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REPLY TO CENTRAL FLORIDA OFFICE

MARTIN S. FRIEDMAN, P.A.
VALERIE L. LORD
BRIAN J. STREET

November 13, 2006

HAND DELIVERY

Ms. Blanca Bayo
Commission Clerk & Administrative Services Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RE: Docket No.: 060258-WS; Sanlando Utilities Corp.'s Application for Rate Increase in Seminole County, Florida
Our File No.: 30057.116

- DMP _____
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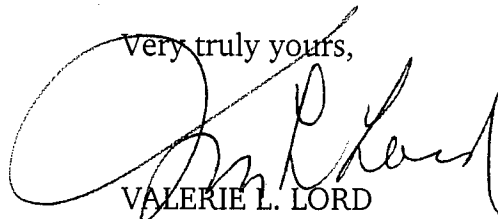
Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket is the response of Sanlando Utilities Corp. to Staff's final audit report dated October 16, 2006.

Should you have any questions regarding this filing, please do not hesitate to contact

me.

Very truly yours,



VALERIE L. LORD
For the Firm

VLL/tlc
Enclosures

DOCUMENT NUMBER-DATE

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Ms. Blanca Bayo
Commission Clerk & Administrative Services Director
Florida Public Service Commission
November 13, 2006
Page 2

cc: Jennifer Brubaker, Esquire, Office of General Counsel (w/enc. - by hand delivery)
Ms. Denise N. Vandiver, Regulatory Compliance and Consumer Assistance (w/enc. -
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SANLANDO UTILITIES CORPORATION
DOCKET NO. 060258-WS
AUDIT REPORT RESPONSES

Audit Finding No. 1

The Utility agrees with audit finding number 1 and would propose the same general ledger entry as Staff, which is as follows:

<u>A/C #</u>	<u>A/C Description</u>	<u>Debit</u>	<u>Credit</u>
2151000	R/E	92,255	
2711000	CIAC - Water	242,474	
2721000	CIAC - Sewer	233,333	
2722000	A/A of CIAC - Water		300,636
2723000	A/A of CIAC - Sewer		284,885
4071000	Amortization Expense - CIAC Water	7,142	
4073000	Amortization Expense - CIAC Sewer	6,344	
1082095	A/D - Tools, Shop, & Laboratory Equipment		2,302
1083097	A/D - Communication Equipment	13,621	
1083095	A/D - Tools, Shop, & Laboratory Equipment		6,778
3446095	Tools, Shop, & Laboratory Equipment	4,316	
3446097	Communication Equipment		17,026
3446095	Tools, Shop, & Laboratory Equipment	12,710	
4032095	Depreciation Expense - Tools, Shop, & Laboratory Equipment	288	
4032097	Depreciation Expense - Communication Equipment		1,703
4032095	Depreciation Expense - Tools, Shop, & Laboratory Equipment	847	

The Company's 13-month average for water and sewer should be reduced by \$53,622 and \$51,552 respectively.

SANLANDO UTILITIES CORPORATION
DOCKET NO. 069258-W5
AUDIT REPORT RESPONSES

Audit Finding No. 2

The Utility agrees with audit finding number 2 and would propose the same general ledger entry as Staff, which is as follows:

<u>A/C #</u>	<u>A/C Description</u>	<u>Debit</u>	<u>Credit</u>
1083042	A/D - Distribution Reservoirs & Standpipes	7,962	
1083043	A/D - Transmission and Distribution Mains	33,784	
1083046	A/D - Meters	2,167	
1083091	A/D - Office Furniture & Equipment	1,927	
1083094	A/D - Tools, Shop, & Miscellaneous Equipment	6,559	
2151000	R/E	103,536	
3305042	Distribution Reservoirs & Standpipes		39,317
3315043	Transmission & Distribution Mains		223,493
3345046	Meters		5,774
3406091	Office Furniture & Equipment		3,823
3466094	Tools, Shop, & Miscellaneous Equipment		14,202
4032042	Depreciation Expense - Distribution Reservoirs & Standpipes		1,062
4032043	Depreciation Expense - Transmission & Distribution Mains		5,198
4032046	Depreciation Expense - Meters		289
4032091	Depreciation Expense - Office Furniture & Equipment		257
4032094	Depreciation Expense - Tools, Shop, & Miscellaneous Equipment		888
1084005	A/D - Sewer Treatment Plant	488	
1084008	A/D - Sewer Mains		24,205
1084091	A/D - Office Furniture & Equipment	1,493	
1084094	A/D - Tools, Shop, & Miscellaneous Equipment	574	
1084097	A/D - Communication Equipment	9,954	
3612008	Sewer Mains	167,573	
3804005	Sewage Treatment Plant		2,281
3907091	Office Furniture & Equipment		2,983
3937094	Tools, Shop, & Miscellaneous Equipment		1,224
3967097	Communication Equipment		13,277
4033005	Depreciation Expense - Sewage Treatment Plant		65
4033008	Depreciation Expense - Sewer Mains	3,724	
4033091	Depreciation Expense - Office Furniture & Equipment		199
4033094	Depreciation Expense - Tools, Shop, & Miscellaneous Equipment		77
4033097	Depreciation Expense - Communication Equipment		1,327

The Company's 13-month average for water and sewer should be reduced and increased by \$220,579 and \$137,260 respectively, and depreciation expense balances for water and sewer should be reduced and increased by \$7,693 and \$2,056 respectively.

SANLANDO UTILITIES CORPORATION
DOCKET NO. 060258-WS
AUDIT REPORT RESPONSES

Audit Finding No. 3

The Utility agrees with audit finding number 3 and would propose the same general ledger entry as Staff, which is as follows:

<u>A/C #</u>	<u>A/C Description</u>	<u>Debit</u>	<u>Credit</u>
1211000	Non-utility investment	217,662	
2150000	R/E		18,676
3011001	Organization		480
3021002	Franchises		132,925
3511001	Organization		429
3521020	Franchises		84,737
1083001	A/D - Organization	10,171	
1084001	A/D - Organization		64
1084020	A/D - Franchise	14,805	
4032001	Depreciation Expense - Organization		3,330
4033001	Depreciation Expense - Organization		11
4033020	Depreciation Expense - Franchise		2,115

The Company's 13-month average for water and sewer should be reduced by \$140,959 and \$86,282 respectively, and depreciation expense for water and sewer should be reduced by \$3,330 and \$2,126 respectively.

Audit Finding No. 4

The Utility agrees with audit finding number 4 and would propose the same general ledger entry as Staff, which is as follows:

<u>A/C #</u>	<u>A/C Description</u>	<u>Debit</u>	<u>Credit</u>
1084005	A/D - Sewage Treatment Plant	27,561	
2151000	R/E		3,266
3804005	Sewage Treatment Plant		23,619
4033005	Depreciation Expense - Sewage Treatment Plant		676

The Company's 13-month average for sewer should be increased by \$3,942, and depreciation expense should be reduced by \$676.

Audit Finding No. 5

The Utility agrees with audit finding number 5 and would propose the same general ledger entry as Staff, which is as follows:

<u>A/C #</u>	<u>A/C Description</u>	<u>Debit</u>	<u>Credit</u>
1083025	A/D - Pumping Equipment	154	
1083032	A/D - Water Treatment Equipment	6	
1083042	A/D - Distribution Reservoirs & Standpipes	37	
1083043	A/D - Transmission & Distribution Mains	1,479	
1084011	A/D - Lift Stations	874	
1084005	A/D - Sewage Treatment Plant	527	
1084007	A/D - Sewer Services	11	
1085008	A/D - Reuse Mains	26,088	
2151000	R/E	323,807	
3113025	Pumping Equipment		560
3204032	Water Treatment Equipment		94
3305042	Distribution Reservoirs & Standpipes		248
3315043	Transmission & Distribution Mains		14,716
3335045	Water Services		2
3542011	Lift Station		5,657
3602007	Sewer Services		70
3752008	Reuse Mains		319,907
3804005	Sewage Treatment Plant		3,599
4032025	Depreciation Expense - Pumping Equipment		28
4032032	Depreciation Expense - Water Treatment Equipment		4
4032042	Depreciation Expense - Distribution Reservoirs & Standpipes		7
4032043	Depreciation Expense - Transmission & Distribution Mains		343
4033005	Depreciation Expense - Sewage Treatment Plant		103
4033007	Depreciation Expense - Sewer Services		2
4033011	Depreciation Expense - Lift Station		189
4037008	Depreciation Expense - Reuse		7,454

The Company's 13-month average for water and sewer is overstated by \$13,493 and \$501,732 respectively. In addition, depreciation expense should be reduced by \$382 and \$7,748.

SANLANDO UTILITIES CORPORATION
DOCKET NO. 060258-WS
AUDIT REPORT RESPONSES

Audit Finding No. 6

The Utility agrees with audit finding number 6, and for purposes of this rate case, would propose the same entry as Staff, which is as follows:

<u>A/C #</u>	<u>A/C Description</u>	<u>Debit</u>	<u>Credit</u>
1082000 A/D - Transportation Equipment			8,555
2151000 R/E			31,364
3917000 Transportation Equipment		34,215	
4032092 Depreciation Expense - Transportation Equipment		5,704	

The Company's 13-month average for water and sewer is understated by \$16,158 and \$12,354 respectively. In addition, depreciation expense should be increased by \$3,232 and \$2,472.

It should also be noted that effective October 2006, transportation equipment and associated accumulated depreciation and expenses will be allocated based on the customer equivalent percentages of the operator who owns the vehicle. This will be done in order to better allocate vehicles and their costs to the appropriate companies, as vehicles should follow the personnel who drive them.

SANLANDO UTILITIES CORPORATION
DOCKET NO. 060258-WS
AUDIT REPORT RESPONSES

Audit Finding No. 7

The Utility agrees with audit finding number 7, and would propose the same entry as Staff, which is as follows:

<u>A/C #</u>	<u>A/C Description</u>	<u>Debit</u>	<u>Credit</u>
2151000	R/E	6,800	
3034030	Land & Land Rights (Treatment Plant)		5,000
3036010	Land & Land Rights		1,800

The Company's 13-month average for water is overstated by \$6,800.

Audit Finding No. 8

The Company agrees with the journal entry that is proposed by Staff, however Staff's wording is incorrect. Staff claims that rate base is overstated, when in fact rate base is understated. Since a journal entry to remove CIAC from rate base is being made, and CIAC is a reduction to rate base, rate base will increase. Staff's journal entry, with which the Company agrees, is as follows:

<u>A/C #</u>	<u>A/C Description</u>	<u>Debit</u>	<u>Credit</u>
2151000	R/E		649,900
2711000	CIAC - Water	340,475	
2721000	CIAC - Sewer	465,423	
2722000	Accumulated Amortization - CIAC - Water		74,465
2723000	Accumulated Amortization - CIAC - Sewer		103,908
4071000	Amortization Expense - CIAC - Water	8,829	
4073000	Amortization Expense - CIAC - Sewer	13,544	

Rather than the 13-month average being reduced, it will be increased by \$266,012 for water and \$361,515 for sewer. Additionally, CIAC amortization expense will be reduced (debited to the income statement) for water and sewer in the amounts of \$8,829 and \$13,544 respectively.

Audit Finding No. 9

The Utility agrees with audit finding number 9 in that the average balance in account 3406110, computer system cost, should be allocated between water and sewer. The filing currently has the entire average balance in water rate base only. The average balance is \$20,295. Based on the allocation between water and sewer, \$11,501 should be in water rate base, while \$8,794 should be in sewer rate base.

The Utility does however, disagree with Staff's statement regarding accumulated amortization for computer system costs. The accumulated amortization of computer system costs is already included in the filing, but are not included in accumulated depreciation. These costs are actually included in water utility plant in service on the Utility's schedule A-5 under account 347.5, miscellaneous equipment. The 2005 total in this account is \$392,372, and is comprised of the following general ledger accounts:

3406020	Mini Computers	55,500
3406050	Computer Allocated	33,091
3406110	Computer System Cost	20,295
3486000	Other Plant	22,363
3486050	Water Plant Allocated	264,005
1041000	Utility Plant Acquired/Disposed	2,238
3406150	Computer System Amortization	(17,756)
1511005	Inventory	12,636
		<u>392,372</u>

Since these costs are already included in rate base, there is no need to include them in the filing again, essentially doubling on accumulated amortization. However, the utility agrees that the 13-month average in the amount of \$16,488 should be allocated between water and sewer, with \$9,344 of accumulated amortization going to water and \$7,144 of accumulated amortization going to sewer.

Audit Finding No. 10

The Utility agrees with audit finding number 10, and would increase rate base for water and sewer by \$14,224 and \$10,875 respectively. The Utility notes that beginning in June 2006, WSC rate base items will be directly booked to each company's respective rate base accounts.

Audit Finding No. 11

The Utility agrees with audit finding number 11, and would increase cash working capital by \$122,069 and \$44,621 for water and sewer respectively.

SANLANDO UTILITIES CORPORATION
DOCKET NO. 060258-WS
AUDIT REPORT RESPONSES

Audit Finding No. 12

The Utility agrees with audit finding number 12 in its explanation, but would propose a different journal entry, as the Company believes Staff has some incorrect amounts in the journal entry shown on page 33 of the audit report. Based on the deferred asset adjustments shown on pages 33 and 34 of the audit report, deferred charges should be \$53,886 and accumulated amortization of deferred charges should be \$8,434. This changes the retained earnings amount for the balancing entry.

A/C #	A/C Description	Debit	Credit
1082000	A/D - Transportation		267
1862019	Deferred Charges	53,886	
1865019	Accumulated Amortization - Deferred Charges		8,434
2151000	R/E	2,656	
3917000	Transportation Equipment	2,137	
4032092	Depreciation Expense - Transportation	267	
6501030	Transportation Expense		2,137
6755070	Water Permits		7,500
6755090	Water - Other Maintenance Expense		37,518
6759080	Maintenance - Deferred Charges	8,434	
6759081	Hurricane/Storms Cost		10,024
7758490	Sewer - Other Maintenance Expense		1,500

The 13-month average rate base adjustment would be as follows:

A/C #	A/C Description	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	13-month
3917000	Transportation Equipment	-	-	-	-	2,137	2,137	2,137	2,137	2,137	2,137	2,137	2,137	2,137	1,479
1082000	A/D - Transportation	-	-	-	-	30	59	89	119	148	178	208	238	267	103

The deferred asset adjustment would be as follows:

A/C #	A/C Description	Amount
1862019	Deferred Charges	7,500
1865019	Accumulated Amortization - Deferred Charges	(1,500)
1862019	Deferred Charges	3,400
1865019	Accumulated Amortization - Deferred Charges	(680)
1862019	Deferred Charges	4,517
1865019	Accumulated Amortization - Deferred Charges	(903)
1862019	Deferred Charges	28,445
1865019	Accumulated Amortization - Deferred Charges	(3,845)
1862019	Deferred Charges	10,024
1865019	Accumulated Amortization - Deferred Charges	(2,506)
	Total a/c 1862019	53,886
	Total a/c 1865019	(8,434)

The 13-month average of deferred assets would be as follows:

A/C #	A/C Description	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	13-month
1862019	Deferred Charges	-	3,775	5,337	12,837	20,754	20,754	20,754	21,042	21,627	21,627	21,627	25,441	53,886	19,189
1865019	Accumulated Amortization - Deferred Charges	-	-	-	(150)	(476)	(802)	(1,128)	(1,453)	(1,780)	(2,105)	(2,431)	(4,010)	(8,434)	(1,751)

In conclusion, O&M is reduced by \$50,005 and \$240 for water and sewer respectively, depreciation expense is increased by \$116 and \$151 for water and sewer respectively, rate base for water and sewer is increased by \$7,989 and \$10,826 respectively, consisting of the increase to transportation expense, accumulated depreciation, and cash working capital.

SANLANDO UTILITIES CORPORATION
DOCKET NO. 060258-WS
AUDIT REPORT RESPONSES

Audit Finding No. 13

The Utility agrees with audit finding number 13, and would propose the same entry as Staff, which is as follows:

<u>A/C #</u>	<u>A/C Description</u>	<u>Debit</u>	<u>Credit</u>
6329002	Audit Fees		5,603
6599090	Insurance		7,770
6759005	Postage Fees		2,562
6369009	Amortization Expense - Computer		117
4032098	Depreciation Expense		643
4191010	Interest Income *	9	
4272090	Interest Expense *	3,089	
2151000	R/E	13,597	

* Not included in net operating income

O&M balances for water and sewer will decrease by \$9,740 and \$6,955 respectively.

SANLANDO UTILITIES CORPORATION
DOCKET NO. 060258-WS
AUDIT REPORT RESPONSES

Audit Finding No. 14

The Utility agrees with audit finding number 14 and would propose the same entry as Staff, which is as follows:

A/C #	A/C Description	Debit	Credit
1083021	A/D - Structures & Improvements (Pump Plant)		11
1083011	A/D - Structures & Improvements (Source Supply)	2	
1083031	A/D - Structures & Improvements (Water Treatment Plant)		2
1083014	A/D - Wells & Springs		183
1083025	A/D - Electric Pumping Equipment		1,522
1083032	A/D - Water Treatment Equipment		11
1083042	A/D - Distribution Reservoirs & Standpipes		211
1083043	A/D - Mains		957
1083045	A/D - Service Lines		204
1083046	A/D - Meters		324
1083047	A/D - Meter Installations		336
1083048	A/D - Hydrants		95
1083090	A/D - Office Structures		4
1083091	A/D - Office Furniture		15
1083095	A/D - Laboratory Equipment		35
1083094	A/D - Tools, Shop, & Miscellaneous Equipment		322
1083010	A/D - Water Plant		2,236
1082000	A/D - Transportation Equipment		17,742
4032021	Depreciation Expense - Structures & Improvements (Pump Plant)	11	
4032011	Depreciation Expense - Structures & Improvements (Source Supply)		2
4032031	Depreciation Expense - Structures & Improvements (Water Treatment Plant)	2	
4032014	Depreciation Expense - Wells & Springs		183
4032025	Depreciation Expense - Electric Pumping Equipment		1,522
4032032	Depreciation Expense - Water Treatment Equipment		11
4032042	Depreciation Expense - Distribution Reservoirs & Standpipes		211
4032043	Depreciation Expense - Mains		957
4032045	Depreciation Expense - Service Lines		204
4032046	Depreciation Expense - Meters		324
4032047	Depreciation Expense - Meter Installations		336
4032048	Depreciation Expense - Hydrants		95
4032090	Depreciation Expense - Office Structures		4
4032091	Depreciation Expense - Office Furniture		15
4032095	Depreciation Expense - Laboratory Equipment		35
4032094	Depreciation Expense - Tools, Shop, & Miscellaneous Equipment		322
4032000	Depreciation Expense - Water Plant		2,236
4032092	Depreciation Expense - Transportation Equipment		17,742
1084011	A/D - Lift Station		14,897
1084003	A/D - Buildings & Structures		126,905
1084006	A/D - Services	875	
1085006	A/D - Reuse Services		28
1084007	A/D - Force Mains		3
1084008	A/D - Gravity Mains		202
1084010	A/D - Manholes		17
1085008	A/D - Reuse Equipment	262	
1084005	A/D - Sewage Treatment Plant	124,760	
1084009	A/D - Outfall Lines		19
1084091	A/D - Office Furniture	3	
1082000	A/D - Transportation Equipment		17,742
1084094	A/D - Tools, Shop, & Miscellaneous Equipment		37
1084097	A/D - Communication Equipment		4
4033011	Depreciation Expense - Lift Station	14,897	
4033003	Depreciation Expense - Buildings & Structures	126,905	
4033006	Depreciation Expense - Services		875
4037008	Depreciation Expense - Reuse Services	28	
4033007	Depreciation Expense - Force Mains	3	
4033008	Depreciation Expense - Gravity Mains	202	
4033010	Depreciation Expense - Manholes	17	
4037008	Depreciation Expense - Reuse Equipment	262	
4033005	Depreciation Expense - Sewage Treatment Plant	124,760	
4033009	Depreciation Expense - Outfall Lines	19	
4033091	Depreciation Expense - Office Furniture		3
4032092	Depreciation Expense - Transportation Equipment	17,742	
4033094	Depreciation Expense - Tools, Shop, & Miscellaneous Equipment	37	
4033097	Depreciation Expense - Communication Equipment	4	

The Utility's depreciation expense should be increased by \$24,210 and \$35,952 for water and sewer respectively. In addition, the 13-month average should be reduced by \$12,105 and \$16,977 for water and sewer respectively.

SANLANDO UTILITIES CORPORATION
DOCKET NO. 060258-WS
AUDIT REPORT RESPONSES

Audit Finding No. 15

The Utility agrees with most of audit finding number 15 and would propose the same entry as Staff, which is as follows:

A/C #	A/C Description	Debit	Credit
2722011	Accumulated Amortization - CIAC - Structures		182
2722000	Accumulated Amortization - CIAC - Undistributed	1,523	
2722010	Accumulated Amortization - CIAC - Cash	479	
2722031	Accumulated Amortization - CIAC - Structures	4	
2722014	Accumulated Amortization - CIAC - Wells & Springs	32	
2722025	Accumulated Amortization - CIAC - Electric Pumping Equipment	38	
2722032	Accumulated Amortization - CIAC - Treatment Equipment		5
2722043	Accumulated Amortization - CIAC - Transmission & Distribution Mains		116
2722045	Accumulated Amortization - CIAC - Services		37
2722046	Accumulated Amortization - CIAC - Meters	36	
2722047	Accumulated Amortization - CIAC - Meter Installations	1	
4071011	Amortization Expense - CIAC - Structures	182	
4071000	Amortization Expense - CIAC - Undistributed		1,523
4071010	Amortization Expense - CIAC - Cash		479
4071031	Amortization Expense - CIAC - Structures		4
4071014	Amortization Expense - CIAC - Wells & Springs		32
4071025	Amortization Expense - CIAC - Electric Pumping Equipment		38
4071032	Amortization Expense - CIAC - Treatment Equipment	5	
4071043	Amortization Expense - CIAC - Transmission & Distribution Mains	116	
4071045	Amortization Expense - CIAC - Services	37	
4071046	Amortization Expense - CIAC - Meters		36
4071047	Amortization Expense - CIAC - Meter Installations		1
2723000	Accumulated Amortization - CIAC - Undistributed		7,261
2723003	Accumulated Amortization - CIAC - Buildings & Structures	95,455	
2723005	Accumulated Amortization - CIAC - Sewage Treatment Plant		96,767
2723006	Accumulated Amortization - CIAC - Services		581
2723007	Accumulated Amortization - CIAC - Force Mains	2	
2723008	Accumulated Amortization - CIAC - Gravity Mains	124	
2723009	Accumulated Amortization - CIAC - Outfall Lines	16	
2723011	Accumulated Amortization - CIAC - Lift Station	10,361	
2723010	Accumulated Amortization - CIAC - Cash	307	
2723098	Accumulated Amortization - CIAC - Manholes	3	
4073000	Amortization Expense - CIAC - Undistributed	7,261	
4073003	Amortization Expense - CIAC - Buildings & Structures		95,455
4073005	Amortization Expense - CIAC - Sewage Treatment Plant	96,767	
4073006	Amortization Expense - CIAC - Services	581	
4073007	Amortization Expense - CIAC - Force Mains		2
4073008	Amortization Expense - CIAC - Gravity Mains		124
4073009	Amortization Expense - CIAC - Outfall Lines		16
4073011	Amortization Expense - CIAC - Lift Station		10,361
4073010	Amortization Expense - CIAC - Cash		307
4073098	Amortization Expense - CIAC - Manholes		3

The Utility's amortization expense for CIAC should be increased by \$1,773 and \$1,659 for water and sewer respectively. In addition, the 13-month average should be increased by \$887 and \$830 for water and sewer respectively. Staff claims the effect on the filing would reduce rate base by these 13-month average amounts. However, since the accumulated amortization debits are greater than the credits, the 13-month average for rate base would actually increase.

SANLANDO UTILITIES CORPORATION
DOCKET NO. 060258-WS
AUDIT REPORT RESPONSES

Audit Finding No. 16

The Utility agrees with audit finding number 16 and would increase taxes other than income by \$3,289 and \$4,112 for water and sewer respectively.

Audit Finding No. 17

The Utility's records do not separately reflect the original price of this land, however it recognizes Staff's comments in audit finding number 17.

Audit Finding No. 18

The Utility recognizes Staff's comments in audit finding number 18.

Audit Finding No. 19

The Utility recognizes that there may be certain assets that were contributed by a developer and in service that are not recorded in either CIAC or UPIS on the Utility's general ledger.

Audit Finding No. 20

Per the affiliate transaction audit in Docket No. 060253-WS, the Utility agrees with the findings in audit finding number 20.

Audit Finding No. 21

The Utility agrees with item (1) of audit finding number 10, and would propose the same entry as Staff, which is as follows:

<u>A/C #</u>	<u>A/C Description</u>	<u>Debit</u>	<u>Credit</u>
2151000 R/E		17,296	
1902031 State ADIT - Depreciation			17,296

The Utility agrees with item (2) of audit finding number 10, and would propose the same entry as Staff, which is as follows:

<u>A/C #</u>	<u>A/C Description</u>	<u>Debit</u>	<u>Credit</u>
2151000 R/E		120,706	
1901024 Federal ADIT - Org Costs			103,040
1902024 State ADIT - Org Costs			17,669

While the final audit requests surrounding ADIT were not complete for the audit reports, the Utility has now completed these per audit Staff's request and has provided them to Commission audit Staff for their use or for the use of testifying Staff. This satisfies item (3) of audit finding number 21.

The Utility recognizes Staff comments in item (4) of audit finding number 21.

The Utility recognizes Staff comments in item (5) of audit finding number 21, although the Utility would like to point out that any errors made in the MFR were purely inadvertent and unintentional.

Audit Finding No. 22

The Utility recognizes Staff's discovery of this documents.

Audit Finding No. 23

The Company is performing sewer rodding each year for its Sanlando system. Each year, 10% of the system is cleaned, so that every 10 years, the entire system is cleaned out. In 2005, the Utility spent \$89,068 on sewer rodding, however, this is actually understated. Through November 2006, the Utility has spent \$134,422.32 on sewer rodding. Please see the enclosed general ledger for 2006 confirming this amount. The Utility would propose a pro forma adjustment to its sewer rodding in the amount of \$50,000 over test year expenses to account for sewer rodding on a going forward basis.

CO	SUBD	ACCNT	DESCRIPTION	DEBIT	CREDIT	EFF DATE	JOURNAL	BALANCE
101	0680	7754011	--SEWER-SEWER RODDING--				BEG	0
			9549*15292*E REYNOLD	1,470.00			101-AP.INVD-02-65	
			11736*19133*TIFT, LA	125			101-AP.INVD-03-67	
			12167*13092*YOUR ENV	300			101-AP.INVD-03-70	
			13189*13092*YOUR ENV	600			101-AP.INVD-04-60	
			13189*13092*YOUR ENV	300			101-AP.INVD-04-60	
			14109*15292*E REYNOL	640			101-AP.INVD-04-62	
			14895*15292*E REYNOL	672			101-AP.INVD-04-64	
			14895*15292*E REYNOL	960			101-AP.INVD-04-64	
			14895*15292*E REYNOL	1,135.00			101-AP.INVD-04-64	
			SE 5 A/P ACCRUAL	350		5/2/2006	101-SE05.6A-04-15	
			15205*13092*YOUR ENV	350			101-AP.INVD-05-59	
			15591*15809*BROWNIES	2,400.00			101-AP.INVD-05-59	
			15773*15292*E REYNOL	800			101-AP.INVD-05-61	
			101*SE05.6A*04*15 14 05-02-			350	101-REVERSE.JE-05-39	
			2006					
			16808*15292*E REYNOL	640			101-AP.INVD-05-63	
			16808*15292*E REYNOL	1,790.00			101-AP.INVD-05-63	
			16808*15292*E REYNOL	480			101-AP.INVD-05-63	
			18556*13092*YOUR ENV	300			101-AP.INVD-06-61	
			18544*15292*E REYNOL	880			101-AP.INVD-06-61	
			18955*13269*SHELLEY'	359.92			101-AP.INVD-06-63	
			18984*15292*E REYNOL	640			101-AP.INVD-06-63	
			19176*17152*ALTAIR E	111,026.40			101-AP.INVD-06-63	
			20033*19323*MUNDINGE	275			101-AP.INVD-06-66	
			21428*15292*E REYNOL	160			101-AP.INVD-07-62	
			21428*15292*E REYNOL	320			101-AP.INVD-07-62	
			21428*15292*E REYNOL	320			101-AP.INVD-07-62	
			22350*15292*E REYNOL	1,280.00			101-AP.INVD-07-64	
			22350*15292*E REYNOL	1,120.00			101-AP.INVD-07-64	
			22350*15292*E REYNOL	200			101-AP.INVD-07-64	
			V15292 REF22350		1,280.00	7/31/2006	101-RECLASSIFY-07-02	
			28147*15292*E REYNOL	1,280.00			101-AP.INVD-09-61	
			28147*15292*E REYNOL	800			101-AP.INVD-09-61	
			28147*15292*E REYNOL	1,470.00			101-AP.INVD-09-61	
			28795*13570*ROOTX	414			101-AP.INVD-09-63	
			SE 5 A/P ACCRUAL	1,375.00		10/3/2006	101-SE05.6A-09-18	
			29255*15292*E REYNOL	1,375.00			101-AP.INVD-10-62	
			30681*15292*E REYNOL	320			101-AP.INVD-10-66	
			101*SE05.6A*09*18 2 10-03-2			1,375.00	101-REVERSE.JE-10-59	
			31684*13092*YOUR ENV	500			101-AP.INVD-10-68	
				137,427.32	3,005.00		NET	134,422.32
							END	134,422.32
			GRAND TOTALS:	137,427.32	3,005.00		BEG	0
							NET	134,422.32
							END	134,422.32

REP
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PORT DESCRIPTION
GENER ID - GL
IOD - 01-10

#NAME?

LEDGER - G L

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COMPANY
STRUCTURE - 2
SECTION - 101
TOTAL -

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SUBDIV
STRUCTURE - 6
SECTION - ALL
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ACCOUNT
STRUCTURE - 5
SECTION - 7754011
TOTAL -

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MENT - CURRENT Y R ACT
DO SUPPRESS - Y
AUTO JOURNALS - N
ALL JOURNALS - N
E BREAK - N
T BREAK - N
IOD BREAK - N
EFFECTIVE RATE - N
E - EFFECTIVE
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-1 #NAME?
-2 #NAME?
-3 #NAME?