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COMMISSION
CLERK

DATE: December 12, 2006

TO: Nina L. Merta, Professional Accountant Specialist, Division of Economic Regulation

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

RE: Docket No: 060599-WU Company Name: Pasco Utilities, Inc.
Audit Purpose: Staff Assisted Rate Case
Audit Control No: 06-277-2-1

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 no confidential workpapers 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)
General Counsel
Office of Public Counsel

- CMP _____ Lionel Llanes, Manager
- COM _____ Pasco Utilities, Inc.
- CTR _____ P.O. Box 4118
- ECR _____ Tampa, FL 33677
- GCL _____ Mr. Joseph G. Gabay, Accounting Manager
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- RCA _____ 4939 Cross Bayou Boulevard
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- SEC 1
- OTH _____

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
BUREAU OF AUDITING

Tampa District Office

PASCO UTILITIES, INC.

STAFF ASSISTED RATE CASE

HISTORICAL YEAR ENDED JUNE 30, 2006

DOCKET NO. 060599-WU
AUDIT CONTROL NO. 06-277-2- 1
Report Issued November 26, 2006

A handwritten signature in black ink, appearing to read "Simon O. Ojada", written over a horizontal line.

Simon O. Ojada, Audit Manager

A handwritten signature in black ink, appearing to read "Joseph W. Rohrbacher", written over a horizontal line.

Joseph W. Rohrbacher, District Audit Supervisor

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

NOVEMBER 26, 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. We have applied these procedures to the attached schedules prepared by the audit staff in support of the Pasco Utilities, Inc. Staff Assisted Rate Case in Docket No. 060599-WU.

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

AUDIT PLANNING:

NARUC USOA

Objective: To determine that the utility maintains its accounts and records in conformity with the 1996 National Association of Regulatory Commissioners Uniform System of Accounts (NARUC USOA).

Procedures: We reviewed the utility's chart of accounts. We found that the utility does not maintain its accounts and records in conformity with the 1996 NARUC USOA. Audit Finding No. 1 addresses this issue.

Prior Audit Adjustments

Objective: To verify that the adjustments to rate base as ordered by PSC Order No. 16112 issued May 14, 1986 were booked and are reflected in the utility books and records.

Procedures: We reviewed the adjustments mentioned above. The utility did not make all of the adjustments as required by the PSC Order. Audit Finding No. 3 addresses this issue.

RATE BASE:

Utility Plant In Service (UPIS)

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

Procedures: We tested all plant additions and retirements for the period January 1, 1985 through June 30, 2006 for compliance with the objectives stated above. We prepared a schedule of UPIS, by account, from the last order with year to year additions and retirements. We verified that the utility overstated the utility plant in service. The utility was unable to provide supporting documentation to substantiate all of its plant assets. Audit Finding No. 2 addresses this issue.

Land

Objective: To determine that the land is owned by the utility and included in rate base at original cost.

Procedures: We verified that the utility did not record the adjustment to land as prescribed by PSC Order No. 16112 issued May 14, 1986. Also, there have been changes to utility land since its last rate proceeding. Audit Finding No. 3 addresses this issue.

Contributions In Aid of Construction (CIAC)

Objective: To test CIAC additions and adjustments since January 1, 1985. To verify that CIAC additions are reflective of the utility's Commission approved service availability tariff.

Procedures: We verified all CIAC additions for the period January 1, 1985 through June 30, 2006 for compliance with the objectives stated above. We scanned the utility's cash receipts records for unrecorded cash and property and determined that all CIAC were properly recorded in the utility's books.

Accumulated Depreciation

Objective: To verify that accumulated depreciation and depreciation expense are calculated using the Commission authorized rates and that the calculations are correct.

Procedures: We tested annual accruals to accumulated depreciation based on adjusted plant, using last authorized rates up to the beginning of the test year and rates prescribed by Rule 25-30.140, F.A.C. for the test year. We verified that the utility used Commission authorized rates to depreciate its UPIS accounts. However, the utility was unable to provide supporting documentation to substantiate all of its plant assets. Therefore, we prepared a schedule of accumulated depreciation balances by plant account from the last order with year to year additions and retirements using FPSC approved rates. Audit Finding No. 4 addresses this issue.

Accumulated Amortization of CIAC

Objective: To determine that accruals to accumulated amortization of CIAC are properly recorded in compliance with Commission rules. To verify that CIAC amortization expense accruals are properly recorded and calculated by applying annual depreciation composite rates.

Procedures: We verified that the utility did not use Commission authorized rates to amortize its CIAC plant accounts. We recalculated the accumulated amortization of CIAC account balances for the test period applying annual composite depreciation rates. The utility overstated its accumulated amortization of CIAC. Audit Finding No. 5 addresses the adjustment.

Working Capital

Objective: To determine the working capital allowance.

Procedures: We determined the working capital allowance by using the 1/8 of operation and maintenance expenses methodology.

REVENUES AND EXPENSES

Revenues

Objectives: To verify that revenues earned during the test year are properly recorded.

Procedures: We tested revenue transactions with tariffed rates and performed a simple calculation estimation to determine what test year revenues should be. Revenues are understated because the utility did not use the accrual basis of accounting to record revenues. We compiled revenues following a billing report summary on a monthly basis. Audit Finding No. 6 addresses the adjustments

Expenses

Objectives: Sample test year operation and maintenance expense accounts. Examine the expense for the proper period, amount, classification, support documentation and whether non-utility related, non-recurring, unreasonable or imprudent.

Procedures: We tested all O&M accounts from the general ledger. We reviewed the accounts for proper amount, classification and period. We examined invoices and supporting documentation to determine if the above objectives were met. We examined and listed all expenses. Included in the expense amount were invoices for items that should have been capitalized, out of period expenses, as well as unsupported items. Audit Finding No. 7 addresses the adjustments.

Objectives: To obtain a schedule of contracted services for the test year that separates engineering, accounting, legal, billing, testing, operating, and management. Test documentation for amounts paid, period of service, and that the service was related to utility operations.

Procedures: We prepared a schedule of all contractual services for the test year. We reviewed those accounts for proper amount, classification, and whether non-utility related, non-recurring, unreasonable or imprudent. We examined invoices and supporting documentation to determine if the above objectives were met.

Objectives: To provide the number of hours per month that employees and/or contracted vendors spend on operating, billing, testing, maintenance, and general management activities.

Procedures: We obtained and reviewed documents that provided information as mentioned above.

Objectives: To note expense areas where the utility has no costs assigned, but where benefits to utility are evident.

Procedures: We discussed this issue with utility management. Based on these discussions and our observations, we found that there were no management fees or salaries from July 2005 through September 2005.

Objectives: To note all related party relationships and transactions.

Procedures: We did not note any related party transactions.

Objectives: To review Taxes Other Than Income.

Procedures: We obtained the 2005 regulatory assessment fee (RAF) filing and reconciled it to the general ledger. We obtained and reviewed the property tax bills to determine if the amount booked reflects the discounted amount. The utility improperly recorded regulatory assessment fees by understating its revenues on the RAF form. Real Estate & Personal Property Tax payments were not made on time to utilize the discount offered. Audit Finding No. 8 addresses the adjustments.

CAPITAL STRUCTURE

Objective: To determine that capital structure represents utility debt, capital stock, retained earnings, deferred taxes, customer deposits and other funds available for investment in utility plant and operations.

Procedures: We examined capital structure components to assure that they represent utility debt, capital stock, retained earnings and customer deposits. We reviewed long-term debt balances to the original documents and verified the terms and interest rate of each note payable.

AUDIT FINDING NO. 1

SUBJECT: NARUC Chart of Accounts

STATEMENT OF FACT: Commission Rule 25-30.115, Florida Administrative Code (F.A.C.) states that "water and wastewater utilities shall, effective January 1, 1998, maintain their accounts and records in conformity with the 1996 NARUC Uniform Systems of Accounts"

The Uniform System of Accounts, Accounting Instruction 2, requires the books of accounts of all water and wastewater utilities be kept by the double entry method, on an accrual basis. It further states that "All books of accounts, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries."

The utility does not utilize the account numbering system required by NARUC. The utility has only one account for all of its plant in service.

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

There is no effect on the general ledger.

EFFECT ON RATE CASE IF FINDING IS ACCEPTED:

There is no effect on the rate case.

AUDIT FINDING NO. 2

SUBJECT: Plant Additions and Retirement

SUMMARY: The utility did not provide sufficient supporting documentation for its plant additions and did not properly record the retirement of replaced plant. This caused plant in service to be overstated by \$72,961.

STATEMENT OF FACT: The Commission set rate base for the utility, after a staff assisted rate case, with Order No. 16112, issued May 14, 1986. The utility made all the adjustments to plant as prescribed by the PSC order.

The utility did not provide sufficient documentation to support all plant additions recorded in the utility books from January 1, 1985 through December 31, 2005 and did not properly record the retirement of replaced plant.

- The utility did not record retirements when it added plant to replace existing plant in the amount of \$33,756.
- The utility was unable to provide supporting documentation for the recorded additions in the amount of \$105,187.
- In PSC Order No. 16112, the Commission reduced rate base by \$63,350 for Plant Held For Future Use. The amounts were for new water mains extending into areas that were not yet serving customers. According to the utility, customers were connected to the water mains within months and all water mains have been fully utilized. Therefore, auditors included this amount in the utility plant in service.
- Audit adjustments for items capitalized in Audit Finding No. 7 in the amount of \$2,631.

The balance per audit as of June 30, 2006 below reflect the net effect all of the above adjustments.

	Balance Per Book 6/30/2006	Audit Adjustments	Balance Per Audit 6/30/2006
Water Plant In Service			
304 Structures and Improvements	7,635	(3,853)	3,782
307 Wells and Springs	9,450	(4,004)	5,446
311 Pumping Equipment	42,454	(7,565)	34,889
320 Water Treatment Plant	3,473	(0)	3,473
330 Dist Reservoirs and Standpipes	23,171	(2,293)	20,878
331 Transmission & Dist. Mains	323,461	15,717	339,178
334 Meters and Meter Installations	141,298	(70,433)	70,865
339 Other Plants and Misc. Equipment	490	0	490
340 Office Furniture & Equipment	2,200	(530)	1,670
Total Water Plant In Service	553,632	(72,961)	480,670

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

Retained Earnings	\$ 72,961	
331 Transmission & Dist. Mains	15,717	
304 Structures and Improvement		\$ 3,853
307 Wells and Springs		4,004
311 Pumping Equipment		7,565
330 Distr. Reservoir and Standpipes		2,293
334 Meters and Meters Installations		70,433
340 Office Furniture and Equipment		530

EFFECT ON RATE CASE IF FINDING IS ACCEPTED:

Total Plant In Service will be reduced by \$72,961.
Total Plant In Service will be \$480,670.

AUDIT FINDING NO. 3

SUBJECT: Land

SUMMARY: The utility did not make the adjustment to land as prescribed by the prior PSC order. In 1987, the utility disposed of some property and reduced the value of land by \$700; therefore, land should be reduced by \$16,000. Utility books show land at \$19,300 as of June 30, 2006.

STATEMENT OF FACT: The Commission set rate base for the utility, after a staff assisted rate case, with Order No. 16112, issued May 14, 1986. The Commission reduced the value of land from \$20,000 to \$4,000; however, the utility did not make the adjustment to land as prescribed by the PSC order. Therefore, auditors reduced the value of land by \$16,000 in accordance with the Commission order. In 1987, the utility abandoned and capped a non-productive well and disposed of the property where the well was located and reduced the value of land by \$700.

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

Retained Earnings	\$ 16,000	
Land		\$ 16,000

EFFECT ON RATE CASE IF FINDING IS ACCEPTED

Land will be reduced by \$16,000 for a balance of \$3,300.

AUDIT FINDING NO. 4

SUBJECT: Accumulated Depreciation

SUMMARY: The utility recorded a total accumulated depreciation of \$369,892 as of December 31, 2005. Total accumulated depreciation is overstated by \$28,427 as of June 30, 2006.

STATEMENT OF FACT: Pasco Utilities, Inc. used guideline rates as required by Rule 25-30.140, Florida Administrative Code. The utility recorded \$8,459 as depreciation expense for the 6 months ending December 31, 2005. However, the utility did not accrue depreciation for the remaining 6 months ending June 30, 2006. Also, the utility did not provide sufficient support for all its plant assets. Auditors recalculated the utility plant depreciation using audited plant balances. The auditor started with balances from the last rate case to arrive at a total accumulated depreciation of \$341,465 as of June 30, 2006.

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

Accumulated Depreciation	\$ 37,461	
Retained Earnings		\$ 37,461
Depreciation Expense	\$ 9,034	
Accumulated Depreciation		\$ 9,034

EFFECT ON RATE CASE IF FINDING IS ACCEPTED

Accumulated Depreciation will be reduced by \$28,427.

AUDIT FINDING NO. 5

SUBJECT: Amortization of CIAC

SUMMARY: Accumulated amortization of Contributions In Aid of Construction (CIAC) is overstated by \$188,476.

STATEMENT OF FACT: The NARUC USoA states for Account 272 that "...contributions of depreciable plant shall be amortized by charges to this account over a period equal to the estimated service life of the related contributed asset. A group or overall composite rate may be used for contributed balances that cannot be directly related to a plant asset."

Pasco Utilities, Inc. did not record CIAC amortization for the 6 months ending June 30, 2006 and did not prepare a schedule of amortization of CIAC. The auditors recalculated amortization of CIAC using the annual composite depreciation rates. We started with the amount from the last rate case to arrive at a total accumulated amortization of CIAC of \$83,088 as of June 30, 2006.

Amortization expense per Books (6 months ending 12/31/05)	\$ 8,544
Amortization expense per Audit (6 months ending 12/31/05)	<u>1,372</u>
Difference	\$ 7,172
Amortization expense per Audit (6 months ending 6/30/06)	<u>1,557</u>
Balance (utility overstatement)	<u>\$ 5,615</u>
Amortization of CIAC per Books as of Dec. 31, 2005	\$271,564
Amortization of CIAC per Audit as of June 30, 2006	<u>83,088</u>
Difference	<u>\$188,476</u>

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

Accumulated Amortization of CIAC	\$190,033	
Retained Earnings		\$190,033
Amortization Expense	\$ 1,557	
Accumulated Amort of CIAC		\$ 1,557
To reflect 2006 amortization of CIAC.		

EFFECT ON RATE CASE IF FINDING IS ACCEPTED

Accumulated Amortization of CIAC will be reduced by \$188,476.

AUDIT FINDING NO. 6

SUBJECT: Revenues

SUMMARY: The utility understated its revenues by \$1,059. The utility recorded its revenues on a cash basis for the first 8 months of the test period.

STATEMENT OF FACT: The utility's general ledger reflects water revenues of \$123,592 for the 12-month period ended June 30, 2006. The utility recorded its revenues on a cash basis. According to the Uniform System of Accounts, Accounting Instruction 2, states that the books of accounts of all water and wastewater utilities are to be kept by the double entry method, on an accrual basis.

The increase of \$1,059 in revenues will require a corresponding increase of \$48 in regulatory assessment fees.

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

<u>Acct. No.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
150	Accounts Receivable	1,059	
400	Water Revenues		1,059

EFFECT ON THE RATE CASE IF FINDING IS ACCEPTED:

<u>Acct. No.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
150	Accounts Receivable	1,059	
400	Water Revenues		1,059

AUDIT FINDING NO. 7

SUBJECT: Operation and Maintenance

SUMMARY: The utility operation and maintenance expenses are overstated by \$11,205.

STATEMENT OF FACT: The utility's books reflect water operation & maintenance expense of \$117,596 for the 12-month period ended June 30, 2005. Included in the above expense amounts were the following invoices in the indicated accounts.

- The utility recorded June 2005 Purchased Power of \$641 in July 2005 and recorded June 2006 Purchased Power of \$780 in July 2006. The difference between \$641 for June 2005 power bill and \$780 for June 2006 bill is \$139. Purchased Power should be increased by \$139 to reflect test period expense.
- The utility recorded \$1,496 as Contractual Services–Other. However, the utility later received credit for the same amount. Also, the utility expensed \$961 for meters that should have been capitalized. These amounts should be removed from O&M expenses.
- The utility made a journal entry in December 2005 to capitalize out of period expenses thereby reducing the current period Contractual Services–Repairs by \$1,990. This amount should be included as test period expenses.
- The utility paid \$1,670 for Office Furniture and Computer Equipments, that was recorded as Materials and Supplies. This amount should be capitalized to Account 340.
- The utility could not provide supporting documents for the following expenses: Materials and Supplies for \$1,136, Office Salaries for \$1,000 and Office Expenses for \$1,000.
- The utility included in Contractual Services –Professional prior period expenses of \$10,571. This amount should be removed from the test period O&M expenses.
- The utility did not include management fees of \$4,500 from July 2005 through September 2005.

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

<u>Acct. No.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
615	Purchased Power	\$ 139	
215	Retained Earnings	641	
231	Accounts Payable		\$ 780
231	Accounts Payable	\$ 1,496	
636	Contractual Services - Other		\$ 1,496
334	Meters and Meters Install.	\$ 961	
636	Contractual Services - Other		\$ 961
151	Material & Supplies	\$ 1,990	
215	Retained Earnings		\$ 1,990

340	Office Furniture and Equip.	\$ 1,670	
151	Materials & Supplies		\$ 1,670
215	Retained Earnings	\$ 1,136	
151	Materials & Supply		\$ 1,136
215	Retained Earnings	\$ 2,000	
601	Office Salaries		\$ 1,000
675	Office Expense		1,000
215	Retained Earnings	\$10,571	
636	Contractual Services – Prof		\$ 10,571
636	Management Fee	\$ 4,500	
231	Accounts Payable		\$ 4,500

EFFECT ON THE RATE CASE IF FINDING IS ACCEPTED:

Water Operation and Maintenance Expenses will be reduced by \$11,205.
 Utility Plant In Service will be increased by \$2,631 (961+1,670).

AUDIT FINDING NO. 8

SUBJECT: Taxes Other Than Income

SUMMARY: The utility's Taxes Other Than Income is understated by \$590. The utility understated its Regulatory Assessment Fee (RAF) by \$626 and overstated its real estate taxes and tangible taxes by \$5 and \$31 respectively.

STATEMENT OF FACT: The utility's general ledger reflects Taxes Other Than Income of \$8,558 for the 12-month period ended June 30, 2006. The test year revenues for the 12 month period ended June 30, 2006 is \$124,651. Therefore, the RAF should be increased by \$626 to reflect the test period revenues. The utility books only reflect payment for 2005 Regulatory Assessment Fees. The utility did not accrue RAF for 2006. The utility's real estate and personal property taxes are overstated by \$36 because it did not take advantage of the available discount. Taxes Other Than Income should be increased by \$590.

<u>Description</u>	<u>Amount</u>
Regulatory Assessment Fee	\$4,983
Real Estate Taxes	485
Licenses & Fees	25
Tangible Taxes	<u>3,065</u>
Total	<u>8,558</u>

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

Taxes Other Than Income	\$ 590	
Regulatory Assessment Fee Payable		\$ 590

EFFECT ON THE FILING IF FINDING IS ACCEPTED:

Taxes Other Than Income would be increased by \$590 for a total of \$9,148.

PASCO UTILITIES, INC.
 RATE BASE - WATER
 AS OF JUNE 30, 2006
 DOCKET NO. 060599-WU

EXHIBIT I

(a) DESCRIPTION	(b) PER BOOKS 06/30/2006	(c) AUDIT FINDING	(d) REFER TO FINDING	(e) PER AUDIT 06/30/2006
UTILITY PLANT IN SERVICE	553,632	(72,961)	2	480,671
LAND	19,300	(16,000)	3	3,300
PLANT HELD FOR FUTURE USE	0	0		0
CIAC	(404,497)	0		(404,497)
AMORTIZATION OF CIAC	271,564	(188,476)	5	83,088
ACCUMULATED DEPRECIATION	(369,892)	28,427	4	(341,465)
WORKING CAPITAL	0	13,299		13,299
TOTAL	70,107	(235,711)		(165,606)

- (1) Working Capital Formula: 1/8 Operating and Maintenance Expense.
 (2) All amounts rounded to the nearest whole dollar.

PASCO UTILITIES, INC.
NET OPERATING INCOME
AS OF JUNE 30, 2006
DOCKET NO. 060599-WU

EXHIBIT II

<u>DESCRIPTION</u>	(1) TEST YR PER <u>BOOKS</u>	(2) AUDIT <u>ADJUSTMENT</u>	(3) AUDITED <u>BALANCE</u>
OPERATING REVENUES	\$123,592	1,059	\$124,651
OPERATING EXPENSES:			
OPERATION AND MAINTENANCE	117,596	(11,205)	106,391
DEPRECIATION	8,459	9,034	17,493
AMORTIZATION	8,544	(5,615)	2,929
TAXES OTHER THAN INCOME	8,558	590	9,148
INCOME TAXES	0	0	0
TOTAL OPERATING EXPENSES	143,157	(7,197)	135,960
NET OPERATING INCOME/LOSS	(19,565)	8,256	(11,309)

PASCO UTILITIES, INC.
 CAPITAL STRUCTURE
 AS OF JUNE 30, 2006
 DOCKET 060599-WU

EXHIBIT III

DESCRIPTION	(a) BALANCE PER T/B @06/30/05	(b) BALANCE PER T/B @06/30/06	(c) SIMPLE AVERAGE PER T/B	(d) AUDIT ADJUST- MENTS	(e) BALANCE PER AUDIT @06/30/06	(f) SIMPLE AVERAGE PER AUDIT	(g) RATIO	(h) COST RATE	(i) WEIGHTED COST OF CAPITAL
COMMON EQUITY (1)	(331,706)	(154,875)	(243,290)	0	0	0	0.00%	11.54%	0.00%
COMMON STOCK	1,200	1,200	1,200		1,200	1,200			
RETAINED EARNINGS	(422,906)	(548,107)	(485,506)		(548,107)	(485,506)			
PD IN CAPITAL	90,000	392,032	241,016	0	392,032	241,016			
L/T DEBT- Note Payable	199,000	199,000	199,000	0	199,000	199,000	93.55%	8.00%	7.48%
CUSTOMER DEPOSITS	13,600	13,825	13,713		13,825	13,713	6.45%	6.00%	0.39%
OTHER	0	0	0		0	0	0.00%	0.00%	0.00%
TOTAL	(119,106)	57,950	(30,578)	0	212,825	212,713	100.00%		7.87%

(1) Equity cost based on FPSC Order No. 06-0476-PAA-WS issued 6/5/06.

(2) Auditors used zero balance due to a negative equity.