	91,504	1.324%	13,924	0.501%	5,269	0.205%	2,156
TELEPHONE	8.701%	10,135	1.324%	1,542	0.501%	584	0.205%	239
TOOLS SHOP AND MISC.		0		0		0		0
COMMUNICATION EQUIPMENT	8.701%	21,426	1.324%	3,260	0.501%	1,234	0.205%	505
TOTAL PLANT	43.505%	352,152	6.620%	53,586	2.505%	20,277	1.025%	8,297
A/D OFFICE STRUCTURES	8.701%	(71,340)	1.324%	(10,856)	0.501%	(4,108)	0.205%	(1,681)
A/D OFFICE FURNITURE	8.701%	(72,329)	1.324%	(11,006)	0.501%	(4,165)	0.205%	(1,704)
A/D TELEPHONE	8.701%	(7,561)	1.324%	(1,150)	0.501%	(435)	0.205%	(178)
A/D TOOLS SHOP AND MISC.		0		0		0		0
A/D COMMUNICATIONS EQUIP.	8.701%	(11,357)	1.324%	(1,728)	0.501%	(654)	0.205%	(268)
TOTAL ACC. DEPRECIATION	0	(162,587)	0	(24,740)	0	(9,362)	0	(3,831)
PLANT IN PROGRESS	8.701%	10,663	1.324%	1,623	0.501%	614	0.205%	251
DEFERRED CHARGES EMP. FEES	10.054%	0	1.475%	0	0.544%	0	0.233%	0
MAINFRAME COMPUTER	8.120%	0	1.520%	0	0.650%	0	0.210%	0
MINI COMPUTERS	8.120%	0	1.520%	0	0.650%	0	0.210%	0
A/D MAINFRAME COMPUTER	8.120%	0	1.520%	0	0.650%	0	0.210%	0
A/D MINI COMPUTER	8.120%	0	1.520%	0	0.650%	0	0.210%	0
COMPUTER SYSTEM COST	8.120%	63,468	1.520%	11,881	0.650%	5,081	0.210%	1,641
MICRO COST	8.120%	7,790	1.520%	1,458	0.650%	624	0.210%	201
COMP. SYSTEM AMORTIZATION	8.120%	(56,567)	1.520%	(10,589)	0.650%	(4,528)	0.210%	(1,463)
MICRO SYSTEM AMORTIZATION	8.120%	(6,225)	1.520%	(1,165)	0.650%	(498)	0.210%	(161)
DEFERRED TAXES	8.701%	0	1.324%	0	0.501%	0	0.205%	0
TOTAL NET RATE BASE		\$208,695		\$32,053		\$12,207		\$4,936

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WATER SERVICE CORP. AVERAGE RATE BASE CALCULATION TEST YEAR ENDED DECEMBER 31, 2001

	SOUTHGATE ALLOCATION %	SOUTHGATE AMOUNT	SANDY CREEK ALLOCATION %	SANDY CREEK AMOUNT	LAKE UTILITY ALLOCATION %	LAKE UTILITY AMOUNT	UTILITIES INC. OF FLORIDA ALLOCATION %	UTILITIES INC. OF FLORIDA AMOUNT
LAND AND LAND RIGHTS	1.680%	\$1,596	0.142%	\$135	1.300%	\$1,235	3.685%	\$3,501
OFFICE STRUCTURES	1.680%	42,636	0.142%	3,604	1.300%	32,992	3.685%	93,521
OFFICE FURNITURE	1.680%	17,668	0.142%	1,493	1.300%	13,671	3.685%	38,753
TELEPHONE	1.680%	1,957	0.142%	165	1.300%	1,514	3.685%	4,293
TOOLS SHOP AND MISC.		0		0		0		0
COMMUNICATION EQUIPMENT	1.680%	4,137	0.142%	350	1.300%	3,201	3.685%	9,074
TOTAL PLANT	8.400%	67,994	0.710%	5,747	6.500%	52,614	18.425%	149,141
A/D OFFICE STRUCTURES	1.680%	(13,774)	0.142%	(1,164)	1.300%	(10,659)	3.685%	(30,214)
A/D OFFICE FURNITURE	1.680%	(13,965)	0.142%	(1,180)	1.300%	(10,807)	3.685%	(30,632)
A/D TELEPHONE	1.680%	(1,460)	0.142%	(123)	1.300%	(1,130)	3.685%	(3,202)
A/D TOOLS SHOP AND MISC.		0		0		0		0
A/D COMMUNICATIONS EQUIP.	1.680%	(2,193)	0.142%	(185)	1.300%	(1,697)	3.685%	(4,810)
TOTAL ACC. DEPRECIATION	0	(31,392)	0	(2,653)	0	(24,292)	0	(68,858)
PLANT IN PROGRESS	1.680%	2,059	0.142%	174	1.300%	1,593	3.685%	4,516
DEFERRED CHARGES EMP. FEES	1.574%	0	0.153%	0	1.566%	0	4.205%	0
MAINFRAME COMPUTER	3.490%	0	0.190%	0	0.880%	0	3.720%	0
MINI COMPUTERS	3.490%	0	0.190%	0	0.880%	0	3.720%	0
A/D MAINFRAME COMPUTER	3.490%	0	0.190%	0	0.880%	0	3.720%	0
A/D MINI COMPUTER	3.490%	0	0.190%	0	0.880%	0	3.720%	0
COMPUTER SYSTEM COST	3.490%	27,279	0.190%	1,485	0.880%	6,878	3.720%	29,076
MICRO COST	3.490%	3,348	0.190%	182	0.880%	844	3.720%	3,569
COMP. SYSTEM AMORTIZATION	3.490%	(24,313)	0.190%	(1,324)	0.880%	(6,130)	3.720%	(25,915)
MICRO SYSTEM AMORTIZATION	3.490%	(2,676)	0.190%	(146)	0.880%	(675)	3.720%	(2,852)
DEFERRED TAXES	1.680%	0	0.142%	0	1.300%	0	3.685%	0
TOTAL NET RATE BASE		\$42,299		\$3,466		\$30,833		\$88,678

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UTILITIES, INC.
ANALYSIS OF EXPENSES
TEST YEAR ENDED DECEMBER 31, 2001

COMPANY ALLOCATED AMOUNT	STAFF ADJS.	ADJUSTED BALANCE	ALLOC. FACTOR	MILES GRANT ALLOC. %	MILES GRANT AMOUNT	TERRE VERDE ALLOC. %	TERRE VERDE AMOUNT	LAKE PLACID ALLOC. %	LAKE PLACID AMT.	EASTLAKE WATER ALLOC. %	EASTLAKE WATER AMOUNT	PEBBLE CREEK ALLOC. %	PEBBLE CREEK AMOUNT	ALAFAYA ALLOC. %	ALAFAYA AMOUNT
SALARIES OFFICE		\$570,767	1	1.013%	\$5,138	0.619%	\$3,139	0.176%	\$893	0.741%	\$3,758	1.140%	\$5,782	3.098%	\$15,712
SALARIES CUSTOMER SERV.		171,479	2												
AGENCY EXPENSE		4,891	1	1.013%	50	0.619%	30	0.176%	9	0.741%	36	1.140%	56	3.098%	152
AUDIT FEES	(12,600)	132,000	1	1.013%	1,210	0.619%	739	0.176%	210	0.741%	885	1.140%	1,361	3.098%	3,699
TEMP. EMPLOYEES		5,086	1	1.013%	52	0.619%	31	0.176%	9	0.741%	38	1.140%	58	3.098%	158
EMPLOY. FINDER FEES	(21,615)	0	1	1.013%	0	0.619%	0	0.176%	0	0.741%	0	1.140%	0	3.098%	0
DIRECTORS FEES	(56,500)	116,500	1	1.013%	608	0.619%	371	0.176%	106	0.741%	445	1.140%	684	3.098%	1,859
TAX RETURN REVIEW		56,265	1	1.013%	570	0.619%	348	0.176%	99	0.741%	417	1.140%	641	3.098%	1,743
OTHER OUTSIDE SERVICES	(7,550)	12,250	1	1.013%	48	0.619%	29	0.176%	8	0.741%	35	1.140%	54	3.098%	146
HEALTH INS. REIMB.		183,020	5	0.839%	1,536	0.467%	855	0.156%	286	0.662%	1,212	1.021%	1,869	2.985%	5,463
EMPLOYEE INS. DEDUCTION		(31,274)	5	0.839%	(262)	0.467%	(146)	0.156%	(49)	0.662%	(207)	1.021%	(319)	2.985%	(934)
HEATH COSTS AND OTHER		2,290	5	0.839%	19	0.467%	11	0.156%	4	0.662%	15	1.021%	23	2.985%	68
DENTAL INS. REIMB.		11,441	5	0.839%	96	0.467%	53	0.156%	18	0.662%	76	1.021%	117	2.985%	342
PENSION	(42,345)	69,416	6	0.731%	198	0.380%	103	0.143%	39	0.605%	164	0.936%	253	2.853%	772
HEALTH INS. PREMIUMS		23,309	5	0.839%	196	0.467%	109	0.156%	36	0.662%	154	1.021%	238	2.985%	696
DENTAL PREMIUMS		1,272	5	0.839%	11	0.467%	6	0.156%	2	0.662%	8	1.021%	13	2.985%	38
TERM LIFE INS.		4,663	5	0.839%	39	0.467%	22	0.156%	7	0.662%	31	1.021%	48	2.985%	139
ESOP	(55,824)	86,903	6	0.731%	227	0.380%	118	0.143%	44	0.605%	188	0.936%	291	2.853%	887
DISABILITY INSURANCE		2,512	5	0.839%	21	0.467%	12	0.156%	4	0.662%	17	1.021%	26	2.985%	75
OTHER EMP. PENS. AND BEN.		4,411	5	0.839%	37	0.467%	21	0.156%	7	0.662%	29	1.021%	45	2.985%	132
PUBL SUBSCRIPTIONS		5,055	1	1.013%	51	0.619%	31	0.176%	9	0.741%	37	1.140%	58	3.098%	157
ANSWERING SERVICE		6,436	2												
PRINTING AND BLUEPRINTS		20,042	5	0.839%	168	0.467%	94	0.156%	31	0.662%	133	1.021%	205	2.985%	598
XEROX		7,462	5	0.839%	63	0.467%	35	0.156%	12	0.662%	49	1.021%	76	2.985%	223
OFF SUPPLY STORES		42,164	5	0.839%	354	0.467%	197	0.156%	66	0.662%	279	1.021%	430	2.985%	1,259
OFFICE EMP. EXP.		2,160	5	0.839%	18	0.467%	10	0.156%	3	0.662%	14	1.021%	22	2.985%	64
CLEANING SUPPLIES		3,586	5	0.839%	30	0.467%	17	0.156%	6	0.662%	24	1.021%	37	2.985%	107
MEMBERSHIPS		460	5	0.839%	4	0.467%	2	0.156%	1	0.662%	3	1.021%	5	2.985%	14
OTHER OFFICE EXPENSE		1,302	5	0.839%	11	0.467%	6	0.156%	2	0.662%	9	1.021%	13	2.985%	39
OFFICE TELEPHONE		5,731	5	0.839%	82	0.467%	45	0.156%	15	0.662%	64	1.021%	99	2.985%	290
OFFICE ELECTRIC		27,348	5	0.839%	229	0.467%	128	0.156%	43	0.662%	181	1.021%	279	2.985%	816
OFFICE GAS		7,750	5	0.839%	65	0.467%	36	0.156%	12	0.662%	51	1.021%	79	2.985%	231
OFFICE UTILITIES OTHER		3,021	5	0.839%	25	0.467%	14	0.156%	5	0.662%	20	1.021%	31	2.985%	90
OFFICE CLEANING		26,750	5	0.839%	224	0.467%	125	0.156%	42	0.662%	177	1.021%	273	2.985%	798
LANDSCAPING, MOWING, SNOW		18,674	5	0.839%	157	0.467%	87	0.156%	29	0.662%	124	1.021%	191	2.985%	557
OFFICE GARBAGE REMOVAL		1,391	5	0.839%	12	0.467%	6	0.156%	2	0.662%	9	1.021%	14	2.985%	42
REPAIR OFF MACH AND HEAT.		5,297	5	0.839%	44	0.467%	25	0.156%	8	0.662%	35	1.021%	54	2.985%	158
OTHER OFFICE MAINT.		65,999	5	0.839%	554	0.467%	308	0.156%	103	0.662%	437	1.021%	674	2.985%	1,970
EMPLOYEE ED		4,701	5	0.839%	39	0.467%	22	0.156%	7	0.662%	31	1.021%	48	2.985%	140
OFFICE EDUCATION/TRAINING	(7,850)	12,200	5	0.839%	36	0.467%	20	0.156%	7	0.662%	29	1.021%	44	2.985%	130
MEALS		776	1	1.013%	8	0.619%	5	0.176%	1	0.741%	6	1.140%	9	3.098%	24
BANK SERVICE CHARGES		163,794	1	1.013%	1,659	0.619%	1,014	0.176%	288	0.741%	1,214	1.140%	1,867	3.098%	5,074
OTHER MISC. GEN.		9,061	1	1.013%	92	0.619%	56	0.176%	16	0.741%	67	1.140%	103	3.098%	281
DEPRECIATION OFFICE		63,779	5	0.839%	535	0.467%	298	0.156%	99	0.662%	422	1.021%	651	2.985%	1,904
DEPRECIATION FURN.		66,368	5	0.839%	557	0.467%	310	0.156%	104	0.662%	439	1.021%	678	2.985%	1,981
DEPRECIATION TELEPHONE		2,724	5	0.839%	23	0.467%	13	0.156%	4	0.662%	18	1.021%	28	2.985%	81
REAL ESTATE TAX		56,156	5	0.839%	471	0.467%	262	0.156%	88	0.662%	372	1.021%	573	2.985%	1,676
FICA TAX	(193,715)	246,309	5	0.839%	441	0.467%	246	0.156%	82	0.662%	348	1.021%	537	2.985%	1,570
SUTA		8,282	5	0.839%	69	0.467%	39	0.156%	13	0.662%	55	1.021%	85	2.985%	247
FUTA		1,839	5	0.839%	15	0.467%	9	0.156%	3	0.662%	12	1.021%	19	2.985%	55
INTEREST EXPENSE	(392,910)	392,910	0	18	0	0.430%	0	0.160%	0	0.670%	0	1.040%	0	3.130%	0
MISC. INCOME	(16,348)	(16,348)	5	0.839%	(137)	0.467%	(76)	0.156%	(26)	0.662%	(108)	1.021%	(167)	2.985%	(488)
SHORT-TERM INTEREST EXP.	(9,426)	0	5	0.839%	0	0.467%	0	0.156%	0	0.662%	0	1.021%	0	2.985%	0
TOTAL WITH ADJUSTMENTS		2,706,569			15,691		9,235		2,806		11,852		18,254		51,236
PER COMPANY	(845,068)	(845,068)			22,887		13,195		4,162		17,549		27,064		77,090
DIFFERENCE					(7,196)		(3,960)		(1,356)		(5,697)		(8,810)		(25,854)
INSURANCE	(104,112)	949,469	11	0.823%	6,957	0.349%	2,950	0.114%	964	0.485%	4,100	0.941%	7,955	2.230%	18,851
COMPUTER ALLOCATION:															
COMPUTER SALARIES	(10,440)	196,340	4	0.550%	1,022	0.020%	37	0.170%	316	0.740%	1,376	1.160%	2,156	4.630%	8,607
OUTSIDE COMPUTER CONS.		32,236	4	0.550%	177	0.020%	6	0.170%	55	0.740%	239	1.160%	374	4.630%	1,493
COMPUTER MAINT.		56,769	4	0.550%	312	0.020%	11	0.170%	97	0.740%	420	1.160%	659	4.630%	2,628
COMPUTER AMORT. & PROG.		34,955	4	0.550%	192	0.020%	7	0.170%	59	0.740%	259	1.160%	405	4.630%	1,618
MICROFILMING	(63,482)	10,368	4	0.550%	57	0.020%	2	0.170%	18	0.740%	77	1.160%	120	4.630%	480
DEPRECIATION COMPUTER	(73,922)	63,482	5	0.839%	0	0.467%	0	0.156%	0	0.662%	0	1.021%	0	2.985%	0
		394,150	25	0	1,761	0	64	0	544	0	2,370	0	3,715	0	14,827
TOTAL ALL COSTS	(51,023,101)	\$4,050,188			\$3,027,087		\$24,410		\$12,249		\$4,314		\$18,321		\$29,924
															\$84,914

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**UTILITIES, INC.
ANALYSIS OF EXPENSES
TEST YEAR ENDED DECEMBER 31,**

	COMPANY ALLOCATED	STAFF ADJS.	ADJUSTED BALANCE	ALLOC. FACTOR	UTIL. INC. LONG- WOOD ALLOC. %	UTIL. INC. LONG- WOOD AMOUNT	WEDGEFIELD ALLOC. %	WEDGEFIEL AMOUNT	CYPRESS LAKES ALLOC. %	CYPRESS LAKES AMOUNT	EAGLE RIDGE ALLOC.	EAGLE RIDGE AMOUNT	SANLAND ALLOC. %	SANLAND AMOUNT	LAKE GROVES ALLOC.	LAKE GROVES AMOUNT
SALARIES OFFICE	\$570,767		\$507,182	1	0.986%		0.765%	0.883%	\$4,478	1.450%	\$7,354	10.054%	\$50,992	1.475%	\$7,481	
SALARIES CUSTOMER SERV.	171,479		171,479	2												
AGENCY EXPENSE	4,891		4,891	1	0.986%	48	0.765%	0.883%	43	1.450%	71	10.054%	492	1.475%	72	
AUDIT FEES	132,000	(12,600)	119,400	1	0.986%	1,177	0.765%	0.883%	1,054	1.450%	1,731	10.054%	12,004	1.475%	1,761	
TEMP. EMPLOYEES	5,086		5,086	1	0.986%	50	0.765%	0.883%	45	1.450%	74	10.054%	511	1.475%	75	
EMPLOY. FINDER FEES	21,615	(21,615)	0	1	0.986%	0	0.765%	0.883%	0	1.450%	0	10.054%	0	1.475%	0	
DIRECTORS FEES	116,500	(56,500)	60,000	1	0.986%	592	0.765%	0.883%	530	1.450%	870	10.054%	6,032	1.475%	885	
TAX RETURN REVIEW	56,265		56,265	1	0.986%	555	0.765%	0.883%	497	1.450%	816	10.054%	5,657	1.475%	830	
OTHER OUTSIDE SERVICES	12,250	(7,550)	4,700	1	0.986%	46	0.765%	0.883%	42	1.450%	68	10.054%	473	1.475%	69	
HEALTH INS. REIMB.	183,020		183,020	5	0.937%	1,715	0.695%	0.793%	1,451	1.188%	2,174	8.701%	15,925	1.324%	2,423	
EMPLOYEE INS. DEDUCTION	(31,274)		(31,274)	5	0.937%	(293)	0.695%	0.793%	(248)	1.188%	(372)	8.701%	(2,721)	1.324%	(414)	
HEALTH COSTS AND OTHER	2,290		2,290	5	0.937%	21	0.695%	0.793%	16	1.188%	27	8.701%	199	1.324%	30	
DENTAL INS. REIMB.	11,441		11,441	5	0.937%	107	0.695%	0.793%	91	1.188%	136	8.701%	995	1.324%	151	
PENSION	69,416	(42,345)	27,071	6	0.888%	240	0.643%	0.729%	197	1.030%	279	7.813%	2,115	1.215%	329	
HEALTH INS. PREMIUMS	23,309		23,309	5	0.937%	218	0.695%	0.793%	185	1.188%	277	8.701%	2,028	1.324%	309	
DENTAL PREMIUMS	1,272		1,272	5	0.937%	12	0.695%	0.793%	9	1.188%	15	8.701%	111	1.324%	17	
TERM LIFE INS.	4,663		4,663	5	0.937%	44	0.695%	0.793%	37	1.188%	55	8.701%	406	1.324%	62	
ESOP	86,903	(55,824)	31,079	6	0.888%	276	0.643%	0.729%	227	1.030%	320	7.813%	2,428	1.215%	378	
DISABILITY INSURANCE	2,512		2,512	5	0.937%	24	0.695%	0.793%	20	1.188%	30	8.701%	219	1.324%	33	
OTHER EMP. PENS. AND BEN.	4,411		4,411	5	0.937%	41	0.695%	0.793%	35	1.188%	52	8.701%	384	1.324%	58	
PUBL. SUBSCRIPTIONS	5,055		5,055	1	0.986%	50	0.765%	0.883%	45	1.450%	73	10.054%	588	1.475%	75	
ANSWERING SERVICE	6,436		6,436	2												
PRINTING AND BLUEPRINTS	20,042		20,042	5	0.937%	188	0.695%	0.793%	159	1.188%	238	8.701%	1,744	1.324%	265	
XEROX	7,462		7,462	5	0.937%	70	0.695%	0.793%	59	1.188%	89	8.701%	649	1.324%	99	
OFF SUPPLY STORES	42,164		42,164	5	0.937%	395	0.695%	0.793%	334	1.188%	501	8.701%	3,669	1.324%	558	
OFFICE EMP. EXP.	2,160		2,160	5	0.937%	20	0.695%	0.793%	17	1.188%	26	8.701%	188	1.324%	29	
CLEANING SUPPLIES	3,586		3,586	5	0.937%	34	0.695%	0.793%	28	1.188%	43	8.701%	312	1.324%	47	
MEMBERSHIPS	460		460	5	0.937%	4	0.695%	0.793%	4	1.188%	5	8.701%	40	1.324%	6	
OTHER OFFICE EXPENSE	1,302		1,302	5	0.937%	12	0.695%	0.793%	9	1.188%	10	8.701%	113	1.324%	17	
OFFICE TELEPHONE	9,731		9,731	5	0.937%	91	0.695%	0.793%	77	1.188%	116	8.701%	847	1.324%	129	
OFFICE ELECTRIC	27,348		27,348	5	0.937%	256	0.695%	0.793%	217	1.188%	325	8.701%	2,380	1.324%	362	
OFFICE GAS	7,750		7,750	5	0.937%	73	0.695%	0.793%	61	1.188%	92	8.701%	674	1.324%	103	
OFFICE UTILITIES OTHER	3,021		3,021	5	0.937%	28	0.695%	0.793%	24	1.188%	36	8.701%	263	1.324%	40	
OFFICE CLEANING	26,750		26,750	5	0.937%	251	0.695%	0.793%	212	1.188%	318	8.701%	2,328	1.324%	354	
LANDSCAPING, MOWING, SNOW	18,674		18,674	5	0.937%	175	0.695%	0.793%	148	1.188%	222	8.701%	1,625	1.324%	247	
OFFICE GARBAGE REMOVAL	1,391		1,391	5	0.937%	13	0.695%	0.793%	11	1.188%	17	8.701%	121	1.324%	18	
REPAIR OFF MACH AND HEAT.	5,297		5,297	5	0.937%	50	0.695%	0.793%	42	1.188%	63	8.701%	461	1.324%	70	
OTHER OFFICE MAINT.	65,999		65,999	5	0.937%	618	0.695%	0.793%	523	1.188%	784	8.701%	5,743	1.324%	874	
EMPLOYEE ED	4,701		4,701	5	0.937%	44	0.695%	0.793%	37	1.188%	56	8.701%	409	1.324%	62	
OFFICE EDUCATION/TRAINING	12,200	(7,850)	4,350	5	0.937%	41	0.695%	0.793%	34	1.188%	52	8.701%	378	1.324%	58	
MEALS	776		776	1	0.986%	8	0.765%	0.883%	7	1.450%	11	10.054%	78	1.475%	11	
BANK SERVICE CHARGES	163,794		163,794	1	0.986%	1,615	0.765%	0.883%	1,446	1.450%	2,375	10.054%	16,468	1.475%	2,416	
OTHER MISC. GEN.	9,061		9,061	1	0.986%	89	0.765%	0.883%	80	1.450%	131	10.054%	911	1.475%	134	
DEPRECIATION OFFICE	63,779		63,779	5	0.937%	598	0.695%	0.793%	506	1.188%	758	8.701%	5,549	1.324%	844	
DEPRECIATION FURN.	66,368		66,368	5	0.937%	622	0.695%	0.793%	526	1.188%	788	8.701%	5,775	1.324%	879	
DEPRECIATION TELEPHONE	2,724		2,724	5	0.937%	26	0.695%	0.793%	22	1.188%	32	8.701%	237	1.324%	36	
REAL ESTATE TAX	56,156		56,156	5	0.937%	526	0.695%	0.793%	445	1.188%	667	8.701%	4,886	1.324%	744	
FICA TAX	246,309	(193,715)	52,594	5	0.937%	493	0.695%	0.793%	417	1.188%	625	8.701%	4,576	1.324%	696	
SUTA	8,282		8,282	5	0.937%	78	0.695%	0.793%	66	1.188%	98	8.701%	721	1.324%	110	
FUTA	1,839		1,839	5	0.937%	17	0.695%	0.793%	15	1.188%	22	8.701%	160	1.324%	24	
INTEREST EXPENSE	392,910	(392,910)	0	18	0.980%	0	0.710%	0	0	1.150%	0	8.680%	0	1.340%	0	
MISC. INCOME	(16,348)		(16,348)	5	0.937%	(153)	0.695%	0.793%	(114)	1.188%	(194)	8.701%	(1,422)	1.324%	(216)	
SHORT-TERM INTEREST EXP.	(9,426)		(9,426)	5	0.937%	0	0.695%	0.793%	0	1.188%	0	8.701%	0	1.324%	0	
TOTAL WITH ADJUSTMENTS	2,706,569	(845,068)	1,861,501			16,205		12,326	14,156		22,362		158,639		23,641	
PER COMPANY						24,328		18,324	21,008		32,516		233,407		35,035	
DIFFERENCE						(8,123)		(5,998)	(6,852)		(10,154)		(74,768)		(11,394)	
INSURANCE	949,469	(104,112)	845,357	11	0.879%	7,431	0.818%	6,915	5,622	1.059%	8,952	7.992%	67,561	0.786%	6,645	
COMPUTER ALLOCATION:																
COMPUTER SALARIES	196,340	(10,440)	185,900	4	1.380%	2,565	0.850%	1,580	1,710	0.710%	1,320	8.120%	15,095	1.520%	2,826	
OUTSIDE COMPUTER CONS.	32,236		32,236	4	1.380%	445	0.850%	274	297	0.710%	229	8.120%	2,618	1.520%	490	
COMPUTER MAINT.	56,769		56,769	4	1.380%	783	0.850%	483	522	0.710%	403	8.120%	4,610	1.520%	863	
COMPUTER AMORT. & PROG.	34,955		34,955	4	1.380%	482	0.850%	297	322	0.710%	248	8.120%	2,838	1.520%	531	
MICROFILMING	10,368		10,368	4	1.380%	143	0.850%	88	95	0.710%	74	8.120%	842	1.520%	158	
DEPRECIATION COMPUTER	63,482	(63,482)	0	5	0.937%	0	0.695%	0	0	1.188%	0	8.701%	0	1.324%	0	
	394,150	(73,922)	320,228	25		0		2,722	2,946		2,274		26,003		4,867	
TOTAL ALL COSTS	\$4,050,188	(\$1,023,101)	\$3,027,087			\$28,055		\$21,963	\$22,724		\$33,588		\$252,203		\$35,153	

Audit Staff-Prepared Exhibit II

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UTILITIES, INC. ANALYSIS OF EXPENSES TEST YEAR ENDED DECEMBER 31, 2001

COMPANY ALLOCATED AMOUNT	STAFF ADJS. (\$63,585)	ADJUSTED BALANCE \$507,182.00	ALLOC. FACTOR	SANDAL- HAVEN ALLOC. % 0.544%	SANDAL- HAVEN AMOUNT \$2,759	BAYSIDE ALLOC. % 0.233%	BAYSIDE AMOUNT 1,182	SOUTH- GATE ALLOC. 1.574%	SOUTH- GATE AMOUNT \$7,983	SANDY CREEK ALLOC. % 0.153%	SANDY CREEK AMOUNT \$776	LAKE UTILITY ALLOC. % 1.566%	LAKE UTILITY AMOUNT \$7,942	UTILS. INC. OF FLA. ALLOC. 4.285%	UTILS. INC. OF FLA. AMOUNT \$21,327
SALARIES OFFICE															
SALARIES CUSTOMER SERV.															
AGENCY EXPENSE															
AUDIT FEES															
TEMP. EMPLOYEES															
EMPLOY. FINDER FEES															
DIRECTORS FEES															
TAX RETURN REVIEW															
OTHER OUTSIDE SERVICES															
HEALTH INS. REIMB.															
EMPLOYEE INS. DEDUCTION															
HEATH COSTS AND OTHER															
DENTAL INS. REIMB.															
PENSION															
HEALTH INS. PREMIUMS															
DENTAL PREMIUMS															
TERM LIFE INS.															
ESOP															
DISABILITY INSURANCE															
OTHER EMP. PENS. AND BEN.															
PUBL. SUBSCRIPTIONS															
ANSWERING SERVICE															
PRINTING AND BLUEPRINTS															
XEROX															
OFF SUPPLY STORES															
OFFICE EMP. EXP.															
CLEANING SUPPLIES															
MEMBERSHIPS															
OTHER OFFICE EXPENSE															
OFFICE TELEPHONE															
OFFICE ELECTRIC															
OFFICE GAS															
OFFICE UTILITIES OTHER															
OFFICE CLEANING															
LANDSCAPING, MOWING, SNOW															
OFFICE GARBAGE REMOVAL															
REPAIR OFF MACH AND HEAT.															
OTHER OFFICE MAINT.															
EMPLOYEE ED															
OFFICE EDUCATION/TRAINING															
MEALS															
BANK SERVICE CHARGES															
OTHER MISC. GEN.															
DEPRECIATION OFFICE															
DEPRECIATION FURN.															
DEPRECIATION TELEPHONE															
REAL ESTATE TAX															
FICA TAX															
SUTA															
FUTA															
INTEREST EXPENSE															
MISC. INCOME															
SHORT-TERM INTEREST EXP.															
TOTAL WITH ADJUSTMENTS															
PER COMPANY															
DIFFERENCE															
INSURANCE															
COMPUTER ALLOCATION:															
COMPUTER SALARIES															
OUTSIDE COMPUTER CONS.															
COMPUTER MAINT.															
COMPUTER AMORT. & PROG.															
MICROFILMING															
DEPRECIATION COMPUTER															
TOTAL ALL COSTS															

Audit Staff-Prepared Exhibit III

UTILITIES, INC.
 PARENT COMPANY CONSOLIDATED COST OF CAPITAL
 TEST YEAR ENDED DECEMBER 31, 2001

	BALANCE 12/31/01	BALANCE 12/31/00	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	COST RATE	WEIGHTED COST
LONG-TERM DEBT	\$70,345,623	\$73,757,982	\$72,690,352	40.91%	8.630%	3.530%
SHORT-TERM DEBT	23,801,000	7,517,000	13,245,115	7.45%	5.180%	0.386%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	41.30%	10.914%	4.507%
ACC. DEF. FIT NET OF REG. ASSET	16,173,472	16,366,079	16,345,859	9.20%	0.000%	0.000%
ACCUMULATED DEFERRED SIT	548,106	727,237	714,538	0.40%	0.000%	0.000%
UNAMORTIZED ITC	1,300,000	1,336,501	1,318,251	0.74%	0.000%	0.000%
TOTAL BEFORE DEPOSITS	\$188,560,966	\$169,650,100	\$177,698,759	100.00%		8.42%
EQUITY RATIO	COMMON EQUITY EQUITY AND LT AND ST DEBT		\$73,384,644 \$159,320,111		46.06%	
CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS					9.650%	
0.00582/EQUITY RATIO					1.264%	
					10.914%	

Audit Staff-Prepared Exhibit IV

UTILITIES, INC.
 REVISED D-5 LONG TERM DEBT PER STAFF
 TEST YEAR ENDED DECEMBER 31, 2001

NOTE	OUTSTANDING 12/31/01	OUTSTANDING 12/31/00	AVERAGE 13-MONTH	AMORTIZATION OF ISSUANCE	INTEREST	TOTAL INTEREST	EFFECTIVE RATE
9.16% NOTE DUE 4/30/06	\$5,000,000.00	\$6,000,000.00	\$5,307,692.00	\$9,428.00	\$486,184.59	\$495,612.59	9.34%
9.01% NOTE DUE 11/30/07	9,000,000.00	10,500,000.00	10,269,231.00	16,970.00	925,257.71	942,227.71	9.18%
8.42% NOTE DUE 1/2015	41,000,000.00	41,000,000.00	41,000,000.00	77,308.00	3,452,200.00	3,529,508.00	8.61%
7.87% NOTE DUE 6/1/2005	15,000,000.00	15,000,000.00	15,000,000.00	28,283.00	1,180,500.00	1,208,783.00	8.06%
10.39% NOTE PAID IN 2001	0.00	900,000.00	761,538.00		70,137.65	70,137.65	9.21%
OTHER MISC. VARIABLE	345,623.00	357,982.00	351,891.00		27,995.00	27,995.00	7.96%
TOTAL	\$70,345,623.00	\$73,757,982.00	\$72,690,352.00	\$131,989.00	\$6,142,274.95	\$6,274,263.95	8.63%
PER G/L				131,989.00	6,126,153.33		
DIFFERENCE				\$0.00	\$16,121.62		

Audit Staff-Prepared Exhibit V

UTILITIES, INC.
CONSOLIDATED SHORT-TERM DEBT
TEST PERIOD ENDED DECEMBER 31, 2001

ACCOUNT 2321010-AMERICAN NATIONAL-BANK ONE:

	<u>BALANCE</u>	<u>INTEREST</u>	<u>EFFECTIVE RATE</u>
DECEMBER 2000	\$5,017,000.00		
JANUARY 2001	3,200,000.00		
FEBRUARY 2001	2,090,500.00		
MARCH 2001	3,537,000.00		
APRIL 2001	2,853,000.00		
MAY 2001	6,861,500.00		
JUNE 2001	8,909,000.00		
JULY 2001	8,755,000.00		
AUGUST 2001	9,683,500.00		
SEPTEMBER 2001	9,635,000.00		
OCTOBER 2001	9,876,000.00		
NOVEMBER 2001	10,968,000.00		
DECEMBER 2001	<u>12,801,000.00</u>		
13-MONTH AVERAGE	\$7,245,115.38	\$367,264.04	5.07%

ACCOUNT 2321020-BANK OF AMERICA:

	<u>BALANCE</u>		
DECEMBER 2000	\$2,500,000.00		
JANUARY 2001	4,500,000.00		
FEBRUARY 2001	4,500,000.00		
MARCH 2001	2,000,000.00		
APRIL 2001	2,000,000.00		
MAY 2001	5,500,000.00		
JUNE 2001	7,000,000.00		
JULY 2001	7,000,000.00		
AUGUST 2001	7,000,000.00		
SEPTEMBER 2001	7,000,000.00		
OCTOBER 2001	9,000,000.00		
NOVEMBER 2001	9,000,000.00		
DECEMBER 2001	<u>11,000,000.00</u>		
13-MONTH AVERAGE	\$6,000,000.00	\$318,696.24	5.31%
TOTAL	\$13,245,115.38	\$685,960.28	5.18%

Audit Staff-Prepared Exhibit VI

UTILITIES, INC.
 PARENT COMPANY CONSOLIDATED COST OF CAPITAL MARION COUNTY
 TEST YEAR ENDED DECEMBER 31, 2001

	BALANCE 12/31/01	BALANCE 12/31/00	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	\$70,345,623	\$73,757,982	\$72,690,352	40.91%	\$153,093	40.36%	8.630%	3.483%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	7.45%	27,895	7.35%	5.180%	0.381%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	41.30%	154,555	40.75%	10.914%	4.447%
ACC. DEF. FIT NET OF REG. ASSET	16,173,472	16,366,079	16,345,859	9.20%	34,426	9.08%	0.000%	0.000%
ACCUMULATED DEFERRED SIT	548,106	727,237	714,538	0.40%	1,505	0.40%	0.000%	0.000%
UNAMORTIZED ITC	1,300,000	1,336,501	1,318,251	0.74%	2,776	0.73%	0.000%	0.000%
TOTAL BEFORE DEPOSITS	\$188,560,966	\$169,650,100	\$177,698,759	100.00%	374,250	98.67%		8.31%
CUSTOMER DEPOSITS					5,026	1.33%	6.000%	0.080%
TOTAL					\$379,276	100.00%		8.39%
EQUITY RATIO	COMMON EQUITY		\$154,555					
	EQUITY AND LT AND ST DEBT		\$335,543		46.06%			
CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS					.650%			
0.00582/EQUITY RATIO					1.264%			
					10.914%			

Audit Staff-Prepared Exhibit VII

UTILITIES, INC.
 PARENT COMPANY CONSOLIDATED COST OF CAPITAL ORANGE COUNTY
 TEST YEAR ENDED DECEMBER 31, 2001

	BALANCE 12/31/01	BALANCE 12/31/00	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG-TERM DEBT	\$70,345,623	\$73,757,982	\$72,690,352	40.91%	\$35,553	38.74%	8.630%	3.343%
SHORT-TERM DEBT	23,801,000	7,517,000	13,245,115	7.45%	6,478	7.06%	5.180%	0.366%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	41.30%	35,893	39.11%	10.914%	4.268%
ACC. DEF. FIT NET OF REG. ASSET	16,173,472	16,366,079	16,345,859	9.20%	7,995	8.71%	0.000%	0.000%
ACCUMULATED DEFERRED SIT	548,106	727,237	714,538	0.40%	349	0.38%	0.000%	0.000%
UNAMORTIZED ITC	1,300,000	1,336,501	1,318,251	0.74%	645	0.70%	0.000%	0.000%
TOTAL BEFORE DEPOSITS	\$188,560,966	\$169,650,100	\$177,698,759	100.00%	86,913	94.70%		7.98%
CUSTOMER DEPOSITS					4,862	5.30%	6.000%	0.318%
TOTAL					91,775	100.00%		8.29%
EQUITY RATIO	COMMON EQUITY		\$35,893					
	EQUITY AND LT AND ST DEBT		\$77,924		46.06%			
CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS					9.650%			
0.00582/EQUITY RATIO					1.264%			
					10.914%			

Audit Staff-Prepared Exhibit VIII

UTILITIES, INC.
 PARENT COMPANY CONSOLIDATED COST OF CAPITAL PASCO COUNTY
 TEST YEAR ENDED DECEMBER 31, 2001

	BALANCE 12/31/01	BALANCE 12/31/00	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG-TERM DEBT	\$70,345,623	\$73,757,982	\$72,690,352	40.91%	\$550,608	40.45%	8.630%	3.491%
SHORT-TERM DEBT	23,801,000	7,517,000	13,245,115	7.45%	100,328	7.37%	5.180%	0.382%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	41.30%	555,867	40.83%	10.914%	4.456%
ACC. DEF. FIT NET OF REG. ASSET	16,173,472	16,366,079	16,345,859	9.20%	123,815	9.10%	0.000%	0.000%
ACCUMULATED DEFERRED SIT	548,106	727,237	714,538	0.40%	5,412	0.40%	0.000%	0.000%
UNAMORTIZED ITC	1,300,000	1,336,501	1,318,251	0.74%	9,985	0.73%	0.000%	0.000%
TOTAL BEFORE DEPOSITS	\$188,560,966	\$169,650,100	\$177,698,759	100.00%	\$1,346,016	98.88%		8.33%
CUSTOMER DEPOSITS					15,276	1.12%	6.000%	0.067%
TOTAL					\$1,361,292	100.00%		8.40%
EQUITY RATIO	COMMON EQUITY		\$555,867					
	EQUITY AND LT AND ST DEBT		\$1,206,803		46.06%			
CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS					9.650%			
0.00582/EQUITY RATIO					1.264%			
								10.914%

Audit Staff-Prepared Exhibit IX

UTILITIES, INC.
 PARENT COMPANY CONSOLIDATED COST OF CAPITAL PINELLAS COUNTY
 TEST YEAR ENDED DECEMBER 31, 2001

	BALANCE 12/31/01	BALANCE 12/31/00	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	\$70,345,623	\$73,757,982	\$72,690,352	40.91%	\$91,758	40.24%	8.630%	3.473%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	7.45%	16,720	7.33%	5.180%	0.380%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	41.30%	92,635	40.62%	10.914%	4.433%
ACC. DEF. FIT NET OF REG. ASSET	16,173,472	16,366,079	16,345,859	9.20%	20,634	9.05%	0.000%	0.000%
ACCUMULATED DEFERRED SIT	548,106	727,237	714,538	0.40%	902	0.40%	0.000%	0.000%
UNAMORTIZED ITC	1,300,000	1,336,501	1,318,251	0.74%	1,664	0.73%	0.000%	0.000%
TOTAL BEFORE DEPOSITS	\$188,560,966	\$169,650,100	\$177,698,759	100.00%	\$224,312	98.37%		8.29%
CUSTOMER DEPOSITS					3,723	1.63%	6.000%	0.098%
TOTAL					\$228,035	100.00%		8.38%
EQUITY RATIO	COMMON EQUITY		\$92,635					
	EQUITY AND LT AND ST DEBT		\$201,112		46.06%			
CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS					9.650%			
0.00582/EQUITY RATIO					1.264%			
					10.914%			

Audit Staff-Prepared Exhibit X

UTILITIES, INC.
 PARENT COMPANY CONSOLIDATED COST OF CAPITAL SEMINOLE COUNTY
 TEST YEAR ENDED DECEMBER 31, 2001

	BALANCE 12/31/01	BALANCE 12/31/00	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG-TERM DEBT	\$70,345,623	\$73,757,982	\$72,690,352	40.91%	\$1,369,025	40.38%	8.630%	3.485%
SHORT-TERM DEBT	23,801,000	7,517,000	13,245,115	7.45%	249,454	7.36%	5.180%	0.381%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	41.30%	1,382,101	40.76%	10.914%	4.449%
ACC. DEF. FIT NET OF REG. ASSET	16,173,472	16,366,079	16,345,859	9.20%	307,852	9.08%	0.000%	0.000%
ACCUMULATED DEFERRED SIT	548,106	727,237	714,538	0.40%	13,457	0.40%	0.000%	0.000%
UNAMORTIZED ITC	1,300,000	1,336,501	1,318,251	0.74%	24,827	0.73%	0.000%	0.000%
TOTAL BEFORE DEPOSITS	\$188,560,966	\$169,650,100	\$177,698,759	100.00%	\$3,346,718	98.71%		8.31%
CUSTOMER DEPOSITS					43,789	1.29%	6.000%	0.077%
TOTAL					\$3,390,507	100.00%		8.39%
EQUITY RATIO	COMMON EQUITY		\$1,382,101					
	EQUITY AND LT AND ST DEBT		\$3,000,581		46.06%			
CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS					9.650%			
0.00582/EQUITY RATIO					1.264%			
					10.914%			

Company-Prepared Exhibit I

Water Service Corporation
Adjustment to Allocate WSC Rate Base
For the Year Ended 12/31/00

Account Number	Account Name	Balance per WSC G/L @													13 Month Average
		12/31/00	01/30/01	02/27/01	03/30/01	04/29/01	05/30/01	06/29/01	07/30/01	08/30/01	09/29/01	10/30/01	11/29/01	12/31/01	
3,036,089	Land & Land Rights	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000
3,406,090	Office Structure & Improv.	2,526,259	2,526,259	2,526,259	2,526,259	2,526,259	2,526,259	2,526,259	2,526,259	2,526,259	2,526,259	2,526,259	2,526,259	2,526,259	2,526,259
3,406,091	Office Furniture & Equip.	1,036,208	1,037,772	1,039,000	1,039,000	1,039,000	1,039,000	1,040,063	1,051,429	1,065,697	1,066,333	1,077,547	1,078,647	1,079,397	1,081,283
3,466,093	Telephones	120,696	120,696	120,696	120,696	120,696	120,696	120,696	120,696	120,696	120,696	120,696	120,696	120,696	120,696
3,466,094	Tools Shop & Misc. Eqpt	19,772	19,772	20,080	20,080	20,080	20,080	20,080	20,080	20,080	20,080	20,080	20,080	20,130	20,130
3,466,097	Communication Eqpt	246,250	246,250	246,250	246,250	246,250	246,250	246,250	246,250	246,250	246,250	246,250	246,250	246,250	246,250
101	Total	4,044,185	4,045,750	4,047,286	4,047,286	4,047,286	4,048,348	4,059,714	4,073,982	4,074,618	4,085,832	4,086,932	4,087,732	4,240,565	4,076,117
1,083,090	A/D - Office Structure & Improv.	(788,017)	(793,332)	(798,647)	(803,961)	(809,276)	(814,591)	(819,906)	(825,221)	(830,536)	(835,851)	(841,166)	(846,481)	(851,796)	(819,906)
1,083,091	A/D - Office Furniture & Equip.	(813,169)	(816,740)	(820,321)	(823,897)	(827,473)	(831,071)	(832,113)	(838,157)	(839,865)	(843,976)	(847,759)	(851,534)	(855,373)	(833,804)
1,083,093	A/D - Telephones	(87,846)	(88,073)	(88,300)	(88,527)	(88,754)	(88,981)	(89,208)	(89,435)	(89,662)	(89,889)	(90,116)	(90,343)	(90,570)	(89,208)
1,083,094	A/D - Tools Shop & Misc. Eqpt	(19,772)	(19,772)	(19,775)	(19,776)	(19,777)	(19,779)	(19,780)	(19,781)	(19,782)	(19,784)	(19,785)	(19,789)	(20,130)	(19,806)
1,083,097	A/D - Communication Eqpt	(120,039)	(121,787)	(123,536)	(125,284)	(127,033)	(128,781)	(130,530)	(132,278)	(134,027)	(135,775)	(137,524)	(139,273)	(141,021)	(130,530)
108	Total	(1,828,842)	(1,839,704)	(1,850,578)	(1,861,448)	(1,872,313)	(1,883,203)	(1,894,137)	(1,905,073)	(1,916,013)	(1,926,957)	(1,937,901)	(1,948,849)	(1,959,800)	(1,893,254)
1,052,091	Water Plant In Progress	100,107	100,547	100,641	100,641	101,758	101,758	126,734	126,734	126,734	126,734	126,734	126,734	0	105,066
1,052,093	Other Plant In Progress	0	0	0	0	0	0	0	0	18,780	18,780	18,780	67,022	103,962	17,488
105	Total	100,107	100,547	100,641	100,641	101,758	101,758	126,734	126,734	145,514	145,514	145,514	193,756	103,962	122,552
1,862,043	Def Chgs - Emp Fees	40,526	39,117	37,708	36,299	41,502	39,995	59,739	56,167	54,366	52,565	50,763	48,962	47,161	48,529
1,862,048	Def Chgs - Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1,872,030	Misc. Regulatory Comm. Exp.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
186	Total	40,526	39,117	37,708	36,299	41,502	39,995	59,739	56,167	54,366	52,565	50,763	48,962	47,161	48,529
Total Net "Plant"		2,355,976	2,345,710	2,335,057	2,322,780	2,318,232	2,306,898	2,354,650	2,354,011	2,360,625	2,358,636	2,346,850	2,383,031	2,432,798	2,351,944
3,406,010	Mainframe Computer	371,502	371,502	371,502	371,502	371,502	375,808	377,085	377,085	377,085	377,085	377,085	377,085	377,085	374,917
3,406,020	Mini Computer	448,728	449,049	451,460	453,279	455,880	458,047	458,247	461,839	464,402	467,126	467,428	469,724	473,693	459,923
101	Total	820,230	820,551	822,962	824,781	827,382	834,856	835,332	839,024	841,488	844,212	844,511	846,810	850,778	834,840
1,081,010	A/D - Mainframe Computer	(310,647)	(312,420)	(314,193)	(315,966)	(317,738)	(319,733)	(321,564)	(323,383)	(325,202)	(327,022)	(328,841)	(330,661)	(338,969)	(321,872)
1,081,020	A/D - Mini Computer	(395,465)	(398,215)	(400,989)	(403,759)	(406,608)	(409,487)	(412,369)	(415,303)	(418,270)	(421,275)	(424,285)	(427,326)	(432,624)	(412,766)
108	Total	(706,111)	(710,634)	(715,161)	(719,724)	(724,346)	(729,220)	(733,933)	(738,686)	(743,473)	(748,297)	(753,126)	(757,987)	(769,593)	(734,638)
3,406,110	Comp System Cost	771,293	771,293	772,668	772,668	772,668	775,668	782,842	782,842	784,967	785,342	786,029	786,029	816,835	781,626
3,406,120	Micro System Cost	90,199	90,428	95,413	95,913	98,017	98,631	98,086	98,912	98,912	97,145	98,315	98,621	98,621	95,939
3,406,150	Comp System Amortization	(688,221)	(687,872)	(689,538)	(691,196)	(692,854)	(694,590)	(696,488)	(698,199)	(699,999)	(701,739)	(703,499)	(705,226)	(708,879)	(696,839)
3,406,160	Micro System Amortization	(70,527)	(71,494)	(72,599)	(73,655)	(74,704)	(75,790)	(76,864)	(77,534)	(78,535)	(79,565)	(80,732)	(81,799)	(82,824)	(78,663)
101	Total	104,743	102,355	105,944	103,730	101,127	101,919	105,575	104,020	103,344	101,183	100,114	97,625	123,753	104,284
Total Net Computers & System		218,862	212,272	213,745	208,787	204,162	207,555	206,974	204,359	201,359	197,097	191,499	188,447	204,938	204,466
180.1/190.2	Accumulated Deferred Income Taxes	(339,282)	(339,282)	(339,282)	(339,282)	(339,282)	(339,282)	(339,282)	(339,282)	(339,282)	(339,282)	(339,282)	(339,282)	(337,090)	(339,113)
TOTAL NET WSC RB		2,235,556	2,218,700	2,209,520	2,192,265	2,183,112	2,175,171	2,222,343	2,219,088	2,222,702	2,216,451	2,199,077	2,230,197	2,300,646	2,217,296

Company-Prepared Exhibit II

Water Service Corporation
Distribution of Expense Summary

WSC GA - Page 1 of 2

Account Number	Account Name	Co. - 02 Balance	Adjusl	Adjusl	Reclassifying Adjustments	Adjusted Co. - 02 Balance
6019000	Non-Utility Salaries		0			0
6019030	Cap Sal - Admin	(1,340,883)		1,340,883		0
6019045	Sal-Computer		196,340 [a]			196,340
6019053	Sal-IL Office		0			0
6019054	Sal-IL Admin/Accounting	2,279,469	(367,819)	(1,340,883)		570,767
6019070	Sal-IL Customer Service		171,479 [b]			171,479
6019071	Sal-IL Office Exempt		0			0
6708001	Agency Expense	4,891				4,891
6338001	Legal fees					0
6329002	Year End 2001	132,000				132,000
6369003	Temp Empl.	5,086				5,086
6369005	Outside Computer Cons.	32,236				32,236
6363006	Employ Finder Fees	21,615				21,615
6369007	Computer Maint.	56,769				56,769
6369008	Director Fees	116,500				116,500
6369009	Computer Amort & Prog. Cost	34,955				34,955
6319011	Engineering Fees					0
6329013	Accounting Studies					0
6329014	Tax Return Review	56,265				56,265
6369090	Other Outside Services	12,250				12,250
6049010	Health Ins. Reimb	1,930,846				1,930,846
6049011	Employee Ins. Deductions					(329,934)
6049012	Health Costs & Other	24,155				24,155
6049015	Dental Ins. Reimbursements					(120,697)
6049020	Pension Contributions	310,657				310,657
6049030	Tuition					0
6049040	Deferred Compensation					0
6049050	Health Ins. Premiums	245,904				245,904
6049055	Dental Premiums	13,416				13,416
6049060	Term Life Ins.	48,331	1,233			49,564
6049065	Term Life Ins. - OPT	1,401	(1,401)			0
6049066	Depend Life Ins. - OPT & AFLAC	(168)	168			0
6049070	ESOP Contributions	389,801				389,801
6049080	Disability Insurance	26,896				26,896
6049090	Other Emp Pens & Benefits	46,878				46,878
6599090	Other Insurance	949,469				949,469
6759001	Publ Subscriptions & Tapes	5,055				5,055
6759002	Answering Serv	6,436				6,436
6759003	Computer Supplies	0				0
6759004	Printing & Blueprints	20,042				20,042
6759005	Postage	0				0
6759006	UPS & Air Freight	0				0
6759008	XEROX	7,462				7,462
6759009	Oil Supply Stores	42,164				42,164
6759010	Reim of Oil Emp Exp.	2,160				2,160
6759011	Office Expenses					0
6759013	Cleaning Supplies	3,586				3,586
6759014	Memberships	460				460
6759016	Microfilming	10,368				10,368
6759090	Other Office Expense	1,302				1,302
6759110	Office Telephone	9,247	484			9,731
6759111	Office Telephone - Long Dist	484	(484)			0
6759115	Office Comp Phone Line					0
6759120	Office Electric	27,348				27,348
6759130	Office Gas	7,750				7,750
6759160	Office Fax Phone Line					0
6759190	Office Utilities - Other	3,021				3,021
6759210	Office Cleaning Serv	26,750				26,750
6759220	Landscaping, Mowing, Snow	18,674				18,674
6759230	Office Garbage Removal	1,391				1,391
6759250	Decor & Repaint Structures					0
6759260	Repair OH Mach & Heating	5,297				5,297
6759290	Other Office Maint	65,999				65,999
7048050	Employees ED Expenses	4,701				4,701
7048055	Office Education/Train Exp	12,200				12,200
7048070	Meals & Related Exp	776				776
7048080	Bank Serv Charges	163,794				163,794
7048090	Other Misc General	9,765	(704)			9,061
6759430	Sales/Use Tax Exp.					0
6509090	Other Trans. Exp.	(704)	704			0
4032090	Depreciation - Office Struct.	63,779				63,779
4032091	Depreciation - Office Furn.	66,368				66,368
4032093	Depreciation - Telephones	2,724				2,724
4032098	Depreciation - Computer	63,482				63,482
4081303	Franchise Tax	150	(150)			0
4081121	Real Estate Tax	56,006	150			56,156
4081201	FICA Expense	246,309				246,309
4081123	SUTA-IL	8,282				8,282
4091128	SUTA-NC					0
4091050	FUTA	1,839				1,839
4091000	Income Taxes - Federal					0
4101000	Deferred Inc. Taxes - Federal					0
4191010	Interest Income	(8,785)	8,785			0
4131020	Rental Income	(6,300)	6,300			0
4141040	Sale of Trans Equipment					0
4192000	Interest - Intero.	398,343	(5,433)			392,910
4201000	Interest During Const		(5,433)			0
4261000	Misc. Income	(1,263)	(15,085)			(16,348)
4272090	S/T Int Exp Other	(9,426)				(9,426)
Total		6,520,905	0	0	0	6,520,905

Company-Prepared Exhibit III

Schedule of Requested Cost of Capital
Beginning and Year End Average

Florida Public Service Commission

Company: Utilities Inc. of Florida - Marion County
Docket No. 020071-WS
Schedule Year ended: 12/31/01
Interim Final
Historical Projected

Schedule D-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide a schedule which calculates the requested Cost of Capital on a 13-month average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base AYE 12/31/01	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	231,463	46.02%	8.73%	4.02%
2	Short-Term Debt	42,320	8.41%	3.01%	0.25%
3	Preferred Stock	0	0.00%		0.00%
4	Common Equity	234,258	46.56%	11.02%	5.13%
5	Customer Deposits	(4,865)	-0.97%	6.00%	-0.06%
6	Tax Credits - Zero Cost	0	0.00%		0.00%
7	Tax Credits - Wtd. Cost	0	0.00%		0.00%
8	Accum. Deferred Income Tax	0	0.00%		0.00%
9	Other (Explain)	0	0.00%		0.00%
10	Total	503,176	100.00%		9.34%

Supporting Schedules: D-2
Recap Schedules: A-1, A-2

Note: Leverage Formula: $9.10\% + 0.896/ER$

0068

Company-Prepared Exhibit IV

Schedule of Requested Cost of Capital
Beginning and Year End Average

Florida Public Service Commission

Company: Utilities Inc. of Florida - Orange County
Docket No. 020071-WS
Schedule Year ended: 12/31/01
Interim [] Final [x]
Historical [x] Projected []

Schedule D-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Simple average capital structure.

Explanation: Provide a schedule which calculates the requested Cost of Capital on a 13-month average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base AYE 12/31/01	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	68,216	43.39%	8.73%	3.79%
2	Short-Term Debt	12,472	7.93%	3.01%	0.24%
3	Preferred Stock	0	0.00%		0.00%
4	Common Equity	69,039	43.90%	11.14%	4.89%
5	Customer Deposits	4,765	3.03%	6.00%	0.18%
6	Tax Credits - Zero Cost	0	0.00%		0.00%
7	Tax Credits - Wtd. Cost	0	0.00%		0.00%
8	Accum. Deferred Income Tax	2,788	1.77%		0.00%
9	Other (Explain)	0	0.00%		0.00%
			0.00%		0.00%
10	Total	157,280	100.00%		9.10%

Supporting Schedules: D-2
Recap Schedules: A-1, A-2

Note: Leverage Formula: 9.10% + 0.896/ER

0057

Company-Prepared Exhibit V

Schedule of Requested Cost of Capital
Beginning and Year End Average

Florida Public Service Commission

Company: Utilities Inc. of Florida - Pasco County
Docket No. 020071-WS
Schedule Year ended: 12/31/01
Interim Final
Historical Projected

Schedule D-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Simple average capital structure.

Explanation: Provide a schedule which calculates the requested Cost of Capital on a beginning and end of year average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base AYE 12/31/01	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	755,394	45.10%	8.73%	3.94%
2	Short-Term Debt	138,113	8.24%	3.01%	0.25%
3	Preferred Stock	0	0.00%		0.00%
4	Common Equity	764,513	45.62%	11.06%	5.05%
5	Customer Deposits	14,973	0.89%	6.00%	0.05%
6	Tax Credits - Zero Cost	0	0.00%		0.00%
7	Tax Credits - Wtd. Cost	0	0.00%		0.00%
8	Accum. Deferred Income Tax	2,788	0.17%		0.00%
9	Other (Explain)	0	0.00%		0.00%
10	Total	1,675,781	100.00%		9.29%

Supporting Schedules: D-2
Recap Schedules: A-1, A-2

Note: Leverage Formula: 9.10% + 0.896/ER

0067

Company-Prepared Exhibit VI

Schedule of Requested Cost of Capital
Beginning and Year End Average

Florida Public Service Commission

Company: Utilities Inc. of Florida - Pinellas County
Docket No. 020071-WS
Schedule Year ended: 12/31/01
Interim [] Final [x]
Historical [x] Projected []

Schedule D-1
Page 1 of 1

Preparer: Steven M. Lubertozi

Simple average capital structure.

Explanation: Provide a schedule which calculates the requested Cost of Capital on a beginning and end of year average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base AYE 12/31/01	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	112,387	44.46%	8.73%	3.88%
2	Short-Term Debt	20,548	8.13%	3.01%	0.24%
3	Preferred Stock	0	0.00%		0.00%
4	Common Equity	113,744	44.98%	11.09%	4.99%
5	Customer Deposits	3,413	1.35%	6.00%	0.08%
6	Tax Credits - Zero Cost	0	0.00%		0.00%
7	Tax Credits - Wtd. Cost	0	0.00%		0.00%
8	Accum. Deferred Income Tax	2,788	1.10%		0.00%
9	Other (Explain)	0	0.00%		0.00%
			0.00%		0.00%
10	Total	252,880	100.00%		9.19%

Supporting Schedules: D-2
Recap Schedules: A-1, A-2

Note: Leverage Formula: $9.10\% + 0.896/ER$

0056

Company-Prepared Exhibit VII

Schedule of Requested Cost of Capital
Beginning and Year End Average

Florida Public Service Commission

Company: Utilities Inc. of Florida - Seminole County
Docket No. 020071-WS
Schedule Year ended: 12/31/01
Interim [] Final [x]
Historical [x] Projected []

Schedule D-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Simple average capital structure.

Explanation: Provide a schedule which calculates the requested Cost of Capital on a beginning and end of year average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base AYE 12/31/01	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	1,876,120	45.07%	8.73%	3.94%
2	Short-Term Debt	343,022	8.24%	3.00%	0.25%
3	Preferred Stock	0	0.00%		0.00%
4	Common Equity	1,898,769	45.59%	11.07%	5.04%
5	Customer Deposits	43,948	1.06%	6.00%	0.06%
6	Tax Credits - Zero Cost	0	0.00%		0.00%
7	Tax Credits - Wtd. Cost	0	0.00%		0.00%
8	Accum. Deferred Income Tax	2,788	0.06%		0.00%
9	Other (Explain)	0	0.00%		0.00%
			0.00%		0.00%
10	Total	4,164,647	100.02%		9.29%

Supporting Schedules: D-2
Recap Schedules: A-1, A-2

Note: Leverage Formula: $9.10\% + 0.896/ER$

0068

DOCKET NO. 020071-WS: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida

WITNESS: **Direct Testimony Of Kathy L. Welch**, Appearing On Behalf Of Staff

EXHIBIT: K LW-2 - Alternate Cost of Capital Schedules

UTILITIES, INC.
PARENT COMPANY CONSOLIDATED COST OF CAPITAL UIF
TEST YEAR ENDED DECEMBER 31, 2001
BY KATHY WELCH 8/02/02

	BALANCE 12/31/01	BALANCE 12/31/2000	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	70,345,623	73,757,982	72,690,352	45.63%	56,101	23.49%	8.630%	2.027%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	8.31%	10,222	4.28%	5.180%	0.222%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	46.06%	56,637	23.72%	10.914%	2.588%
TOTAL BEFORE DEPOSITS	170,539,388	151,220,283	159,320,111	100.00%	122,961	51.49%		4.84%
CUSTOMER DEPOSITS						0.00%	6.000%	0.000%
DEFERRED TAX					115,841	48.51%	0.000%	0.000%
TOTAL					238,802	100.00%		4.84%
							PER COMPANY DIFFERENCE	9.160%
								-4.322%

EQUITY RATIO	COMMON EQUITY EQUITY AND LT AND ST DEBT	56,637 122,961	46.06%
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CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS	9.650%
0.00582/EQUITY RATIO	1.264%
	10.914%

ALLOCATED TO FIVE COUNTIES BASED ON RATE BASE:	RATE BASE		13-MONTH AVG. DEF. TAX X %
SEMINOLE	3,390,507	62.20%	227,502
PINELLAS	228,035	4.18%	15,301
PASCO	1,361,292	24.97%	91,342
ORANGE	91,775	1.68%	6,158
MARION	379,276	6.96%	25,449
TOTAL	5,450,885	100.00%	365,753

DEFERRED TAX UIF 13 MONTHS

DECEMBER 00	366,142
JANUARY 01	366,142
FEBRUARY 01	366,142
MARCH 01	366,142
APRIL 01	366,142
MAY 01	366,142
JUNE 01	366,142
JULY 01	366,142
AUGUST 01	366,142
SEPTEMBER 01	366,142
OCTOBER 01	368,073
NOVEMBER 01	368,073
DECEMBER 01	357,227
	365,753

UTILITIES, INC.
 PARENT COMPANY CONSOLIDATED COST OF CAPITAL MARION COUNTY
 TEST YEAR ENDED DECEMBER 31, 2001
 BY KATHY WELCH 8/02/02

	BALANCE 12/31/01	BALANCE 12/31/2000	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	70,345,623	73,757,982	72,690,352	45.63%	56,101	23.49%	8.630%	2.027%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	8.31%	10,222	4.28%	5.180%	0.222%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	46.06%	56,637	23.72%	10.914%	2.588%
TOTAL BEFORE DEPOSITS	170,539,388	151,220,283	159,320,111	100.00%	348,801	51.49%		4.84%
DEFERRED TAX UIF ALLOCATED ON RATE BASE					25,449	10.66%	0.00%	0.000%
CUSTOMER DEPOSITS					5,026	2.10%	6.000%	0.126%
TOTAL					379,276	64.25%		4.96%

EQUITY RATIO	COMMON EQUITY	56,637	
	EQUITY AND LT AND ST DEBT	122,961	46.06%

CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS	9.650%
0.00582/EQUITY RATIO	1.264%
	10.914%

UTILITIES, INC.
PARENT COMPANY CONSOLIDATED COST OF CAPITAL ORANGE COUNTY
TEST YEAR ENDED DECEMBER 31, 2001
BY KATHY WELCH 8/02/02

	BALANCE 12/31/01	BALANCE 12/31/2000	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	70,345,623	73,757,982	72,690,352	45.63%	56,101	23.49%	8.630%	2.027%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	8.31%	10,222	4.28%	5.180%	0.222%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	46.06%	56,637	23.72%	10.914%	2.588%
TOTAL BEFORE DEPOSITS	170,539,388	151,220,283	159,320,111	100.00%	80,755	51.49%		4.84%
CUSTOMER DEPOSITS					4,862	2.04%	6.000%	0.122%
DEFERRED TAX UIF ALLOCATED ON RATE BASE					6,158	2.58%	0.000%	0.000%
TOTAL					91,775	56.11%		4.96%

EQUITY RATIO	COMMON EQUITY EQUITY AND LT AND ST DEBT	56,637 122,961	46.06%
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CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS	9.650%
0.00582/EQUITY RATIO	1.264%
	10.914%

UTILITIES, INC.
PARENT COMPANY CONSOLIDATED COST OF CAPITAL PASCO COUNTY
TEST YEAR ENDED DECEMBER 31, 2001
BY KATHY WELCH 8/02/02

	BALANCE 12/31/01	BALANCE 12/31/2000	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	70,345,623	73,757,982	72,690,352	45.63%	56,101	23.49%	8.630%	2.027%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	8.31%	10,222	4.28%	5.180%	0.222%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	46.06%	56,637	23.72%	10.914%	2.588%
TOTAL BEFORE DEPOSITS	170,539,388	151,220,283	159,320,111	100.00%	1,254,674	51.49%		4.84%
CUSTOMER DEPOSITS					15,276	6.40%	6.000%	0.384%
DEFERRED TAX UIF ALLOCATED ON RATE BASE					91,342	38.25%	0.000%	0.000%
TOTAL					1,361,292	96.14%		5.22%

EQUITY RATIO	COMMON EQUITY	56,637	
	EQUITY AND LT AND ST DEBT	122,961	46.06%

CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS	9.650%
0.00582/EQUITY RATIO	1.264%
	10.914%

UTILITIES, INC.
PARENT COMPANY CONSOLIDATED COST OF CAPITAL PINELLAS COUNTY
TEST YEAR ENDED DECEMBER 31, 2001
BY KATHY WELCH 8/02/02

	BALANCE 12/31/01	BALANCE 12/31/2000	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	70,345,623	73,757,982	72,690,352	45.63%	56,101	23.49%	8.630%	2.027%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	8.31%	10,222	4.28%	5.180%	0.222%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	46.06%	56,637	23.72%	10.914%	2.588%
TOTAL BEFORE DEPOSITS	170,539,388	151,220,283	159,320,111	100.00%	209,011	51.49%		4.84%
DEFERRED TAX UIF ALLOCATED ON RATE BASE					15,301	6.41%	0.00%	0.000%
CUSTOMER DEPOSITS					3,723	1.56%	6.000%	0.094%
TOTAL					228,035	59.46%		4.93%

EQUITY RATIO	COMMON EQUITY	56,637	
	EQUITY AND LT AND ST DEBT	122,961	46.06%

CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS	9.650%
0.00582/EQUITY RATIO	1.264%
	10.914%

UTILITIES, INC.
PARENT COMPANY CONSOLIDATED COST OF CAPITAL SEMINOLE COUNTY
TEST YEAR ENDED DECEMBER 31, 2001
BY KATHY WELCH 8/02/02

	BALANCE 12/31/01	BALANCE 12/31/2000	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	70,345,623	73,757,982	72,690,352	45.63%	56,101	23.49%	8.630%	2.027%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	8.31%	10,222	4.28%	5.180%	0.222%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	46.06%	56,637	23.72%	10.914%	2.588%
TOTAL BEFORE DEPOSITS	170,539,388	151,220,283	159,320,111	100.00%	3,119,216	51.49%		4.84%
DEFERRED TAX UIF ALLOCATED ON RATE BASE					227,502	95.27%	0.00%	0.000%
CUSTOMER DEPOSITS					43,789	18.34%	6.000%	1.100%
TOTAL					3,390,507	165.10%		5.94%
EQUITY RATIO	COMMON EQUITY		56,637					
	EQUITY AND LT AND ST DEBT		122,961		46.06%			
CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS					9.650%			
0.00582/EQUITY RATIO					1.264%			
					10.914%			

DOCKET NO. 020071-WS: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida

WITNESS: **Direct Testimony Of Kathy L. Welch**, Appearing On Behalf Of Staff

EXHIBIT: K LW-2 - Alternate Cost of Capital Schedules

UTILITIES, INC.
PARENT COMPANY CONSOLIDATED COST OF CAPITAL UIF
TEST YEAR ENDED DECEMBER 31, 2001
BY KATHY WELCH 8/02/02

	BALANCE 12/31/01	BALANCE 12/31/2000	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	70,345,623	73,757,982	72,690,352	45.63%	56,101	23.49%	8.630%	2.027%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	8.31%	10,222	4.28%	5.180%	0.222%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	46.06%	56,637	23.72%	10.914%	2.588%
TOTAL BEFORE DEPOSITS	170,539,388	151,220,283	159,320,111	100.00%	122,961	51.49%		4.84%
CUSTOMER DEPOSITS						0.00%	6.000%	0.000%
DEFERRED TAX					115,841	48.51%	0.000%	0.000%
TOTAL					238,802	100.00%		4.84%
							PER COMPANY	9.160%
							DIFFERENCE	-4.322%

EQUITY RATIO	COMMON EQUITY	56,637	
	EQUITY AND LT AND ST DEBT	122,961	46.06%

CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS	9.650%
0.00582/EQUITY RATIO	1.264%
	10.914%

ALLOCATED TO FIVE COUNTIES BASED ON RATE BASE:	RATE BASE		13-MONTH AVG. DEF. TAX X %
SEMINOLE	3,390,507	62.20%	227,502
PINELLAS	228,035	4.18%	15,301
PASCO	1,361,292	24.97%	91,342
ORANGE	91,775	1.68%	6,158
MARION	379,276	6.96%	25,449
TOTAL	5,450,885	100.00%	365,753

DEFERRED TAX UIF 13 MONTHS

DECEMBER 00	366,142
JANUARY 01	366,142
FEBRUARY 01	366,142
MARCH 01	366,142
APRIL 01	366,142
MAY 01	366,142
JUNE 01	366,142
JULY 01	366,142
AUGUST 01	366,142
SEPTEMBER 01	366,142
OCTOBER 01	368,073
NOVEMBER 01	368,073
DECEMBER 01	357,227
	365,753

UTILITIES, INC.
PARENT COMPANY CONSOLIDATED COST OF CAPITAL MARION COUNTY
TEST YEAR ENDED DECEMBER 31, 2001
BY KATHY WELCH 8/02/02

	BALANCE 12/31/01	BALANCE 12/31/2000	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	70,345,623	73,757,982	72,690,352	45.63%	56,101	23.49%	8.630%	2.027%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	8.31%	10,222	4.28%	5.180%	0.222%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	46.06%	56,637	23.72%	10.914%	2.588%
TOTAL BEFORE DEPOSITS	170,539,388	151,220,283	159,320,111	100.00%	348,801	51.49%		4.84%
DEFERRED TAX UIF ALLOCATED ON RATE BASE					25,449	10.66%	0.00%	0.000%
CUSTOMER DEPOSITS					5,026	2.10%	6.000%	0.126%
TOTAL					379,276	64.25%		4.96%

EQUITY RATIO ^A	COMMON EQUITY	56,637	
	EQUITY AND LT AND ST DEBT	122,961	46.06%

CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS	9.650%
0.00582/EQUITY RATIO	1.264%
	10.914%

UTILITIES, INC.
 PARENT COMPANY CONSOLIDATED COST OF CAPITAL ORANGE COUNTY
 TEST YEAR ENDED DECEMBER 31, 2001
 BY KATHY WELCH 8/02/02

	BALANCE 12/31/01	BALANCE 12/31/2000	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	70,345,623	73,757,982	72,690,352	45.63%	56,101	23.49%	8.630%	2.027%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	8.31%	10,222	4.28%	5.180%	0.222%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	46.06%	56,637	23.72%	10.914%	2.588%
TOTAL BEFORE DEPOSITS	170,539,388	151,220,283	159,320,111	100.00%	80,755	51.49%		4.84%
CUSTOMER DEPOSITS					4,862	2.04%	6.000%	0.122%
DEFERRED TAX UIF ALLOCATED ON RATE BASE					6,158	2.58%	0.000%	0.000%
TOTAL					91,775	56.11%		4.96%

EQUITY RATIO	COMMON EQUITY	56,637	
	EQUITY AND LT AND ST DEBT	122,961	46.06%

CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS	9.650%
0.00582/EQUITY RATIO	1.264%
	10.914%

UTILITIES, INC.
PARENT COMPANY CONSOLIDATED COST OF CAPITAL PASCO COUNTY
TEST YEAR ENDED DECEMBER 31, 2001
BY KATHY WELCH 8/02/02

	BALANCE 12/31/01	BALANCE 12/31/2000	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	70,345,623	73,757,982	72,690,352	45.63%	56,101	23.49%	8.630%	2.027%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	8.31%	10,222	4.28%	5.180%	0.222%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	46.06%	56,637	23.72%	10.914%	2.588%
TOTAL BEFORE DEPOSITS	170,539,388	151,220,283	159,320,111	100.00%	1,254,674	51.49%		4.84%
CUSTOMER DEPOSITS					15,276	6.40%	6.000%	0.384%
DEFERRED TAX UIF ALLOCATED ON RATE BASE					91,342	38.25%	0.000%	0.000%
TOTAL					1,361,292	96.14%		5.22%

EQUITY RATIO	COMMON EQUITY	56,637	
	EQUITY AND LT AND ST DEBT	122,961	46.06%

CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS	9.650%
0.00582/EQUITY RATIO	1.264%
	10.914%

UTILITIES, INC.
 PARENT COMPANY CONSOLIDATED COST OF CAPITAL PINELLAS COUNTY
 TEST YEAR ENDED DECEMBER 31, 2001
 BY KATHY WELCH 8/02/02

	BALANCE 12/31/01	BALANCE 12/31/2000	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	70,345,623	73,757,982	72,690,352	45.63%	56,101	23.49%	8.630%	2.027%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	8.31%	10,222	4.28%	5.180%	0.222%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	46.06%	56,637	23.72%	10.914%	2.588%
TOTAL BEFORE DEPOSITS	170,539,388	151,220,283	159,320,111	100.00%	209,011	51.49%		4.84%
DEFERRED TAX UIF ALLOCATED ON RATE BASE					15,301	6.41%	0.00%	0.000%
CUSTOMER DEPOSITS					3,723	1.56%	6.000%	0.094%
TOTAL					228,035	59.46%		4.93%

EQUITY RATIO	COMMON EQUITY	56,637	
	EQUITY AND LT AND ST DEBT	122,961	46.06%

CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS	9.650%
0.00582/EQUITY RATIO	1.264%
	10.914%

UTILITIES, INC.
 PARENT COMPANY CONSOLIDATED COST OF CAPITAL SEMINOLE COUNTY
 TEST YEAR ENDED DECEMBER 31, 2001
 BY KATHY WELCH 8/02/02

	BALANCE 12/31/01	BALANCE 12/31/2000	13-MONTH AVERAGE	% OF TOTAL W/O DEPOSITS	RECONCILED TO RATE BASE	% OF TOTAL WITH DEPOSITS	COST RATE	WEIGHTED COST
LONG TERM DEBT	70,345,623	73,757,982	72,690,352	45.63%	56,101	23.49%	8.630%	2.027%
SHORT TERM DEBT	23,801,000	7,517,000	13,245,115	8.31%	10,222	4.28%	5.180%	0.222%
COMMON EQUITY	76,392,765	69,945,301	73,384,644	46.06%	56,637	23.72%	10.914%	2.588%
TOTAL BEFORE DEPOSITS	170,539,388	151,220,283	159,320,111	100.00%	3,119,216	51.49%		4.84%
DEFERRED TAX UIF ALLOCATED ON RATE BASE					227,502	95.27%	0.00%	0.000%
CUSTOMER DEPOSITS					43,789	18.34%	6.000%	1.100%
TOTAL					3,390,507	165.10%		5.94%

EQUITY RATIO	COMMON EQUITY	56,637	
	EQUITY AND LT AND ST DEBT	122,961	46.06%

CALCULATION OF EQUITY RATE PER ORDER PSC-02-1252-CO-WS	9.650%
0.00582/EQUITY RATIO	1.264%
	10.914%

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate
increase in Marion, Orange,
Pasco, Pinellas, and Seminole
Counties by Utilities, Inc. of
Florida.

DOCKET NO. 020071-WS

FILED: June 16, 2003

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of Kathy L. Welch has been furnished to **Martin S. Friedman, Esquire**, Rose, Sundstrom & Bentley, LLP, 600 S. North Lake Blvd., Ste. 160, Altamonte Springs, Florida 32701, and **Stephen Burgess, Esquire**, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison St., Room 812, Tallahassee, Florida 32399-1400, by U.S. Mail, this 16th day of June.



ROSANNE GERVASI, SENIOR ATTORNEY

FLORIDA PUBLIC SERVICE COMMISSION
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Telephone No. (850) 413-6224