



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

## -M-E-M-O-R-A-N-D-U-M-

**DATE:** July 19, 2006

**TO:** Stephen B. Fletcher, Professional Accountant Specialist, Division of Economic Regulation

**FROM:** Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance *DNV*

**RE:** **Docket No:** 060253-WS; **Company Name:** Utilities Inc. of Florida  
**Audit Request:** Audit Affiliate Transactions  
**Audit Control No:** 06-135-2-1

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of Commission Clerk and Administrative Services. There are confidential work papers associated with this audit.

DNV:sbj  
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)  
Division of Commission Clerk & Administrative Services (2)  
Division of Competitive Markets and Enforcement (Harvey)  
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**FLORIDA PUBLIC SERVICE COMMISSION**

***DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE  
BUREAU OF AUDITING***

*Tampa District Office*

**UTILITIES INC.**

**AFFILIATE TRANSACTION INVESTIGATION**

**AS OF DECEMBER 31, 2005**

**DOCKET NO. 060253-WS  
AUDIT CONTROL NO. 06-135-2-1**

Handwritten signature of Jeffery A. Small.

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*Jeffery A. Small, Audit Manager*

Handwritten signature of Kathy Welch.

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*Kathy Welch, Audit Staff*

Handwritten signature of Joseph W. Rohrbacher.

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*Joseph W. Rohrbacher, District Audit Supervisor*

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**DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE  
AUDITOR'S REPORT**

**JULY 15, 2006**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated May 11, 2006. We have applied these procedures to the attached allocation schedules which were prepared by the audit staff from documents provided by Utilities, Inc. for the 12-month period ending December 31, 2005. There is confidential information associated with this audit.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

## OBJECTIVES AND PROCEDURES

### RATE BASE

#### General

*Objective:* To determine that the utility's common rate base schedules represent its recorded results from continuing operations and that allocations to its subsidiary operations are based on prudent, consistent and cost-based calculations.

*Procedures:* We reconciled the following individual component common rate base balances to the utility's general ledger as of December 31, 2005 and verified that adjustments required in Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, were recorded. We performed a five year analytical review of common plant additions for unusual trends and amounts.

#### Water Service Corporation (WSC) Allocated Rate Base

*Objective:* To determine that property exists and is owned by the utility. To determine that additions to rate base are authentic, recorded at original cost, and properly classified in compliance with Commission rules and the NARUC Uniform System of Accounts. To verify that the proper retirements of rate base were made when a replacement item was put in service.

*Procedures:* Based on the results of our analytical review, we verified a sample of common rate base additions for the period January 1, 2002 through December 31, 2005 for compliance with the stated objectives above. We verified that the utility properly recorded retirements to common rate base when a capital item was removed or replaced. We reviewed the utility's allocation schedules and recalculated a sample of the allocation factors for prudent, consistent and cost-based methodologies. Audit Finding No. 1 discusses ratemaking adjustments to the WSC allocated rate base in prior Order No. PSC-03-1440-FOF-WS, issued December 22, 2003. We carried those adjustments forward and incorporated them into our adjustment that increases WSC allocated rate base by \$390,231. We recalculated and displayed the WSC rate base allocations in Audit Finding No. 1 for the ten pending Florida rate cases based on our adjustments discussed above.

#### Utilities Inc. of Florida (UIF) Allocated Rate Base

*Objective:* To determine that property exists and is owned by the utility. To determine that additions to common rate base are authentic, recorded at original cost, and properly classified in compliance with Commission rules and the NARUC Uniform System of Accounts. To verify that the proper retirements of common rate base were made when a replacement item was put in service.

*Procedures:* Based on the results of our analytical review, we scanned common rate base additions for the period January 1, 2002 through December 31, 2005 for compliance with the stated objectives above. We verified that the utility recorded retirements to common rate base when a capital item was removed or replaced. We reviewed the utility's allocation schedules

and recalculated a sample of the allocation factors for prudent, consistent and cost-based methodologies. We propose no adjustments to UIF rate base allocations for the ten pending Florida rate cases.

## **OPERATING EXPENSE**

### General

*Objective:* To determine that the utility's common expense schedules represent its results from continuing operations and that allocations to its subsidiary operations are based on prudent, consistent and cost-based calculations.

*Procedures:* We reconciled common operating expense balances to the utility's general ledger for the 12-month period ended December 31, 2005. We performed a five year analytical review of common expenses for unusual trends and amounts.

### WSC Allocated Expenses

*Objective:* To determine that WSC common expenses are properly recorded in compliance with Commission rules and were reasonable and prudent for ongoing utility operations.

*Procedures:* Based on the results of our analytical review, we selected several WSC common expense accounts for additional testing. We sampled individual transactions from each selected account and reconciled them to supporting documentation and verified the proper account, amount, classification and period. We reviewed the allocation methodology and recalculated a sample of the allocation factors for prudent, consistent and cost-based methodologies. Audit Finding No. 2 discusses five adjustments that we made to WSC common expenses.

- 1) We removed \$12,634 of amortization and depreciation expense that is related to the audit staff's adjustment in Audit Finding No. 1 above.
- 2) We removed \$156,711 of allocated insurance premiums that should be charged to specific utility systems, that benefit former employees or benefit the company's shareholders.
- 3) We removed \$79,706 of audit fees that relate to periods other than the test year.
- 4) We removed a \$42,985 accrual to postage expense that was booked in error.
- 5) We added back reductions for interest expense and interest income per the prior order cited above.

We recalculated and displayed the WSC common expense allocations in Audit Finding No. 2 for the ten pending Florida rate cases based on our adjustments discussed above.

### UIF Allocated Expenses

*Objective:* To determine that operation and maintenance expense is properly recorded in compliance with Commission rules and were reasonable and prudent for ongoing utility operations.

*Procedures:* Based on the results of our analytical review, we scanned UIF common expense accounts for unusual balances or activities. We reviewed the allocation methodology and

recalculated a sample of the allocation factors for prudent, consistent and cost-based methodologies. We propose no adjustments to UIF common expense allocations for the ten pending Florida rate cases.

## **CAPITAL STRUCTURE**

### General

*Objective:* To determine the utility's capital structure at the parent level as of December 31, 2005.

*Procedures:* We obtained long-term debt, short-term debt and common equity balances as of December 31, 2005 and reconciled them to the utility's general ledger. We recalculated and displayed the parent level capital structure for long-term debt, short-term debt and common equity in Audit Finding No. 3 for the ten pending Florida rate cases based on our adjustments which are discussed below.

### Long-Term-Debt

*Objective:* To determine that long-term debt balances represent actual obligations of the utility and are properly recorded in compliance with Commission rules.

*Procedures:* We traced long-term debt balances to the original documents and verified the terms and interest rate of each note payable. We recalculated test year interest expense. Audit Finding No. 3 discusses an adjustment to remove a \$99,700 amortized loss from hedging activity in the test year when calculating the effective cost rate for long-term debt. Derivative activities, such as this, were determined to be shareholder investing activities and excluded from rate making presentations in Order No. PSC-95-0574-FOF-WS, issued May 9, 1995.

### Short-Term-Debt

*Objective:* To determine that short-term debt balances represent actual obligations of the utility and are properly recorded in compliance with Commission rules.

*Procedures:* We traced short-term debt balances to the original documents and verified the terms, interest rate and period of each note payable. We recalculated test year interest expense.

### Common Equity

*Objective:* To determine the common equity balance as of December 31, 2005.

*Procedures:* We traced common equity balances to the utility's general ledger and its audited financial statements. We calculated the test year return on equity cost rate based on the Commission's leverage graph formula established in Order No. PSC-06-0476-PAA-WS, issued June 5, 2006. Audit Finding No. 3 discusses two adjustments that remove debit balances of \$412,098 and \$2,650,000 from common equity.

## **CUSTOMER ALLOCATION FACTORS**

### General

*Objective:* To determine that the utility's allocation methodology for common rate base and common expenses is reasonable and prudent and that the utility has complied with the directive in Commission Order No. PSC-03-1440-FOF-WS to allocate affiliate cost based on equivalent residential connections (ERC).

*Procedures:* We obtained the utility's customer allocation schedule and determined its compliance with the above-mentioned order. We recalculated the utility's determination of ERC's by system and reviewed the application of the ERC allocation methodology to common rate base and common expenses. We traced the utility's ERC determination for Florida operating companies to the ERC's reported in its annual water and wastewater reports filed with the Commission and reconciled material differences. We verified ERC's using a report of customers from the utility's billing system. We scanned the June 2005, September 2005 and December 2005 allocation schedules for inconsistencies. We tested the calculations of the December 2005 allocation schedule using the customers by class. We propose no adjustments to the utility's allocation methodology for the ten pending Florida rate cases.

## **ALLOCATIONS FROM UTILITIES, INC. PARENT**

### General

*Objective:* To determine if any cost from Utilities, Inc. sole shareholder, Hydro Star, LLC are included in the common rate base and common expense allocations.

*Procedures:* We determined the accounting methodology of how Utilities, Inc. is included in its parent, Hydro Star, LLC, results from operations and if any costs are allocated to Utilities, Inc. and its subsidiary operations from Hydro Star, LLC. We also determined if any of the sales transaction costs related to the sale of Utilities, Inc. from Nuon Global Solutions, LLP to Hydro Star, LLC are included in Utilities, Inc. common expense allocations. We propose no adjustments to allocated rate base or expenses for the ten pending Florida rate cases.

**AUDIT FINDING NO. 1**

**SUMMARY:** Water Service Corporations (WSC) allocated net rate base is \$2,037,093 as of December 31, 2005. Accordingly, the respective audit, allocated net rate base for the ten pending Florida rate cases are indicated below.

	61-0646	62-0641	67-0647	72-0673	88-0645	90-0600	101-0680	103-0690	106-0693	107-0691	
WSC	Tierre	Lake	Alafaya	Cypress	Mid-	U. Inc.					
Net Rate Base	Verde	Placid	Utilities	Lakes	County	of Florida	Sanlando	Sandalhaven	Labrador	Pennbrooke	
A	\$2,037,093	\$7,266	\$2,226	\$65,069	\$13,980	\$20,401	\$71,182	\$131,100	\$8,723	\$10,282	\$16,522
B	\$2,122,627	\$7,883	\$2,301	\$66,700	\$14,405	\$22,173	\$75,515	\$139,240	\$8,977	\$10,573	\$17,270
C			\$67,113		\$21,410	\$73,415	\$135,674				

- A As of December 31, 2005
- B Simple average
- C 13-month average

**STATEMENT OF FACTS:** The WSC allocated rate base schedule reflects a balance of \$1,646,862 as of December 31, 2005.

In Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, the Commission made several adjustments to WSC allocated rate base that removed accumulated deferred income taxes balance, adjusted net computer balances and adjusted net office structure and furniture balances for rate setting purposes in the corresponding rate case proceeding for Docket No. 020071-WS.

The deferred income tax balance was removed because it should have been included as a component of the utility's capital structure. The net computer balances were set to zero because the utility was unable to provide sufficient supporting evidence for inter-company transfers of computers and was unable to locate several missing invoices we had requested as support in our audit sample. The office structure and furniture balances were adjusted because the utility was unable to locate several missing invoices we had requested as support in our audit sample.

Based on the above prior order adjustments, we removed the deferred income tax balance and recalculated the net computer balance as of December 31, 2005. The prior order office structure and furniture adjustments were not included because we considered them minor and that they do not materially affect the overall WSC net rate base allocation for the ten pending Florida rate cases. See Schedules A and B that follow for our calculated adjustments to the WSC net rate base allocation and the specific adjustment to WSC net computer balances.

**EFFECT ON THE GENERAL LEDGER:** None

**EFFECT ON THE FILINGS:** To be determined in the individual rate case filings.

## Schedule A for Audit Finding No. 1

Account Number	Account Description	Balance per WSC G/L	Adjustments	Balance per Audit
3036089	Land & Land Rights	\$95,000	\$0	\$95,000
3406090	Office Structure & Improv.	2,683,306	0	2,683,306
3406091	Office Furniture & Equip.	1,167,632	0	1,167,632
3466093	Telephones	120,696	0	120,696
3466094	Tools Shop & Misc. Eqpt	20,170	0	20,170
3466097	Communication Eqpt	<u>257,505</u>	<u>0</u>	<u>257,505</u>
	Total	\$4,344,308	\$0	\$4,344,308
1083090	A/D - Office Structures	(\$1,119,789)	\$0	(\$1,119,789)
1083091	A/D - Office Furniture & Equip.	(1,051,316)	0	(1,051,316)
1083093	A/D - Telephones	(101,466)	0	(101,466)
1083094	A/D - Tools Shop & Misc. Eqpt	(20,170)	0	(20,170)
1083097	A/D - Communication Eqpt	<u>(226,754)</u>	<u>0</u>	<u>(226,754)</u>
	Total	(\$2,519,495)	\$0	(\$2,519,495)
	Total Net "Plant"	<u>\$1,824,814</u>	<u>\$0</u>	<u>\$1,824,814</u>
3406010	Mainframe Computer	\$562,405	(\$377,085)	\$185,320
3406020	Mini Computer	851,055	(556,012)	295,043
3406110	Comp System Cost	836,988	(816,836)	20,152
3406120	Micro System Cost	<u>161,246</u>	<u>(98,621)</u>	<u>62,625</u>
	Total	\$2,411,694	(\$1,848,554)	\$563,140
1081010	A/D - Mainframe Computer	(\$466,459)	\$376,527	(\$89,932)
1081020	A/D - Mini Computer	(777,705)	556,015	(221,690)
3406150	Comp System Amortization	(797,085)	790,048	(7,037)
3406160	Micro System Amortization	<u>(130,823)</u>	<u>98,621</u>	<u>(32,202)</u>
	Total	(\$2,172,072)	\$1,821,211	(\$350,861)
	Total Net Computers & System	<u>\$239,621</u>	<u>(\$27,342)</u>	<u>\$212,279</u>
1901031	Accumulated Deferred Income Taxes	(\$417,573)	\$417,573	\$0
	Total Net WSC Rate Base	<u>\$1,646,862</u>	<u>\$390,231</u>	<u>\$2,037,093</u>

## Schedule B for Audit Finding No. 1

MAINFRAME COMPUTERS			ACCT# 3406010 & 1081010		
Year	Original Cost	Acc/Dep @12/31/04	Rate	2005 Dep. Exp.	Acc/Dep @12/31/05
2001	All balances set to zero per Order No. PSC-03-1440-FOF-WS as of 12/31/2001				
2002	\$0.00	\$0.00	20.00%	\$0.00	\$0.00
2003	171,679.56	(51,503.87)	20.00%	(34,335.91)	(85,839.78)
2004	13,640.17	(1,364.02)	20.00%	(2,728.03)	(4,092.05)
2005	<u>0.00</u>	<u>0.00</u>	20.00%	<u>0.00</u>	<u>0.00</u>
	\$185,319.73	(\$52,867.89)		(\$37,063.94)	(\$89,931.83)

MINI COMPUTERS			ACCT# 3406020 & 1081020		
Year	Original Cost	Acc/Dep @12/31/04	Rate	2005 Dep. Exp.	Acc/Dep @12/31/05
2001	All balances set to zero per Order No. PSC-03-1440-FOF-WS as of 12/31/2001				
2002	\$169,303.75	(\$123,059.00)	33.33%	(\$46,244.75)	(\$169,303.75)
2003	32,993.00	(16,497.00)	33.33%	(10,998.00)	(27,495.00)
2004	28,300.00	(4,717.00)	33.33%	(9,433.00)	(14,150.00)
2005	<u>64,443.00</u>	<u>0.00</u>	33.33%	<u>(10,741.00)</u>	<u>(10,741.00)</u>
	\$295,039.75	(\$144,273.00)		(\$77,416.75)	(\$221,689.75)

COMPUTER SYSTEM COST			ACCT# 3406110 & 3406150		
Year	Original Cost	Acc/Amtz. @12/31/04	Rate	2005 Amtz. Exp.	Acc/Amtz. @12/31/05
2001	All balances set to zero per Order No. PSC-03-1440-FOF-WS as of 12/31/2001				
2002	\$5,912.31	\$1,848.00	12.50%	\$739.00	\$2,587.00
2003	14,240.00	2,670.00	12.50%	1,780.00	4,450.00
2004	0.00	0.00	12.50%	0.00	0.00
2005	<u>0.00</u>	<u>0.00</u>	12.50%	<u>0.00</u>	<u>0.00</u>
	\$20,152.31	\$4,518.00		\$2,519.00	\$7,037.00

MICRO COST			ACCT# 3406120 & 3406160		
Year	Original Cost	Acc/Amtz. @12/31/04	Rate	2005 Amtz. Exp.	Acc/Amtz. @12/31/05
2001	All balances set to zero per Order No. PSC-03-1440-FOF-WS as of 12/31/2001				
2002	\$17,117.28	\$14,265.00	33.33%	\$2,852.28	\$17,117.28
2003	8,312.10	4,156.00	33.33%	2,771.00	6,927.00
2004	5,876.80	979.00	33.33%	1,959.00	2,938.00
2005	<u>31,318.47</u>	<u>0.00</u>	33.33%	<u>5,220.00</u>	<u>5,220.00</u>
	\$62,624.65	\$19,400.00		\$12,802.28	\$32,202.28

The above schedule was given to the audit staff in response to Document Request No. 12. The only modification made by the audit staff was to set balances for year 2001 to zero and to restate December 31, 2005 ending balances. All other calculations and rates are utility presentations.

## AUDIT FINDING NO. 2

**SUMMARY:** WSC allocated expenses are \$7,400,388 for the 12-month period ending December 31, 2005. Accordingly, the respective allocated net expenses for the ten pending Florida rate cases are indicated below.

WSC Expense	61-0646 Tierre Verde	62-0641 Lake Placid	67-0647 Alafaya Utilities	72-0673 Cypress Lakes	88-0645 Mid-County	90-0600 U. Inc. of Florida	101-0680 Sanlando	103-0690 Sandalhaven	106-0693 Labrador	107-0691 Pennbrooke	
A	\$532,811	\$495	\$626	\$21,006	\$3,839	\$1,464	\$21,299	\$32,495	\$2,508	\$3,075	\$4,081
B	1,957,784	7,149	1,195	41,869	12,442	23,837	47,829	106,144	10,596	6,883	11,286
C	<u>4,909,793</u>	<u>22,341</u>	<u>5,343</u>	<u>149,886</u>	<u>33,192</u>	<u>62,229</u>	<u>166,998</u>	<u>329,303</u>	<u>20,304</u>	<u>24,432</u>	<u>41,057</u>
D	\$7,400,388	\$29,985	\$7,164	\$212,761	\$49,473	\$87,530	\$236,126	\$467,942	\$33,408	\$34,390	\$56,424

- A Schedule SE51 - Distribution of Computer Cost  
 B Schedule SE52 - Distribution of Other Insurance Cost  
 C Schedule SE60 - Distribution of Common Cost  
 D Total WSC allocated expense

**STATEMENT OF FACTS:** WSC expense schedules SE51, SE52 and SE60 reflect a combined allocated balance of \$7,644,705 for the 12-month period ending December 31, 2005.

<u>Schedule SE51</u>	<u>Schedule SE52</u>	<u>Schedule SE60</u>	<u>Total WSC Allocation</u>
\$545,445	\$2,114,495	\$4,984,765	\$7,644,705

Order No. PSC-03-1440-FOF-WS, made the following adjustments to WSC allocated expenses for rate setting purposes in the corresponding rate case proceeding for Docket No. 020071-WS.

- The order removed depreciation expense related to WSC rate base computer balance adjustments.
- The order removed insurance cost for former employee directors life insurance policies and fiduciary policies protecting directors, officers and pension funds because they were for the benefit of the company's shareholders.
- The order removed interest expense and interest income because they are included as components of the utility's capital structure.

The audit staff has made the following adjustments to WSC allocated expenses for rate setting purposes for the ten pending Florida rate case proceedings.

- 1) We removed \$12,634 of depreciation and amortization expense related to the audit staffs adjustment to WSC net computer balance in Audit Finding No. 1 of this report.
- 2) We removed \$156,711 of insurance premiums per the prior order cited above and we allocated system specific surety, bond and liability premiums to the individual Florida utility systems where appropriate.

**Audit Finding No. 2, continued**

- 3) We removed \$79,706 of audit fees because it includes invoiced amounts of \$15,872 for a prior period. It also includes an accrual of \$67,500 for future audits of its 401k pension plan and its compliance with FAS109 requirements, neither of which have begun or been invoiced as of June 2006. Additionally, its 2005 Financial Statement audit actual cost was \$153,666, which is \$3,666 more than the utility has recorded for the 2005 audit fee expense. (\$3,666 - \$15,872 - \$67,500)
- 4) We removed \$42,985 of postage expense because it included an accrual for the same amount that was recorded in error.
- 5) We added back reductions of \$130 and \$47,589 for interest income and interest expense, respectively, per the prior order cited above.

See Schedules C through F that follow for the audit staffs calculated adjustments to the WSC allocated common expense.

**EFFECT ON THE GENERAL LEDGER:** None

**EFFECT ON THE FILINGS:** To be determined in the individual rate case filings.

## Schedule C for Audit Finding No. 2

### Schedule SE51 - Computer Cost

Account Number	Account Description	WSC G/L Balance	Adjustment	Audit Balance
6019045	Computer Salaries	\$237,436	\$0	\$237,436
6369007	Computer Maint	62,352	0	62,352
6369009	Computer-Amort & Prog. Cost	25,991	(10,670)	15,321
6369012	Internet Supplier	11,827	0	11,827
6759003	Computer Supplies	31,432	0	31,432
6759016	Microfilming	20,047	0	20,047
6759051	Computer Supplies - Billing	39,916	0	39,916
4032098	Depreciation - Computer	<u>116,445</u>	<u>(1,964)</u>	<u>114,481</u>
Total		\$545,445	(\$12,634)	\$532,811

## Schedule D for Audit Finding No. 2

### Schedule SE52 - Other Insurance Cost

Account Number	Account Description	WSC G/L Balance	Adjustment	Audit Balance
6599090	Other Insurance Expense	\$2,114,495	(\$156,711)	\$1,957,784

See Schedule F that follows for details of the audit staffs adjustment.

## Schedule E for Audit Finding No. 2

### Schedule SE60 - Other Common Cost

Account Number	Account Description	WSC G/L Balance	Adjustment	Audit Balance
6019050	Salaries - Office	\$2,291,063	\$0	\$2,291,063
6019070	Sal-IL Customer Service	101,067	0	101,067
6708001	Agency Expense	11,252	0	11,252
6338001	Legal Fees	13,413	0	13,413
6329002	Audit Fees	233,372	(79,706)	153,666
6369003	Temp Empl.	19,738	0	19,738
6369005	Payroll Services	47,166	0	47,166
6329014	Tax Return Review	52,470	0	52,470
6369090	Other Outside Services	7,500	0	7,500
6049000	Employee Pensions & Benefits	200,447	0	200,447
6049010	Health Ins. Reimb	233,294	0	233,294
6049011	Employee Ins. Deductions	(82,846)	0	(82,846)
6049012	Health Costs & Other	8,612	0	8,612
6049015	Dental Ins. Reimbursements	27,384	0	27,384
6049020	Pension Contributions	76,005	0	76,005
6049050	Health Ins. Premiums	51,231	0	51,231
6049055	Dental Premiums	4,277	0	4,277
6049060	Term Life Ins.	11,336	0	11,336
6049065	Term Life Ins. - OPT	181	0	181
6049066	Depend Life Ins.- OPT & AFLAC	17	0	17
6049067	AFLAC	329	0	329
6049070	ESOP Contributions	97,481	0	97,481
6049080	Disability Insurance	6,071	0	6,071
6049090	Other Emp Pens & Benefits	2,282	0	2,282
6759001	Publ Subscriptions & Tapes	9,404	0	9,404
6759004	Printing & Blueprints	17,307	0	17,307
6759005	Postage	81,246	(42,985)	38,261
6759006	UPS & Air Freight	14,878	0	14,878
6759008	Xerox	7,860	0	7,860
6759009	Off Supply Stores	24,701	0	24,701
6759010	Reim of Off Emp Exp.	2,130	0	2,130
6759011	Envelopes	153,075	0	153,075
6759013	Cleaning Supplies	2,298	0	2,298
6759014	Memberships	959	0	959
6759016	Microfilming	0	0	0
6759007	Printing Customer Service	5,669	0	5,669
6759012	Bill Stock	26,343	0	26,343
6759051	Computer Supplies - Billing	0	0	0
6759090	Other Office Expense	8,681	0	8,681

## Schedule E for Audit Finding No. 2, continued

Schedule SE60 - Other Common Cost

Acct. No.	Account Description	WSC G/L		Audit
		Balance	Adjustment	Balance
6759110	Office Telephone	3,096	0	3,096
6759120	Office Electric	24,660	0	24,660
6759125	Office Water	5,643	0	5,643
6759130	Office Gas	9,099	0	9,099
6759210	Office Cleaning Serv	26,625	0	26,625
6759220	Landscaping, Mowing, Snow	29,556	0	29,556
6759230	Office Garbage Removal	1,807	0	1,807
6759260	Repair Off Mach & Heating	6,058	0	6,058
6759290	Other Office Maint	50,555	0	50,555
6759330	Operators - Memberships	583	0	583
6759416	Operators - Memberships	(134)	0	(134)
7048055	Office Education/Train Exp	33,873	0	33,873
7758370	Meals & Related Exp	12,151	0	12,151
7758380	Bank Serv Charges	223,857	0	223,857
7758390	Other Misc General	16,960	0	16,960
6509090	Other Trans. Exp.	215	0	215
4032090	Depreciation - Office Struct.	67,082	0	67,082
4032091	Depreciation - Office Furn.	98,197	0	98,197
4032093	Depreciation - Telephones	2,724	0	2,724
4081303	Franchise Tax	160	0	160
4081121	Real Estate Tax	72,674	0	72,674
4081201	FICA Expense	216,503	0	216,503
4091060	SUTA-IL	24,255	0	24,255
4091050	FUTA	2,517	0	2,517
4101000	Deferred Inc. Taxes - Federal	9,674	0	9,674
4191010	Interest Income	(130)	130	0
4131020	Rental Income	(2,900)	0	(2,900)
4192000	Interest - Interco.	329,299	0	329,299
4272090	S/T Int Exp Other	<u>(47,589)</u>	<u>47,589</u>	<u>0</u>
	Total Allocated Expense	\$4,984,765	(\$74,972)	\$4,909,793

## Schedule F for Audit Finding No. 2

SE52 - Allocated Other Insurance Expense

Calculation of Audit Staff Adjustment

12-Month Period Ended December 31, 2005

Insurance Policy	Policy Number	Period Covered		Premium	Balance	2005	Balance	System	Audit Adjustment		
					@12/31/04	Expense	@12/31/05		Specific	Allocations	Florida
Misc. Surety - St Tammany Parish		02/10/04	02/10/05	\$200.00	\$24.92	\$24.92	\$0.00	LA	(\$24.92)	\$0.00	
Misc. Surety - St Tammany Parish	CMS215815	02/10/05	02/10/06	200.00	200.00	175.12	24.88	LA	(175.12)	0.00	
Misc. Surety - St Tammany Parish	CMS215815	02/10/06	02/10/07	200.00	0.00	0.00	200.00	LA	0.00	0.00	
Misc. Surety - United Utilities	CMS201395	08/06/04	08/06/05	7,795.00	4,547.10	4,547.10	0.00	SC	(4,547.10)	0.00	
Misc. Surety - NC Utilities Commission		01/28/04	01/28/05	30,000.00	2,500.00	2,500.00	0.00	NC	0.00	0.00	Already removed
Misc. Surety - NC Utilities Commission	201372	01/28/05	01/28/06	30,000.00	30,000.00	27,500.00	2,500.00	NC	(27,500.00)	0.00	
Misc. Surety - NC Utilities Commission	201372	01/28/05	01/28/06	(30,000.00)	(30,000.00)	(27,500.00)	(2,500.00)	NC	27,500.00	0.00	
Misc. Surety - City of Leesburg	CMS0215817	10/10/04	10/10/05	100.00	77.78	77.78	0.00	FL	(77.78)	77.78	Utilities Inc. of Pennebrooke
Misc. Surety - City of Leesburg	CMS0215817	10/10/05	10/09/06	100.00	0.00	22.18	77.82	FL	(22.18)	22.18	Utilities Inc. of Pennebrooke
Misc. Surety - Anne Arundel County, MD	285010852	04/10/04	10/28/05	200.00	166.66	166.66	0.00	MD	(166.66)	0.00	
Misc. Surety - East Galena	285010865	06/04/04	06/04/05	100.00	41.69	41.69	0.00	ILL	(41.69)	0.00	
Misc. Surety - East Galena	285010865	06/04/05	06/03/06	100.00	0.00	58.31	41.69	ILL	(58.31)	0.00	
Misc. Surety - East Galena	285010862	06/04/04	06/04/05	100.00	41.69	41.69	0.00	ILL	(41.69)	0.00	
Misc. Surety - Richland County, SC	285010853	11/03/04	11/02/05	100.00	83.34	83.34	0.00	SC	(83.34)	0.00	
License & Permit Bond - VA	285010256	08/27/04	08/27/05	100.00	66.68	66.68	0.00	VA	(66.68)	0.00	
License & Permit Bond - VA	285010256	08/27/05	08/26/06	100.00	0.00	33.36	66.64	VA	(33.36)	0.00	
License & Permit Bond - VA	285010851	10/15/04	10/15/05	100.00	79.17	79.17	0.00	VA	(79.17)	0.00	
License & Permit Bond - VA	285010851	10/15/05	10/15/06	100.00	0.00	20.83	79.17	VA	(20.83)	0.00	
License & Permit Bond - Sugar Mountain	CMS215812	10/17/04	10/17/05	400.00	316.67	316.67	0.00	NC	(316.67)	0.00	
License & Permit Bond - Sugar Mountain	CMS215812	10/17/05	10/16/06	400.00	0.00	83.33	316.67	NC	(83.33)	0.00	
License & Permit Bond - Kentucky	CMS215844	01/25/04	01/25/05	406.00	33.87	33.87	0.00	KY	(33.87)	0.00	
License & Permit Bond - Kentucky	CMS215814	01/25/05	01/24/06	406.00	406.00	406.00	0.00	KY	(406.00)	0.00	
License & Permit Bond - Kentucky	CMS215814	06/28/05	06/27/06	406.00	0.00	406.00	0.00	KY	(406.00)	0.00	
License & Permit Bond - Kentucky	CANCELED		06/28/05	(211.13)	0.00	(211.13)	0.00	KY	211.13	0.00	
License & Permit Bond - SC Well Drilling		07/02/04	07/02/05	500.00	249.98	249.98	0.00	SC	(249.98)	0.00	
License & Permit Bond - SC Well Drilling	103315121	07/02/05	07/01/06	425.00	0.00	212.52	212.48	SC	(212.52)	0.00	

## Schedule F for Audit Finding No. 2, continued

SE52 - Allocated Other Insurance Expense

Calculation of Audit Staff Adjustment

12-Month Period Ended December 31, 2005

Insurance Policy	Policy Number	Period Covered		Premium	Balance	2005	Balance	System	Audit Adjustment		
					@12/31/04	Expense	@12/31/05		Specific	Allocations	Florida
License & Permit Bond - Hickman County	285010855	11/18/04	11/17/06	200.00	175.00	175.00	0.00	KY	(175.00)	0.00	
License & Permit Bond - KY Transportation	285010855	11/18/05	11/17/06	203.00	0.00	25.38	177.62	KY	(25.38)	0.00	
License & Permit Bond - NC DOT	104472280	06/14/05	06/13/06	850.00	0.00	460.40	389.60	NC	(460.40)	0.00	
License & Permit Bond - Greenville County	104472286	07/26/05	07/25/06	100.00	0.00	41.65	58.35	SC	(41.65)	0.00	
License & Permit Bond - Anne Arundel County	285010852	10/28/05	10/27/06	200.00	0.00	33.34	166.66	MD	(33.34)	0.00	
License & Permit Bond - Ciy of Clinton	CMS215845	09/16/05	09/15/06	101.50	0.00	29.61	71.89	KY	(29.61)	0.00	
License & Permit Bond - Richland County	285010853	11/03/05	11/02/06	100.00	0.00	<u>16.66</u>	83.34	SC	<u>(16.66)</u>	<u>0.00</u>	
						\$10,218.11			(\$7,718.11)	\$99.96	
Group Travel Accident Insurance	813155703	12/28/04	12/28/05	6,112.00	6,112.00	\$6,112.00	\$0.00	All	\$0.00	\$0.00	
Travelers Casualty & Surety - Court Bond	8S103546256BCM	04/22/04	04/22/05	6,000.00	2,000.00	2,000.00	0.00	NC	(2,000.00)	0.00	
Travelers Property/Casualty - Court Bond	8S103546256BCM	04/22/05	04/21/06	6,000.00	0.00	6,000.00	0.00	NC	(6,000.00)	0.00	
Travelers Property/Casualty - Court Bond	CANCELED		10/13/05	(3,131.00)	0.00	(3,131.00)	0.00	NC	3,131.00	0.00	
Travelers Casualty & Surety - Contract Bond	8S1035939956BCM	06/02/04	06/02/05	2,750.00	1,145.81	1,145.81	0.00	LA	(1,145.81)	0.00	
Travelers Casualty & Surety - Contract Bond	8S1035939956BCM	06/02/05	06/01/06	4,675.00	0.00	2,727.06	1,947.94	LA	(2,727.06)	0.00	
Contract Bond - Franchise Bond - Hillsborough	8103338662BCM	10/24/04	10/24/05	7,482.00	6,235.00	6,235.00	0.00	FL	(6,235.00)	6,235.00	Eastlake Water Service, Inc
Travelers Property/Casualty - Contract Bond	8103338662BCM	10/25/05	10/24/06	7,482.00	0.00	1,247.00	6,235.00	FL	(1,247.00)	1,247.00	Eastlake Water Service, Inc
Court Bond - United Utility	CMS201395	08/06/05	08/06/06	1,705.00	0.00	<u>710.40</u>	994.60	SC	<u>(710.40)</u>	<u>0.00</u>	
						\$23,046.27			(\$16,934.27)	\$7,482.00	
Pollution Liability(Terrorism)	APP8089022	11/14/04	11/14/05	533.00	466.37	\$466.37	\$0.00	FL	(\$466.37)	\$466.37	Several (Note 1)
Pollution Liability	APP8089022	11/14/05	11/14/05	1,351.00	1,182.13	1,182.13	0.00	FL	(1,182.13)	1,182.13	Several (Note 1)
Pollution Liability & Terrorism	435744	11/14/05	11/14/06	2,179.00	0.00	272.37	1,906.63	FL	(272.37)	272.37	Several (Note 1)
National Flood Insurance - Bermuda	99014173182004	09/26/04	09/25/05	1,899.00	1,424.25	1,424.25	0.00	AZ	(1,424.25)	0.00	
National Flood Insurance - Bermuda	99014173182003	09/26/05	09/26/06	1,899.00	0.00	<u>474.75</u>	1,424.25	AZ	<u>(474.75)</u>	<u>0.00</u>	
						\$3,819.87			(\$3,819.87)	\$1,920.87	

## Schedule F for Audit Finding No. 2, continued

SE52 - Allocated Other Insurance Expense

Calculation of Audit Staff Adjustment

12-Month Period Ended December 31, 2005

Insurance Policy	Policy Number	Period Covered		Premium	Balance	2005	Balance	System	Audit Adjustment		
					@12/31/04	Expense	@12/31/05		Specific	Allocations	Florida
Life Insurance - Carl Wentz	8092612	06/05/04	06/05/05	1,373.00	572.06	\$572.06	\$0.00	N-Reg	(\$572.06)	\$0.00	
Dir/Officers Chubb Group renewal	81694354	3/18/04	03/18/05	127,667.00	26,597.26	26,597.26	0.00	N-Reg	(26,597.26)	0.00	
Dir/Officers Chubb Group renewal	81694354	03/18/05	03/18/06	102,667.00	0.00	81,278.01	21,388.99	N-Reg	(81,278.01)	0.00	
Excess Directors & Officers	GT022409105	03/18/05	03/18/06	25,000.00	0.00	<u>19,791.64</u>	5,208.36	N-Reg	<u>(19,791.64)</u>	<u>0.00</u>	
						\$128,238.97			(\$128,238.97)	\$0.00	
Total SE52 Insurance Expense Adjustment						<u>\$165,323.22</u>			<u>(\$156,711.22)</u>	<u>\$9,502.83</u>	

Note 1		Mid-County		LUSI	UIF-Wekiva	Alafaya	UIF-Weath.	Lk Groves	Longwood
		W/Water	Water	Water	W/Water	W/Water	W/Water	W/Water	Water
Pollution Liability(Terrorism)	APP8089022	\$466.37	\$66.62	\$66.62	\$66.62	\$66.62	\$66.62	\$66.62	\$66.62
Pollution Liability	APP8089022	1,182.13	168.88	168.88	168.88	168.88	168.88	168.88	168.88
Pollution Liability & Terrorism	435744	<u>272.37</u>	<u>38.91</u>						
		\$1,920.87	\$274.41	\$274.41	\$274.41	\$274.41	\$274.41	\$274.41	\$274.41

### AUDIT FINDING NO. 3

**SUMMARY:** The parent, Utilities, Inc., capital structure component balances for Common Shareholders Equity, Long-term Debt and Short-term debt are \$95,673,345, \$135,285,191, and \$3,926,000, respectively, as of December 31, 2005.

**STATEMENT OF FACTS:** Utilities, Inc. consolidated financial statements reflect the following components for its Common Shareholders Equity, Long-term Debt and Short-term debt balances as of December 31, 2004 and 2005.

<u>Common Shareholders Equity</u>	<u>Dec-05</u>	<u>Dec-04</u>
Common Stock	\$100	\$100
Paid-in-Capital	24,261,656	24,261,656
Retained Earnings	71,411,589	67,825,751
Note from parent	(2,650,000)	(2,650,000)
Other Comprehensive Income	<u>(412,098)</u>	<u>(473,910)</u>
Total	\$92,611,247	\$88,963,597
<u>Long-term Debt</u>		
5.41% Trust note	\$50,000,000	\$50,000,000
7.87% Trust note	0	15,000,000
8.42% Trust note	41,000,000	41,000,000
4.55% Trust note	20,000,000	0
4.62% Trust note	20,000,000	0
9.01% Trust Note	3,000,000	4,500,000
9.16% Trust note	1,000,000	2,000,000
8.10 to 8.96% Variable promissory note	<u>285,191</u>	<u>303,215</u>
Total	\$135,285,191	\$112,803,215
<u>Short-term Debt</u>		
Bank One (Line of credit)	\$3,926,000	\$18,768,000

The note from parent balance of \$2,650,000 represents a note receivable from Global Solutions, Inc. Global Solutions, Inc. was Utilities, Inc's. former majority stockholder prior to its purchase and transfer to Hydro Starr, LLC. The transfer was approved in Order No. PSC-06-0094-FOF-WS, issued February 9, 2006. The note receivable records and offsets a note payable balance to current and former Utilities, Inc officers for transaction bonuses owed in relation to the prior sale of Utilities, Inc. to Global Solutions, Inc. The note receivable is a shareholders obligation between the utility's current and former parent companies and should not be included for rate making purposes.

The other comprehensive income balance of \$412,098 represents the unamortized balance of a \$618,140 derivative loss incurred in 2002, in connection with obtaining long term financing. The company hedged the interest rate by entering into an interest rate lock. The loss upon expiration of the hedge has been recorded as other comprehensive income and is being amortized to interest expense over the life of the related 5.41% trust note \$50,000,000 debt.



### Schedule G for Audit Finding No. 3

Long-Term Debt

Beginning & Ending Year Average

As of December 31, 2005

Debt Description	Principal	Outstanding Principal		Principal	Amtz. of	Interest	Total	Eff. Cost
	Face Value	@12/31/04	@12/31/05	Simp. Avg.	Issue Exp.	Cost	Int. Cost	Rate
5.41% Note Installments beg 2006	50,000,000	50,000,000	50,000,000	50,000,000	33,651	2,705,000	2,738,651	5.477%
7.87% Note due June 2005	15,000,000	15,000,000	0	7,500,000	10,608	590,250	600,858	8.011%
8.42% Note Installments beg 2009	41,000,000	41,000,000	41,000,000	41,000,000	70,700	3,452,200	3,522,900	8.592%
4.55% Note Installments beg 2008	20,000,000	0	20,000,000	10,000,000	25,032	455,000	480,032	4.800%
4.62% Note Installments beg 2008	20,000,000	0	20,000,000	10,000,000	5,420	462,000	467,420	4.674%
9.01% Note Installments beg 1998	15,000,000	4,500,000	3,000,000	3,750,000	21,214	337,875	359,089	9.576%
9.16% Note Installments beg 1996	10,000,000	2,000,000	1,000,000	1,500,000	10,284	137,400	147,684	9.846%
8.10%-8.96% Note Installments beg 1997	<u>500,000</u>	<u>303,215</u>	<u>285,191</u>	<u>294,203</u>	<u>0</u>	<u>25,375</u>	<u>25,375</u>	8.625%
Totals	171,500,000	112,803,215	135,285,191	124,044,203	176,909	8,165,100	8,342,009	6.725%

13-Month Average Average

As of December 31, 2005

Debt Description	Principal	Outstanding Principal		Principal	Amtz. of	Interest	Total	Eff. Cost
	Face Value	@12/31/04	@12/31/05	13-Month Avg.	Issue Exp.	Cost	Int. Cost	Rate
5.41% Note Installments beg 2006	50,000,000	50,000,000	50,000,000	50,000,000	33,651	2,705,000	2,738,651	5.477%
7.87% Note due June 2005	15,000,000	15,000,000	0	6,923,077	10,608	544,846	555,454	8.023%
8.42% Note Installments beg 2009	41,000,000	41,000,000	41,000,000	41,000,000	70,700	3,452,200	3,522,900	8.592%
4.55% Note Installments beg 2008	20,000,000	0	20,000,000	16,923,077	25,032	770,000	795,032	4.698%
4.62% Note Installments beg 2008	20,000,000	0	20,000,000	12,307,692	5,420	568,615	574,035	4.664%
9.01% Note Installments beg 1998	15,000,000	4,500,000	3,000,000	4,269,231	21,214	384,658	405,872	9.507%
9.16% Note Installments beg 1996	10,000,000	2,000,000	1,000,000	1,307,692	10,284	119,785	130,069	9.946%
8.10%-8.96% Note Installments beg 1997	<u>500,000</u>	<u>303,215</u>	<u>285,191</u>	<u>294,333</u>	<u>0</u>	<u>25,375</u>	<u>25,375</u>	8.621%
Totals	171,500,000	112,803,215	135,285,191	133,025,102	176,909	8,570,479	8,747,388	6.576%

Acct. No. 1812000 - Amortization of Issue Expense was reduced by \$99,700 to remove the amortized interest expense loss associated with the interest rate lock hedge discussed above.

**Schedule H for Audit Finding No. 3**

Short-Term Debt  
As of December 31, 2005

Beginning & Ending Average

Debt Description	Available Line	Outstanding Principal		Principal	Total	Eff. Cost
		@12/31/04	@12/31/05	Simp. Avg.	Int. Cost	Rate
Bank One - LOC	\$27,000,000	\$18,768,000	\$3,926,000	\$11,347,000	\$226,426	2.00%

13-Month Average

Debt Description	Available Line	Outstanding Principal		Principal	Total	Eff. Cost
		@12/31/04	@12/31/05	13-Month Avg.	Int. Cost	Rate
Bank One - LOC	\$27,000,000	\$18,768,000	\$3,926,000	\$4,403,615	\$226,426	5.14%

Bank One - LOC 13-Month Average

Dec-04	\$18,768,000
Jan-05	20,340,000
Feb-05	6,700,000
Mar-05	4,765,000
Apr-05	2,223,000
May-05 to Oct-05	0
Nov-05	525,000
Dec-05	<u>3,926,000</u>
	\$4,403,615

## Schedule I for Audit Finding No. 3

Utilities, Inc. - Consolidated Common Shareholders Equity

Per Utility Financial Statements

Equity Account	Month End Balance at													Simple Avg. 2004-2005	13-Month Avg 2004-2005	
	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05			
Common Stock	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Paid-in-Capital	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656
Retained Earnings	67,825,751	68,087,370	68,498,232	68,320,165	69,592,048	69,285,018	70,259,255	71,342,416	71,472,922	73,467,650	72,557,461	72,325,431	71,411,589	69,618,670	70,341,947	
Note Receivable - Parent	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)	
Other Comprehensive Income	(473,910)	(468,759)	(463,608)	(458,457)	(453,306)	(448,155)	(443,004)	(437,853)	(432,702)	(427,551)	(422,400)	(417,249)	(412,098)	(406,947)	(401,796)	
	\$88,963,597	\$89,230,367	\$89,646,380	\$89,473,464	\$90,750,498	\$90,448,619	\$91,428,007	\$92,516,319	\$92,651,976	\$94,651,855	\$93,746,817	\$93,519,938	\$92,611,247	\$90,787,422	\$91,510,699	

Utilities, Inc. - Consolidated Common Shareholders Equity

Per Audit

Equity Account	Month End Balance at													Simple Avg. 2004-2005	13-Month Avg 2004-2005
	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05		
Common Stock	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Paid-in-Capital	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656	24,261,656
Retained Earnings	67,825,751	68,087,370	68,498,232	68,320,165	69,592,048	69,285,018	70,259,255	71,342,416	71,472,922	73,467,650	72,557,461	72,325,431	71,411,589	69,618,670	70,341,947
Note Receivable - Parent	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Comprehensive Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	\$92,087,507	\$92,349,126	\$92,759,988	\$92,581,921	\$93,853,804	\$93,546,774	\$94,521,011	\$95,604,172	\$95,734,678	\$97,729,406	\$96,819,217	\$96,587,187	\$95,673,345	\$93,880,426	\$94,603,703

Note Receivable - Parent This note is used to offset a note payable to officers of the company for retention and company sales transaction bonuses. These bonuses are excluded from O&M expense when determining the allocation of executive salaries. Therefore the corresponding note receivable should be excluded from capital structure presentation for rate case purposes.

Other Comprehensive Income The comprehensive income balance is the resulting loss from hedging activity. In 2002, in connection with obtaining long term financing, the company hedged the interest rate by entering into an interest rate lock. The loss expiration of the hedge, approximately \$618,140 (after income taxes of \$378,860), has been recorded as other comprehensive income and is being amortized to interest expense over the life of the long term debt. The interest expense is excluded from the weighted average cost of long-term debt as a shareholder investing activity based on prior Commission order for this utility. Therefore the corresponding comprehensive income balance should be excluded from the capital structure presentation for rate case purposes.

## AUDIT FINDING NO. 4

**SUMMARY:** Commission Order No. PSC-03-1440-FOF-WS provided a formula for customer equivalents. The order found several areas of concern in the computation of factors used to allocate affiliate costs to each operating system. If equivalent residential connections (ERC) for each operating system change, the percent of costs allocated from Utilities, Inc. and Utilities Inc. of Florida to each operating system change.

**STATEMENT OF FACTS:** Prior to Order No. PSC-03-1440-FOF-WS, Utilities, Inc. used customer equivalents to allocate its headquarter costs. Utilities, Inc. was not able to provide a consistent formula for the customer equivalents. Therefore, the order required the company to use ERC's to allocate costs. The methodology for computing ERC's is consistent with the annual report methodology except for using 80 percent for mobile homes and multi-family dwellings. In addition to this computation, the allocation process uses the following:

1. If the operating system has both water and wastewater, the wastewater customer is counted as one half.
2. If the customer is an availability customer only, the customer is counted as one half.
3. If the water company is a distribution company only, the customer is counted as one half.
4. If the wastewater company is a collection company only, the customer is counted as one half.

This is consistent with the last rate case. The utility used to allocate once a year but as of June 2005 it does the allocations quarterly.

The following problems were found when testing the Customer Equivalent report.

1. ERC's in the annual reports are not always the same as the ERC's used in the calculation to allocate common expenses. If the methodology prescribed in the annual report were used to prepare the reports, the numbers should equal.
2. Utilities, Inc. owns a sludge hauling company. The number of customers of the sludge hauling business is used in the customer equivalent allocation the same way as a water or wastewater customer. Customers in the sludge hauling business may require more or less work by management than water or wastewater customers and may need a different allocation methodology.
3. Tierra Verde and Mid-County, both Florida companies, do not use the formula to compute ERC's. Utilities, Inc. uses customer equivalents provided by the county. The formula gives Tierra Verde 2095.7 ERC's. The company used 2,411 ERC's in its allocation formula. For Mid-County, the company used 3,352. The formula gives Mid-County 5,781 ERC's.
4. In some cities, Utilities, Inc. bills the customers for wastewater even though they only provide water service for six of the utilities. Utilities, Inc. does not include these wastewater customers in its calculation of ERC's. Revenues from the cities are included in the individual operating systems and Utilities, Inc. claims that whether the revenues are included as regulated or not is handled in the rate case for that operating system. None were in Florida. Since Utilities, Inc. does not manage the companies, including the total number of customers would not provide a reasonable allocation. The company contention is that since they are doing meter reading and billing anyway, there are minimal costs associated with performing the billing.

#### **Audit Finding No. 4, continued**

5. The company provided a report of customers by class and the ERC's for each class. Using the company formula of ERC's found many differences in the computation. There are 144 differences, but the differences are estimated to be less than two percent of the total ERC's. The company is investigating these differences and will correct them in the future.
6. There are some customers counted at the multi-family rate of .8 ERC's with very large meters. They are as follows:
  - a) 2 customers with 2 inch meters
  - b) 2 customers with 3 inch meters
  - c) 1 customer with 6 inch meter

The company has understated the ERC calculation since the company formula results in only 4.8 customer equivalents. If these were commercial meters, they would be counted as 98.5 ERC's. The company has been asked to verify that the customer count for these meters is correct. The company has provided a response that shows that these are not accurate. The policy on RV park meters needs to be changed. A 6" meter should not be counted at .8 ERC's because it serves a RV park where trailers are not individually metered. Since the RV's move in and out, the RV park should at least be considered a commercial customer and the ERC's for commercial should be used. However, even if these are changed, the amounts are immaterial and would not materially change the allocations.

7. Several lines of the ERC report do not contain the meter size. The company has a policy of including accounts without meter size in the report as one ERC. This method is not unreasonable for residential. However, the commercial, school and churches need to be investigated. The amount would not materially change the allocation.

**EFFECT ON THE GENERAL LEDGER:** The calculation of ERC's affects the general ledger by determining the percent of affiliate costs that were allocated to each individual company. If it is determined that the company methodology is not reasonable, the costs allocated from Utilities, Inc. headquarters and Utilities Inc. of Florida would change. The findings above do not appear to have a material affect and would not substantially change the allocation. This finding is presented for information purposes.

**EFFECT ON THE FILINGS:** The calculation of ERC's affects the filing by determining the percent of affiliate costs that were allocated to each individual company. If it is determined that the company methodology is not reasonable, the costs allocated from Utilities, Inc. headquarters and Utilities Inc. of Florida would change. The findings above do not appear to have a material affect and would not substantially change the allocation. This finding is presented for information purposes.

# EXHIBIT 1

Water Service Corporation  
 WSC Rate Base - Allocations  
 As of December 31, 2005

Acct. No.	Account Description	Balance per		61-0646	62-0641	67-0647	72-0673	88-0645	90-0600	101-0680	103-0690	106-0693	107-0691
		WSC G/L	Code	Tierre Verde	Lake Placid	Alafaya Utilities	Cypress Lakes	Mid-County	Utilities, Inc. of Florida	Sanlando	Sandalhaven	Labrador	Pennbrooke
3036089	Land & Land Rights	\$95,000	5	\$377	\$103	\$2,942	\$646	\$1,055	\$3,247	\$6,166	\$400	\$471	\$776
3406090	Office Structure & Improv.	2,683,306	5	10,653	2,898	83,102	18,246	29,812	91,715	174,173	11,297	13,309	21,923
3406091	Office Furniture & Equip.	1,167,632	5	4,635	1,261	36,162	7,940	12,972	39,910	75,791	4,916	5,791	9,540
3466093	Telephones	120,696	5	479	130	3,738	821	1,341	4,125	7,834	508	599	986
3466094	Tools Shop & Misc. Eqpt	20,170	3	0	0	0	0	0	0	0	0	0	0
3466097	Communication Eqpt	<u>257,505</u>	5	<u>1,022</u>	<u>278</u>	<u>7,975</u>	<u>1,751</u>	<u>2,861</u>	<u>8,802</u>	<u>16,715</u>	<u>1,084</u>	<u>1,277</u>	<u>2,104</u>
101.1	Total	\$4,344,308		\$17,167	\$4,670	\$133,919	\$29,404	\$48,041	\$147,799	\$280,680	\$18,205	\$21,448	\$35,328
1083090	A/D - Office Structures	(\$1,119,789)	5	(\$4,446)	(\$1,209)	(\$34,680)	(\$7,615)	(\$12,441)	(\$38,274)	(\$72,685)	(\$4,714)	(\$5,554)	(\$9,149)
1083091	A/D - Office Furniture & Equip.	(1,051,316)	5	(4,174)	(1,135)	(32,559)	(7,149)	(11,680)	(35,934)	(68,241)	(4,426)	(5,215)	(8,589)
1083093	A/D - Telephones	(101,466)	5	(403)	(110)	(3,142)	(690)	(1,127)	(3,468)	(6,586)	(427)	(503)	(829)
1083094	A/D - Tools Shop & Misc. Equip.	(20,170)	3	0	0	0	0	0	0	0	0	0	0
1083097	A/D - Communication Eqpt	<u>(226,754)</u>	5	<u>(900)</u>	<u>(245)</u>	<u>(7,023)</u>	<u>(1,542)</u>	<u>(2,519)</u>	<u>(7,750)</u>	<u>(14,719)</u>	<u>(955)</u>	<u>(1,125)</u>	<u>(1,853)</u>
108.3	Total	(\$2,519,495)		(\$9,922)	(\$2,699)	(\$77,404)	(\$16,995)	(\$27,767)	(\$85,427)	(\$162,231)	(\$10,522)	(\$12,397)	(\$20,419)
	Total Net "Plant"	\$1,824,814		\$7,245	\$1,971	\$56,514	\$12,409	\$20,274	\$62,372	\$118,449	\$7,682	\$9,051	\$14,909
3406010	Mainframe Computer	\$562,405	4	\$56	\$675	\$22,665	\$4,162	\$337	\$23,340	\$33,519	\$2,756	\$3,262	\$4,274
3406020	Mini Computer	851,055	4	85	1,021	34,298	6,298	511	35,319	50,723	4,170	4,936	6,468
3406110	Comp System Cost	836,988	4	84	1,004	33,731	6,194	502	34,735	49,884	4,101	4,855	6,361
3406120	Micro System Cost	<u>161,246</u>	4	<u>16</u>	<u>193</u>	<u>6,498</u>	<u>1,193</u>	<u>97</u>	<u>6,692</u>	<u>9,610</u>	<u>790</u>	<u>935</u>	<u>1,225</u>
101.4	Total	\$2,411,694		\$241	\$2,894	\$97,191	\$17,847	\$1,447	\$100,085	\$143,737	\$11,817	\$13,988	\$18,329
1081010	A/D - Mainframe Computer	(\$466,459)	4	(\$47)	(\$560)	(\$18,798)	(\$3,452)	(\$280)	(\$19,358)	(\$27,801)	(\$2,286)	(\$2,705)	(\$3,545)
1081020	A/D - Mini Computer	(777,705)	4	(78)	(933)	(31,342)	(5,755)	(467)	(32,275)	(46,351)	(3,811)	(4,511)	(5,911)
3406150	Comp System Amortization	(797,085)	4	(80)	(957)	(32,123)	(5,898)	(478)	(33,079)	(47,506)	(3,906)	(4,623)	(6,058)
3406160	Micro System Amortization	<u>(130,823)</u>	4	<u>(13)</u>	<u>(157)</u>	<u>(5,272)</u>	<u>(968)</u>	<u>(78)</u>	<u>(5,429)</u>	<u>(7,797)</u>	<u>(641)</u>	<u>(759)</u>	<u>(994)</u>
108.1	Total	(\$2,172,072)		(\$217)	(\$2,606)	(\$87,535)	(\$16,073)	(\$1,303)	(\$90,141)	(\$129,456)	(\$10,643)	(\$12,598)	(\$16,508)
	Total Net Computers & System	\$239,621		\$24	\$288	\$9,657	\$1,773	\$144	\$9,944	\$14,281	\$1,174	\$1,390	\$1,821
190.1/190.2	Acc/Def Income Taxes	(\$417,573)	5	(\$1,658)	(\$451)	(\$12,932)	(\$2,839)	(\$4,639)	(\$14,273)	(\$27,105)	(\$1,758)	(\$2,071)	(\$3,412)
	TOTAL NET WSC RB	<u>\$1,646,862</u>		<u>\$5,611</u>	<u>\$1,807</u>	<u>\$53,239</u>	<u>\$11,342</u>	<u>\$15,778</u>	<u>\$58,044</u>	<u>\$105,625</u>	<u>\$7,099</u>	<u>\$8,370</u>	<u>\$13,318</u>
				0.341%	0.110%	3.233%	0.689%	0.958%	3.525%	6.414%	0.431%	0.508%	0.809%

## EXHIBIT 2

Utilities, Inc. of Florida

UIF Rate Base - Allocations

As of December 31, 2005

		61-0646	62-0641	67-0647	72-0673	88-0645	90-0600	101-0680	103-0690	106-0693	107-0691
	UIF Total	Tierre	Lake	Alafaya	Cypress	Mid-	Utilities, Inc.				
Plant Allocations	Balance	Verde	Placid	Utilities	Lakes	County	of Florida	Sanlando	Sandalhaven	Labrador	Pennbrooke
Office Structures, Furniture & Comm. Equip.	\$246,326	\$7,143	\$1,084	\$15,962	\$6,503	\$9,927	\$28,994	\$62,789	\$3,005	\$4,705	\$8,006
Tools, Lab & Equipment	145,369	0	0	0	0	0	145,369	0	0	0	0
UIF Office Cost Center	885,852	25,690	3,898	57,403	23,386	35,700	104,265	225,804	10,807	16,920	28,790
UIF Orlando Cost Center	82,152	0	0	0	0	0	82,151	0	0	0	0
UIF Ocala Cost Center	2,072	0	0	0	0	0	2,072	0	0	0	0
UIF West Coast Cost Center	30,170	0	0	0	0	0	30,169	0	0	0	0
Computer Allocation	129,819	3,765	571	8,412	3,427	5,232	15,233	33,091	1,584	2,480	4,219
Transportation Equipment	<u>572,679</u>	<u>0</u>	<u>20,903</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>551,804</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Plant Allocation	\$2,094,439	\$36,598	\$26,456	\$81,777	\$33,316	\$50,859	\$960,057	\$321,684	\$15,396	\$24,105	\$41,015
<u>Accumulated Depreciation Allocations</u>											
Office Structures, Furniture & Comm. Equip.	(\$124,153)	(\$3,600)	(\$546)	(\$8,045)	(\$3,278)	(\$5,003)	(\$14,614)	(\$31,647)	(\$1,515)	(\$2,371)	(\$4,035)
Tools, Lab & Equipment	(107,428)	0	0	0	0	0	(107,427)	0	0	0	0
UIF Office Cost Center	(164,023)	(4,757)	(722)	(10,629)	(4,330)	(6,610)	(19,305)	(41,809)	(2,001)	(3,133)	(5,331)
UIF Orlando Cost Center	(43,631)	0	0	0	0	0	(43,636)	0	0	0	0
UIF Ocala Cost Center	(1,470)	0	0	0	0	0	(1,470)	0	0	0	0
UIF West Coast Cost Center	(19,030)	0	0	0	0	0	(18,953)	0	0	0	0
Computer Allocation	(109,992)	(3,190)	(484)	(7,127)	(2,904)	(4,433)	(12,906)	(28,037)	(1,342)	(2,101)	(3,575)
Transportation Equipment	<u>(404,358)</u>	<u>0</u>	<u>(14,694)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(389,679)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Accumulated Depreciation Allocation	(\$974,085)	(\$11,547)	(\$16,446)	(\$25,801)	(\$10,512)	(\$16,046)	(\$607,990)	(\$101,493)	(\$4,858)	(\$7,605)	(\$12,941)
Total Net Rate Base Allocation	\$1,120,354	\$25,051	\$10,010	\$55,976	\$22,804	\$34,813	\$351,734	\$220,191	\$10,538	\$16,500	\$28,074
		2.24%	0.89%	5.00%	2.04%	3.11%	31.39%	19.65%	0.94%	1.47%	2.51%

### EXHIBIT 3

Water Service Corporation

WSC Common Expense - Allocations

As of December 31, 2005

Account Number	Account Name	02-0005 Adjusted Balance	61-0646 Tierra Verde	62-0641 Lake Placid	67-0647 Alafaya Utilities	72-0672 Cypress Lakes	88-0645 Mid-County	90-0600 Utilities, Inc. of Florida	101-0680 Sanlando	103-0690 Sandalhaven	106-0693 Labrador	107-0691 Pembroke
4032098	Depreciation - Computer	\$116,445	\$464	\$125	\$3,606	\$776	\$1,296	\$3,963	\$7,548	\$479	\$578	\$941
6019045	Sal-Computer	237,436	24	285	9,960	1,734	104	9,869	14,235	1,148	1,430	1,782
6369007	Computer Maint	62,352	6	75	2,596	456	30	2,591	3,733	302	373	469
6369009	Computer-Amort & Prog. Cost	25,991	3	31	1,077	191	12	1,080	1,556	126	155	196
6369012	Internet Supplier	11,827	0	14	488	87	6	492	708	57	70	90
6759003	Computer Supplies	31,432	4	37	1,307	230	15	1,306	1,882	153	187	237
6759016	Microfilming	20,047	1	24	839	147	9	833	1,201	97	120	150
6759051	Computer Supplies - Billing	<u>39,916</u>	<u>4</u>	<u>49</u>	<u>1,653</u>	<u>293</u>	<u>19</u>	<u>1,659</u>	<u>2,392</u>	<u>194</u>	<u>238</u>	<u>301</u>
Total Schedule SE51 Expense		\$545,446	\$506	\$640	\$21,523	\$3,914	\$1,491	\$21,793	\$33,255	\$2,556	\$3,151	\$4,166
6599090	Other Insurance											
Total Schedule SE52 Expense		\$2,114,495	\$7,795	\$1,297	\$44,743	\$13,407	\$25,473	\$51,706	\$113,914	\$11,456	\$7,267	\$10,012
4032090	Depreciation - Office Struct.	\$67,082	\$268	\$72	\$2,075	\$446	\$746	\$2,282	\$4,348	\$276	\$333	\$542
4032091	Depreciation - Office Furn.	98,197	392	106	3,039	656	1,093	3,344	6,366	404	488	795
4032093	Depreciation - Telephones	2,724	12	3	84	19	30	92	176	11	13	23
4081121	Real Estate Tax	72,674	291	78	2,244	487	813	2,471	4,713	299	360	589
4081201	FICA Expense	216,503	869	232	6,685	1,436	2,424	7,349	14,030	882	1,074	1,747
4081303	Franchise Tax	160	1	0	5	1	2	5	10	1	1	1
4091050	FUTA	2,517	10	2	77	16	29	85	164	10	13	20
4091060	SUTA-IL	24,255	98	26	747	160	273	820	1,571	98	121	195
4101000	Deferred Inc. Taxes - Federal	9,674	38	10	300	66	107	331	628	41	48	79
4131020	Rental Income	(2,900)	(15)	(3)	(90)	(20)	(41)	(101)	(205)	(12)	(15)	(25)
4191010	Interest Income	(130)	(1)	0	(4)	(1)	(2)	(5)	(9)	(1)	(1)	(1)
4192000	Interest - Interco.	329,299	1,128	363	10,702	2,231	3,153	11,558	21,116	1,383	1,680	2,635
4272090	S/T Int Exp Other	(47,589)	(189)	(51)	(1,474)	(317)	(528)	(1,620)	(3,085)	(197)	(236)	(386)
6019050	Salaries - Office	2,291,063	11,731	2,580	70,833	16,038	32,655	79,877	161,738	9,749	11,704	20,152
6019070	Sal-IL Customer Service	101,067	0	0	0	0	0	0	0	0	0	0
6049000	Employee Pensions & Benefits	200,447	1,012	227	6,238	1,429	2,818	7,010	14,117	870	1,026	1,772
6049010	Health Ins. Reimb	233,294	925	251	7,230	1,557	2,586	7,953	15,123	964	1,158	1,889
6049011	Employee Ins. Deductions	(82,846)	(329)	(90)	(2,568)	(555)	(919)	(2,827)	(5,372)	(343)	(411)	(672)
6049012	Health Costs & Other	8,612	34	9	267	58	96	293	558	36	43	69
6049015	Dental Ins. Reimbursements	27,384	108	29	849	184	303	934	1,776	114	136	222
6049020	Pension Contributions	76,005	348	84	2,341	519	969	2,606	5,136	318	382	641
6049050	Health Ins. Premiums	51,231	203	55	1,588	343	566	1,749	3,322	213	254	416
6049055	Dental Premiums	4,277	18	5	132	28	48	146	278	18	21	35
6049060	Term Life Ins.	11,336	45	13	352	76	126	387	735	47	56	92
6049065	Term Life Ins. - OPT	181	1	0	5	1	3	6	12	1	1	2
6049066	Depend Life Ins. - OPT & AFLAC	17	0	0	0	0	0	1	1	0	0	0
6049067	AFLAC	329	2	0	10	2	4	11	21	2	1	2
6049070	ESOP Contributions	97,481	445	106	3,002	665	1,240	3,341	6,581	408	489	822
6049080	Disability Insurance	6,071	24	7	189	41	67	207	393	26	30	50

**EXHIBIT 3, continued**

	02-0005	61-0646	62-0641	67-0647	72-0672	88-0645	90-0600	101-0680	103-0690	106-0693	107-0691
	Adjusted	Tierre	Lake	Alafaya	Cypress	Mid-	Utilities, Inc.				
Acct. No.	Balance	Verde	Placid	Utilities	Lakes	County	of Florida	Sanlando	Sandalhaven	Labrador	Pennbrooke
Account Description											
6049090 Other Emp Pens & Benefits	2,282	9	3	71	16	25	77	147	9	12	18
6329002 Audit Fees	233,372	1,195	262	7,212	1,638	3,322	8,130	16,461	996	1,191	2,054
6329014 Tax Return Review	52,470	269	59	1,622	367	749	1,829	3,704	223	268	461
6338001 Legal Fees	13,413	69	15	414	93	192	468	949	56	69	117
6369003 Temp Empl.	19,738	101	22	610	139	281	687	1,390	85	100	174
6369005 Payroll Services	47,166	242	53	1,458	330	673	1,644	3,331	201	241	415
6369006 Employ Finder Fees	0	3	0	20	(12)	9	23	45	3	4	1
6369090 Other Outside Services	7,500	38	8	231	53	106	261	527	32	38	66
6509090 Other Trans. Exp.	215	0	0	0	0	0	0	0	0	0	0
6708001 Agency Expense	11,252	58	13	348	79	160	392	794	48	58	98
6759001 Publ Subscriptions & Tapes	9,404	48	10	291	66	134	328	664	39	48	83
6759004 Printing & Blueprints	17,307	69	19	535	116	194	589	1,122	72	86	141
6759005 Postage	81,246	8	98	3,421	591	35	3,374	4,862	392	491	607
6759006 UPS & Air Freight	14,878	2	18	617	109	8	618	890	73	89	112
6759007 Printing Customer Service	5,669	23	6	175	38	63	193	367	23	28	46
6759008 Xerox	7,860	31	8	244	52	88	268	509	32	38	64
6759009 Off Supply Stores	24,701	98	26	767	165	273	843	1,603	103	123	200
6759010 Reim of Off Emp Exp.	2,130	9	2	66	15	23	73	139	10	10	17
6759011 Envelopes	153,075	612	165	4,733	1,016	1,708	5,203	9,921	627	759	1,235
6759012 Bill Stock	26,343	105	29	815	176	294	897	1,707	108	130	213
6759013 Cleaning Supplies	2,298	9	3	72	16	25	78	149	9	11	19
6759014 Memberships	959	4	1	29	6	11	33	62	4	5	7
6759090 Other Office Expense	8,681	35	10	269	57	96	296	563	36	43	70
6759110 Office Telephone	3,096	12	4	96	21	34	106	201	12	16	26
6759120 Office Electric	24,660	98	27	764	164	274	840	1,598	101	123	200
6759125 Office Water	5,643	22	6	175	38	63	192	365	23	28	45
6759130 Office Gas	9,099	36	9	281	60	102	309	590	38	44	74
6759210 Office Cleaning Serv	26,625	106	28	824	178	297	906	1,726	109	132	215
6759220 Landscaping, Mowing, Snow	29,556	118	32	913	198	329	1,005	1,916	121	147	240
6759230 Office Garbage Removal	1,807	8	2	56	12	20	61	117	8	8	15
6759260 Repair Off Mach & Heating	6,058	25	6	186	40	68	204	392	25	30	48
6759290 Other Office Maint	50,555	202	55	1,565	337	562	1,721	3,279	210	251	410
6759330 Operators - Memberships	583	2	0	18	4	6	20	37	2	2	4
6759416 Operators - Memberships	(134)	0	0	(4)	(1)	(1)	(5)	(8)	0	0	(1)
7048055 Office Education/Train Exp	33,873	134	36	1,050	226	375	1,155	2,195	139	168	274
7758370 Meals & Related Exp	12,151	62	13	375	85	173	424	858	52	62	107
7758380 Bank Serv Charges	223,857	1,147	252	6,919	1,565	3,191	7,805	15,805	950	1,145	1,968
7758390 Other Misc General	<u>16,960</u>	<u>87</u>	<u>18</u>	<u>525</u>	<u>119</u>	<u>241</u>	<u>590</u>	<u>1,196</u>	<u>72</u>	<u>87</u>	<u>149</u>
Total Schedule SE60 Expense	\$4,984,765	\$22,565	\$5,432	\$152,621	\$33,738	\$62,864	\$169,942	\$334,415	\$20,661	\$24,854	\$41,698
Total WSC Allocated Expenses	<u>\$7,644,706</u>	<u>\$30,866</u>	<u>\$7,369</u>	<u>\$218,887</u>	<u>\$51,059</u>	<u>\$89,828</u>	<u>\$243,441</u>	<u>\$481,584</u>	<u>\$34,673</u>	<u>\$35,272</u>	<u>\$55,876</u>
		0.40%	0.10%	2.86%	0.67%	1.18%	3.18%	6.30%	0.45%	0.46%	0.73%

# EXHIBIT 4

Utilities Inc. of Florida  
 UIF Common Expense - Allocations  
 As of December 31, 2005

Acct. No.	Sub. No.	Account Description	UIF Adjusted Balance	61-0646 Tierra Verde	62-0641 Lake Placid	67-0647 Alafaya Utilities	72-0672 Cypress Lakes	88-0645 Mid- County	90-0600 Utilities, Inc. of Florida	101-0680 Sanlando	103-0690 Sandahaven	106-0693 Labrador	107-0691 Pembroke
4032090	600	Depreciation - Office Struc.	\$3,413	\$60	\$13	\$364	\$82	\$168	\$507	\$833	\$51	\$60	\$26
4032091	600	Depreciation - Office Furn.	2,839	50	12	304	68	140	424	693	42	49	22
4032092	600	Depreciation - Transp. Equip.	78,597	0	2,461	0	0	0	76,136	0	0	0	0
4032094	600	Depr. - Tools, Shop, & Misc.	8,922	158	35	953	216	440	1,328	2,177	130	157	68
4032095	600	Depreciation - Lab Equip.	191	4	0	20	4	9	30	47	3	4	1
4032097	600	Depreciation - Commun. Equip.	6,581	117	25	703	158	325	981	1,605	97	116	50
4032098	600	Depreciation - Computer	14,191	252	55	1,516	343	699	2,066	3,461	208	251	145
6205003	600	Operators Exp.	109	2	0	12	3	5	16	27	2	2	0
6501020	600	Gasoline	62,441	0	1,954	0	0	0	60,487	0	0	0	0
6501030	600	Auto Repairs & Tires	41,293	0	1,292	0	0	0	40,001	0	0	0	0
6501040	600	Auto License	5,336	0	167	0	0	0	5,169	0	0	0	0
6509090	600	Other Trans Expenses	0	0	0	0	0	0	0	0	0	0	0
6509110	600	Operators Trans Reim	0	0	0	0	0	0	0	0	0	0	0
6759018	600	Operators - Other Office Exp.	2,804	49	11	299	68	138	417	684	41	49	26
6759019	600	Oper-Publication/Subscription	446	8	2	48	11	22	71	109	6	8	0
6759135	600	Operations Telephones	0	0	0	0	0	0	0	0	0	0	0
6759136	600	Oper Telephones-Long Dist	148	3	0	16	4	8	22	36	3	3	1
6759330	600	Memberships - Company	0	0	0	0	0	0	0	0	0	0	0
6759416	600	Operators - Memberships	9,218	164	36	985	223	454	1,364	2,251	135	164	77
6759430	600	Sales/Use Tax Exp.	116	2	0	12	3	6	17	29	2	2	0
7758370	600	Meals & Related Exp.	2,816	50	12	301	68	139	388	687	41	50	44
7758380	600	Bank Service Charges	300	5	1	32	7	15	39	73	4	5	9
7758390	600	Other Misc. General	<u>7,404</u>	<u>131</u>	<u>28</u>	<u>791</u>	<u>178</u>	<u>366</u>	<u>1,153</u>	<u>1,811</u>	<u>108</u>	<u>131</u>	<u>18</u>
Total Schedule SE90 Subdivision 600 Expense			\$247,165	\$1,055	\$6,104	\$6,356	\$1,436	\$2,934	\$190,616	\$14,523	\$873	\$1,051	\$487
4032090	601	Depreciation - Office Struc.	\$17,575	\$311	\$68	\$1,877	\$425	\$866	\$2,620	\$4,288	\$257	\$310	\$134
4032091	601	Depreciation - Office Furn.	6,878	123	27	735	166	339	1,023	1,679	101	122	53
6369003	601	Temp. Employment - Clerical	28,618	508	112	3,058	690	1,412	4,319	6,986	418	505	175
6369007	601	Computer Maint.	0	0	0	0	0	0	0	0	0	0	0
6759001	601	Publ Subscriptions & Tapes	148	3	1	16	4	7	21	36	2	3	0
6759002	601	Answering Serv	8,006	142	31	855	193	396	1,217	1,954	117	142	41
6759003	601	Computer Supplies	49	1	0	5	1	2	8	12	1	1	0
6759004	601	Printing & Blueprints	0	0	0	0	0	0	0	0	0	0	0
6759005	601	Postage	11,685	207	45	1,248	283	576	1,757	2,852	172	206	79
6759006	601	Ups & Air Freight	5,228	93	20	559	127	257	765	1,275	77	92	51
6759007	601	Printing Customer Service	5,637	99	21	602	137	278	802	1,373	84	99	73
6759008	601	Xerox	1,781	32	7	190	43	88	254	434	26	32	22
6759009	601	Off Supply Stores	24,042	425	93	2,568	582	1,184	3,465	5,861	353	424	274
6759010	601	Reim Of Off Emp Exp	518	9	2	55	13	25	64	126	8	9	16
6759011	601	Office Expenses	0	0	0	0	0	0	0	0	0	0	0
6759013	601	Cleaning Supplies	656	11	2	70	16	32	100	160	10	11	4
6759014	601	Memberships	0	0	0	0	0	0	0	0	0	0	0
6759015	601	Petty Cash Office	0	0	0	0	0	0	0	0	0	0	0
6759090	601	Other Office Expenses	15,186	269	58	1,623	367	748	2,240	3,702	222	267	136
6759110	601	Office Telephone	12,132	215	47	1,296	293	598	1,805	2,961	178	214	93
6759111	601	Office Telephone - Ld	0	0	0	0	0	0	0	0	0	0	0
6759210	601	Office Cleaning Service	9,975	176	39	1,066	241	491	1,482	2,433	146	176	80
6759220	601	Lndscping Mowing & Snowplwing	710	13	3	76	17	35	100	173	11	13	8
6759230	601	Office Garbage Removal	1,834	32	7	196	44	91	293	448	26	32	0
6759290	601	Other Office Maint.	7,073	125	27	756	171	349	1,029	1,725	104	125	73
7048055	601	Office Education/Training Exp.	367	7	1	39	9	18	58	90	5	6	0
7758390	601		<u>574</u>	<u>10</u>	<u>2</u>	<u>61</u>	<u>14</u>	<u>28</u>	<u>91</u>	<u>141</u>	<u>8</u>	<u>10</u>	<u>0</u>
Total Schedule SE90 Subdivision 601 Expense			\$158,673	\$2,811	\$613	\$16,951	\$3,836	\$7,820	\$23,514	\$38,709	\$2,326	\$2,799	\$1,312
Total UIF Allocated Expense			<u>\$405,838</u>	<u>\$3,866</u>	<u>\$6,717</u>	<u>\$23,307</u>	<u>\$5,272</u>	<u>\$10,754</u>	<u>\$214,130</u>	<u>\$53,232</u>	<u>\$3,199</u>	<u>\$3,850</u>	<u>\$1,799</u>
				0.95%	1.66%	5.74%	1.30%	2.65%	52.76%	13.12%	0.79%	0.95%	0.44%

## EXHIBIT 5

Utilities, Inc. of Florida

Allocated Salaries, Pension and Benefits and Payroll Taxes

As of December 31, 2005

	UIF Total Balance	61-0646 Tierre Verde	62-0641 Lake Placid	67-0647 Alafaya Utilities	72-0673 Cypress Lakes	88-0645 Mid- County	90-0600 U. Inc. of Florida	101-0680 Sanlando	103-0690 Sandalhaven	106-0693 Labrador	107-0691 Pennbrooke
<b>Salaries</b>											
Fla. Operators	\$3,265,271	\$31,185	\$4,187	\$312,768	\$112,890	\$217,143	\$306,344	\$786,773	\$103,038	\$102,432	\$55,538
Fla. Office	<u>476,096</u>	<u>8,424</u>	<u>1,854</u>	<u>50,857</u>	<u>11,502</u>	<u>23,452</u>	<u>57,357</u>	<u>116,143</u>	<u>14,466</u>	<u>6,990</u>	<u>8,404</u>
	\$3,741,367	\$39,609	\$6,041	\$363,625	\$124,392	\$240,595	\$363,701	\$902,916	\$117,504	\$109,422	\$63,942
<b>Pension &amp; Benefits</b>											
Fla. Operators	\$642,883	\$6,000	\$646	\$65,369	\$18,895	\$40,222	\$60,460	\$166,626	\$15,701	\$17,476	\$9,885
Fla. Office	<u>102,499</u>	<u>1,814</u>	<u>400</u>	<u>10,948</u>	<u>2,478</u>	<u>5,050</u>	<u>12,350</u>	<u>25,011</u>	<u>3,115</u>	<u>1,504</u>	<u>1,810</u>
	\$745,382	\$7,814	\$1,046	\$76,317	\$21,373	\$45,272	\$72,810	\$191,637	\$18,816	\$18,980	\$11,695
<b>Payroll Taxes</b>											
Fla. Operators	\$248,053	\$2,007	\$186	\$23,353	\$8,832	\$17,417	\$21,956	\$60,440	\$7,843	\$8,278	\$4,094
Fla. Office	<u>44,888</u>	<u>795</u>	<u>175</u>	<u>4,795</u>	<u>1,084</u>	<u>2,211</u>	<u>5,408</u>	<u>10,949</u>	<u>1,364</u>	<u>658</u>	<u>792</u>
	\$292,942	\$2,802	\$361	\$28,148	\$9,916	\$19,628	\$27,364	\$71,389	\$9,207	\$8,936	\$4,886
<b>Total All</b>											
Fla. Operators	\$4,156,207	\$39,192	\$5,019	\$401,490	\$140,617	\$274,782	\$388,760	\$1,013,839	\$126,582	\$128,186	\$69,517
Fla. Office	<u>623,484</u>	<u>11,033</u>	<u>2,429</u>	<u>66,600</u>	<u>15,064</u>	<u>30,713</u>	<u>75,115</u>	<u>152,103</u>	<u>18,945</u>	<u>9,152</u>	<u>11,006</u>
	\$4,779,691	\$50,225	\$7,448	\$468,090	\$155,681	\$305,495	\$463,875	\$1,165,942	\$145,527	\$137,338	\$80,523