

State of Florida



ORIGINAL

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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DATE: January 18, 2007
TO: Kathleen L. Kaproth, Professional Accountant Specialist, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 060253-WS; Company Name: Utilities, Inc. of Florida
Audit Purpose: File & Suspend Rate Case
Audit Control No: 06-291-2-1

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 work papers associated with this audit.

DNV:bj
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 _____
 - COM _____
 - CTR _____
 - ECR _____
 - GCL _____
 - OPC _____
 - RCA _____
 - SCR _____
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 - SEC
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- Mr. Patrick C. Flynn
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FLORIDA PUBLIC SERVICE COMMISSION

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

Tampa District Office

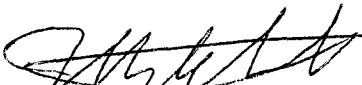
UTILITIES, INC. OF FLORIDA

FILE AND SUSPEND RATE CASE INVESTIGATION

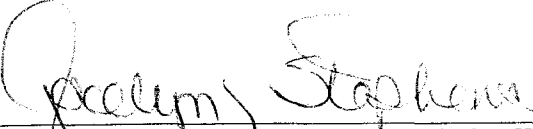
**MARION COUNTY
ORANGE COUNTY
PASCO COUNTY
PINELLAS COUNTY
SEMINOLE COUNTY**

AS OF DECEMBER 31, 2005

**DOCKET NO. 060253-WS
AUDIT CONTROL NO. 06-291-2-1**



Jeffery A. Small, Audit Manager



Jocelyn Y. Stephens, Audit Staff



Kathryn L. Welch, Audit Staff



Joseph W. Rohrbacher, District Supervisor

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

JANUARY 10, 2007

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 November 7, 2006. We have applied these procedures to the attached schedules which were prepared by Utilities, Inc. of Florida in support of its filing for rate relief in Docket No. 060253-WS.

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 filing represents its recorded results from continuing operations.

Procedures: We reconciled the following individual component 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-PAA-WS, issued December 22, 2003 were recorded. Audit Finding Nos. 1 and 2 discuss our adjustments to the utility's prior order adjustments that were posted in year 2005 and the corresponding effect on each rate base component balance.

Utility-Plant-in-Service (UPIS)

Objective: To determine that property exists and is owned by the utility. To determine that additions to UPIS 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 UPIS were made when a replacement item was put in service.

Procedures: We sampled UPIS additions for the period January 1, 2002 through December 31, 2005 for compliance with the stated objectives above. We verified whether the utility properly recorded retirements to UPIS when a capital item was removed or replaced. We toured the utility plant sites to observe whether asset additions were completed and to ascertain if asset retirements were properly recorded. We sampled construction project additions and the corresponding source documentation. We verified that the utility used Commission approved AFUDC rates and traced the capitalized salaries to individual employee time sheets. Audit Finding Nos. 3 through 6 discuss our adjustments to UPIS additions to correct posting errors or to correct additions that should have: included a corresponding retirement, been charged to O&M expense in the year incurred, been deferred and amortized because of a non-recurring nature, been recorded as abandonment cost, or to remove additions with no supporting documentation. Audit Finding Nos. 7 through 9 discusses our adjustments to construction project additions to UPIS to correct projects that should have included a corresponding retirement. Audit Finding No. 10 discusses our adjustment to remove capitalized executive salaries from UPIS because of inadequate supporting documentation. Audit Finding No. 11 discusses our adjustment to remove cost associated with the abandonment and retirement of UPIS in the prior rate case. Audit Finding No. 12 discusses our adjustment to remove average UPIS balances from the filing for plant that no longer exists. Audit Finding No. 22 discusses our adjustment to remove invoiced items that should have been capitalized to UPIS.

Land and Land Rights

Objective: To determine that utility land is recorded at original cost and is owned or secured under a long-term lease.

Procedures: We verified changes to utility land since its last rate proceeding by searching the county's public records. We obtained the deeds for land additions if applicable and verified that they were recorded at original cost. We examined other additions to land to determine if they were properly recorded in the land account. Audit Finding Nos. 13 and 14 discuss our adjustment to retire utility land that was sold.

Contributions-in-Aid-of-Construction (CIAC)

Objective: To determine that additions to CIAC are properly recorded in compliance with Commission rules and the NARUC Uniform System of Accounts. To verify that CIAC additions are reflective of the utility's Commission approved service availability tariff. To verify and insure that all donated property is properly accounted for and recorded as CIAC and UPIS.

Procedures: We sampled CIAC additions for the period January 1, 2001 through December 31, 2005 for compliance with the stated objectives above. We scanned the utility's cash receipts records for unrecorded cash and property. We traced utility CIAC schedules to the general ledger and the utility's authorized tariff rates. Audit Finding No. 15 discusses our adjustment to remove a CIAC journal adjustment that was improperly booked. Audit Finding No. 36 provides information on the utility's 2003 CIAC adjusting journal entry that was made to allocate CIAC based on specific UPIS account balances.

Accumulated Depreciation

Objective: To determine that accruals to accumulated depreciation are properly recorded in compliance with Commission rules and the NARUC Uniform System of Accounts. To verify that depreciation expense accruals are calculated using the Commission authorized rates and that retirements are properly recorded.

Procedures: We traced the accumulated depreciation schedules to the corresponding UPIS schedules. We verified that the utility used Commission authorized rates to depreciate its UPIS accounts by calculating a sample of accumulated depreciation account balances to test for calculation errors. We verified whether the utility properly recorded retirements to accumulated depreciation when the corresponding UPIS was removed or replaced. We recalculated a sample of accumulated depreciation account balances as of December 31, 2005. Audit Finding Nos. 3 through 6 discuss our adjustments to UPIS additions to correct posting errors or to correct additions that should have: included a corresponding retirement, been charged to O&M expense in the year incurred, been deferred and amortized because of a non-recurring nature, been recorded as abandonment cost, or to remove additions with no supporting documentation and the subsequent effect on accumulated depreciation balances. Audit Finding Nos. 7 through 9 discuss our adjustments to construction project additions to UPIS to correct projects that should have included a corresponding retirement and the subsequent effect on accumulated

depreciation balances. Audit Finding No. 10 discusses our adjustment to remove capitalized executive salaries from UPIS because of inadequate supporting documentation and the subsequent effect on accumulated depreciation balances. Audit Finding No. 11 discusses our adjustment to remove cost associated with the abandonment and retirement of UPIS in the prior rate case and the subsequent effect on accumulated depreciation balances. Audit Finding No. 12 discusses our adjustment to remove average UPIS balances from the filing for plant that no longer exists and the subsequent effect on accumulated depreciation balances. Audit Finding No. 22 discusses our adjustment to remove invoiced items that should have been capitalized to UPIS and the subsequent effect on accumulated depreciation balances.

Accumulated Amortization of CIAC

Objective: To determine that accruals to accumulated amortization of CIAC are properly recorded in compliance with Commission rules and the NARUC Uniform System of Accounts. To verify that CIAC amortization expense accruals are properly recorded and calculated based on the rates and method used in the utility's last rate proceeding.

Procedures: We traced the accumulated amortization of CIAC schedules to the corresponding CIAC schedules. We verified whether the utility used Commission authorized rates to amortize its CIAC accounts by calculating a sample of accumulated amortization account balances to test for calculation errors. We recalculated a sample of accumulated amortization of CIAC account balances as of December 31, 2005.

Working Capital

Objective: To determine that the utility's working capital balance is properly calculated in compliance with Commission rules.

Procedures: We recalculated the utility's working capital balance as of December 31, 2005. We reconciled the deferred account balances to supporting documentation. Deferred rate case balances were reconciled to the last rate case order. Audit Finding No. 17 discusses our adjustment to correct the utility's working capital cash balance. Audit Finding Nos. 4 and 6 discuss our adjustments to UPIS additions that should have been deferred and amortized because of a non-recurring nature and the subsequent effect on working capital balances. Audit Finding No. 31 discusses our adjustments to historical and proforma rate case expense balances based on prior order approved balances and the subsequent effect on the working capital balance in the filing.

Other Rate Base Items

Objective: To determine that other component balances affecting rate base are properly stated and authorized by Commission rules or prior orders.

Procedures: We reconciled the allocated rate base balances from subsidiary operations to supporting documentation. Audit Adjustment No. 16 discusses our adjustments to the allocated WSC net rate base balances based on the affiliate

transaction investigation performed earlier in this docket.

NET OPERATING INCOME

General

Objective: To determine that the utility's filing represents its results from continuing operations.

Procedures: We reconciled the following individual component net operating income balances to the utility's general ledger for the 12-month period ended December 31, 2005.

Revenues

Objective: To determine that revenues are properly recorded in compliance with Commission rules and are based on the utility's Commission approved tariff rates.

Procedures: We traced revenues to the general ledger. We reconciled the utility billing registers to the general ledger and selected a sample of customer bills from each customer rate class on a random basis and recalculated the bills using the Commission approved tariff rates. Audit Finding No. 18 discusses our adjustment to correct miscellaneous revenues for third-party reimbursements that were netted against revenues. Audit Finding No. 34 provides information on the Pasco County water revenue balance presented in the filing.

Operation and Maintenance Expenses (O&M)

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

Procedures: We sampled O&M expense items from the general ledger for each system and allocated direct cost from each UIF cost center based on auditor judgment. We reviewed the sample for the proper utility system, water or wastewater classification, NARUC account, amount, period and recurring nature. We examined invoices and supporting documentation to determine if the above objectives are met. Audit Finding Nos. 3, 4 and 6 discuss our adjustments to UPIS additions that should be charged to O&M expense in the year incurred and the subsequent effect on O&M expense balances. Audit Finding No. 19 discusses our adjustments to remove out of period expenses included in the test year. Audit Finding No. 20 discusses our adjustment to the utility's allocation for lawn mowing expenses. Audit Finding No. 21 discusses our adjustments to the utility's year end accruals. .Audit Finding No. 22 discusses our adjustment to remove invoiced items that should have been capitalized to UPIS. Audit Finding No. 23 discusses our adjustments to allocate the utility's bad debt expense between water and wastewater operations. Audit Finding No. 24 discusses our adjustment to remove lawn mowing expenses that should have been posted to another Florida system. Audit Finding No. 25 discusses our adjustment to reallocate purchased power expense for the Florida office to all Florida operating systems and to remove non-utility purchased power expense in Pasco County. Audit Finding No. 26 discusses our adjustment to reallocate communication expenses from

UIF to all Florida operating systems. Audit Finding No. 27 discusses our adjustment to allocate Marion County chemical expenses between water and wastewater operations based on actual usage. Audit Finding No. 28 discusses our adjustment to reallocate transportation expenses from UIF to all Florida operating systems. Audit Finding Nos. 29 and 30 discusses our adjustments to reallocate sampled invoice expenses from UIF to all Florida operating systems. Audit Finding No. 31 discusses our adjustments to historical and proforma rate case expense balances based on prior order approved balances. Audit Finding No. 33 discusses our adjustments to the allocated WSC O&M expense balances based on the affiliate transaction investigation performed earlier in this docket. Audit Finding No. 35 provides information on vehicle repairs that the utility included for the test year.

Taxes-Other-Than-Income (TOTI)

Objective: To determine that taxes other than income tax expense is properly recorded in compliance with Commission rules and was reasonable and prudent for ongoing utility operations.

Procedures: We obtained the regulatory assessment fee filings and reconciled them to the general ledger. We obtained the property tax bills for review to determine if the amount booked reflects the discount amount. We verified the calculation of Payroll taxes based upon actual direct and allocated payroll dollars. Audit Finding No.32 discusses our adjustment to property taxes based on county property tax bills.

Depreciation Expense

Objective: To determine that depreciation expense is properly recorded in compliance with Commission rules and that it accurately represents the depreciation of UPIS assets and amortization of CIAC assets for ongoing utility operations.

Procedures: We recalculated a sample of UPIS depreciation expense and CIAC amortization expense balances for the period using Commission approved rates and we verified that CIAC amortization expense was properly netted against depreciation expense. Audit Finding Nos. 3 through 6 discuss our adjustments to UPIS additions to correct posting errors or to correct additions that should have: included a corresponding retirement, been charged to O&M expense in the year incurred, been deferred and amortized because of a non-recurring nature, been recorded as abandonment cost, or to remove additions with no supporting documentation and the subsequent effect on depreciation expense balances. Audit Finding Nos. 7 through 9 discuss our adjustments to construction project additions to UPIS to correct projects that should have included a corresponding retirement and the subsequent effect on depreciation expense balances. Audit Finding No. 10 discusses our adjustment to remove capitalized executive salaries from UPIS because of inadequate supporting documentation and the subsequent effect on depreciation expense balances. Audit Finding No. 11 discusses our adjustment to remove cost associated with the abandonment and retirement of UPIS in the prior rate case and the subsequent effect on depreciation expense balances. Audit Finding No. 12 discusses our adjustment to remove average UPIS balances from the filing for plant that no longer exist and the subsequent effect on depreciation expense balances.

Audit Finding No. 22 discusses our adjustment to remove invoiced items that should have been capitalized to UPIS and the subsequent effect on depreciation expense balances.

CAPITAL STRUCTURE

General

Objective: To determine that the components of the utility's capital structure and the respective cost rates used to arrive at the overall weighted cost of capital are properly recorded in compliance with Commission rules and that it accurately represents the ongoing utility operations.

Procedures: We reconciled the following individual component capital structure balances to the utility's general ledger as of December 31, 2005. Audit Finding No. 37 provides information on the utility's capital structure component balances that were determined in the affiliate transaction investigation performed earlier in this docket.

Long-Term-Debt

Objective: To determine that long-term debt balances represent actual obligations of the utility's parent and that they 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.

Short-Term-Debt

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

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

Accumulated Deferred Income Taxes

Objective: To determine that accumulated deferred income taxes are properly stated and calculated based on the recorded differences between utility book and taxable income.

Procedures: Recalculated a sample of deferred tax balances for the period using Commission authorized rates and federal tax rates.

Customer Deposits

Objective: To determine that customer deposit balances represent actual obligations of the utility and are properly recorded in compliance with Commission rules.

Procedures: We traced a sample of customer deposit balances to supporting documentation and verified that customer deposits were refunded and credited with interest payments in compliance with Commission rules.

AUDIT FINDING NO. 1

SUBJECT: ADJUSTMENT TO PRIOR ORDER (LESS WISBAR)

AUDIT ANALYSIS: Order No. PSC-03-1440-WS, issued December 22, 2003, required the utility to post several adjustments to its rate base balances as of December 31, 2001.

The utility posted the above order adjustments to its general ledger on March 16, 2006 and April 27, 2006, with an effective date of December 31, 2005. The above postings also included additional adjustments to record the cumulative effect of posting the December 31, 2001 adjustments as of December 31, 2005.

The audit staff's review of the utility's posted adjustments indicates the following.

1. In some instances the utility posted the average balance adjustment instead of the year-end adjustment that was displayed in the above order.
2. The utility did not post a \$107,000 adjustment to Seminole County for contributions-in-aid-of-construction it received from the City of Altamonte Springs.

EFFECT ON THE GENERAL LEDGER: The following adjustments are needed to correct the utility's general ledger to the adjustments required in the above-mention order. See the schedule that follows for the audit staff's calculations.

| County | Utility Acct. No. | NARUC Acct. No. | Acct. Description | Debit | Credit |
|----------|----------------------|--------------------|---------------------------------|----------|-----------|
| Marion | 1083010 | 108 | Acc/Dep - Water Plant | \$318 | |
| | 1084000 | 108 | Acc/Dep - W/Water Plant | | \$50 |
| | 2151000 | 215 | Retained Earnings | | \$268 |
| Orange | 1083010 | 108 | Acc/Dep - Water Plant | \$99 | |
| | 1083014 | 108 | Acc/Dep - Wells & Springs | \$80 | |
| | 1083021 | 108 | Acc/Dep - Structures- Treatment | \$195 | |
| | 1083025 | 108 | Acc/Dep - Pumping Equipment | \$498 | |
| | 1083032 | 108 | Acc/Dep - Treatment Equipment | \$86 | |
| | 2151000 | 215 | Retained Earnings | | \$958 |
| Pasco | 1083010 | 108 | Acc/Dep - Water Plant | | \$7,208 |
| | 1084000 | 108 | Acc/Dep - W/Water Plant | \$59 | |
| | 2151000 | 215 | Retained Earnings | \$10,365 | |
| | 2722000 | 272 | Acc/Amortz. Of CIAC - Water | | \$1,795 |
| | 2723000 | 272 | Acc/Amortz. Of CIAC - W/Water | | \$1,421 |
| Pinellas | 1083010 | 108 | Acc/Dep - Water Plant | \$452 | |
| | 2151000 | 215 | Retained Earnings | | \$452 |
| Seminole | 1083010 | 108 | Acc/Dep - Water Plant | \$766 | |
| | 1083025 | 108 | Acc/Dep - Pumping Equipment | \$30 | |
| | 1084000 | 108 | Acc/Dep - W/Water Plant | | \$30 |
| | 2151000 | 215 | Retained Earnings | \$99,102 | |
| | 2711000 | 271 | CIAC - Water | | \$107,000 |
| | 2722000 | 272 | Acc/Amortz. Of CIAC - Water | \$8,915 | |
| | 4072000 | 407 | CIAC Amortz. Exp. - Water | | \$1,783 |

EFFECT ON THE FILING: The general ledger adjustments above have the following effect on the utility's 13-month average rate base and net operating income balances presented in its filing.

| | | | | |
|-----------------|---------|--------------------|---------|--|
| Marion County | Water | Increase Rate Base | \$318 | |
| Marion County | W/Water | Reduce Rate Base | \$50 | |
| Orange County | Water | Increase Rate Base | \$958 | |
| Pasco County | Water | Reduce Rate Base | \$9,003 | (\$7,208+\$1,795) |
| Pasco County | W/Water | Reduce Rate Base | \$1,362 | (\$1,421 - \$59) |
| Pinellas County | Water | Reduce Rate Base | \$452 | |
| Seminole County | Water | Reduce Rate Base | 98,180 | (\$107,000 -\$8,024(a) - \$766 - \$30) |
| Seminole County | Water | Increase NOI | \$1,783 | |
| Seminole County | W/Water | Reduce Rate Base | \$30 | |

(a) \$8,024 is the 13-month average balance for Acc/Amortz. of CIAC. Assumes simple average balance equals 13-month average balance because the annual accrual of \$1,783 represents monthly accruals of \$149. (Dec05 Balance of \$8,915 + Dec04 balance of \$7,132)/2. All other amounts are prior to December 2004, therefore they equal the 13-month average adjustment.

MARION - WATER

| <u>Acct. No.</u> | <u>Per Utility</u> | <u>Per Order</u> | <u>Adjustment</u> | |
|------------------|--------------------|------------------|-------------------|---|
| 1083010 | \$1,307 | \$1,608 | \$301 | A |
| 1083010 | \$17 | \$34 | \$17 | A |
| | | | \$318 | |

MARION - W/WATER

| <u>Acct. No.</u> | <u>Per Utility</u> | <u>Per Order</u> | <u>Adjustment</u> | |
|------------------|--------------------|------------------|-------------------|---|
| 1084000 | (\$63) | (\$126) | (\$63) | A |
| 1084000 | \$13 | \$26 | \$13 | A |
| | | | (\$50) | |

ORANGE - WATER

| <u>Acct. No.</u> | <u>Per Utility</u> | <u>Per Order</u> | <u>Adjustment</u> | |
|------------------|--------------------|------------------|-------------------|---|
| 1083010 | \$100 | \$199 | \$99 | A |
| 1083014 | \$3,739 | \$3,934 | \$195 | A |
| 1083021 | \$2,277 | \$2,357 | \$80 | A |
| 1083025 | \$9,973 | \$10,471 | \$498 | A |
| 1083032 | \$2,211 | \$2,297 | \$86 | A |

PASCO - WATER (Less WisBar)

| <u>Acct. No.</u> | <u>Per Utility</u> | <u>Per Order</u> | <u>Adjustment</u> | |
|------------------|--------------------|------------------|-------------------|---|
| 2722000 | (1,795) | (3,590) | (\$1,795) | A |
| 1083010 | (\$61,113) | (\$78,303) | (\$17,190) | A |
| 1083010 | \$25,324 | \$35,223 | \$9,899 | A |
| 1083010 | \$83 | \$166 | \$83 | A |
| | | | (\$7,208) | |

PASCO - W/WATER (Less WisBar)

| <u>Acct. No.</u> | <u>Per Utility</u> | <u>Per Order</u> | <u>Adjustment</u> | |
|------------------|--------------------|------------------|-------------------|---|
| 2723000 | (\$1,421) | (\$2,842) | (\$1,421) | A |
| 1084000 | \$59 | \$118 | \$59 | A |

PINELLAS - WATER

| <u>Acct. No.</u> | <u>Per Utility</u> | <u>Per Order</u> | <u>Adjustment</u> | |
|------------------|--------------------|------------------|-------------------|---|
| 1083010 | \$453 | \$905 | \$452 | A |

SEMINOLE - WATER

| <u>Acct. No.</u> | <u>Per Utility</u> | <u>Per Order</u> | <u>Adjustment</u> | |
|------------------|--------------------|------------------|-------------------|---|
| 1083010 | \$1,307 | \$2,073 | \$766 | A |
| 1083025 | \$31 | \$61 | \$30 | A |
| 2711000 | \$0 | (\$107,000) | (\$107,000) | B |
| 2723000 | \$0 | \$8,915 | \$8,915 | B |
| 4073000 | \$0 | (\$1,783) | (\$1,783) | B |

SEMINOLE - W/WATER

| <u>Acct. No.</u> | <u>Per Utility</u> | <u>Per Order</u> | <u>Adjustment</u> | |
|------------------|--------------------|------------------|-------------------|---|
| 1084000 | \$90,450 | \$90,420 | (\$30) | A |

A - The utility adjustment picked up the average adjustment from the order balance rather than the year
 B - The utility did not post the adjustment to CIAC for the sale of Altamonte Springs service territory in the

AUDIT FINDING NO. 2

SUBJECT: ADJUSTMENT TO PRIOR ORDER (WISBAR)

AUDIT ANALYSIS: Order No. PSC-03-1440-WS, issued December 22, 2003, required the utility to post the acquisition of WisBar in Pasco County to its general ledger as of December 31, 2001. The order also included adjustments to record the cumulative effect of posting the December 2000 acquisition in June 2002.

The utility's records indicate that it properly posted the acquisition of WisBar to its general ledger on June 28, 2002. However, the utility's general ledger entry did not include the adjustments for the cumulative effect mentioned above.

The utility posted the acquisition of WisBar a second time to its general ledger on March 16, 2006 and April 27, 2006, with an effective date of December 31, 2005. The above posting also included additional adjustments to record the cumulative effect of posting the acquisition as of December 31, 2005. Included in the second journal entry were adjustments to correct the utility's depreciation rates and record the cumulative effect of the ordered adjustments. The audit staff's review of the utility's posted adjustments indicates that errors were made in calculating and posting the adjustments to the proper Pasco county systems.

The audit staff determined that the best way to correct the utility's general ledger was to remove the 2005 journal entries posted by the utility and use the balances established in the above-mentioned order which the utility posted correctly in 2002. We then included the additional 2002 cumulative effect adjustments not recorded by the utility and recalculated the additional cumulative effect as of December 2005.

EFFECT ON THE GENERAL LEDGER: The following adjustments are needed to the utility's general ledger to properly record the acquisition of the WisBar system. See the schedules that follow for the audit staff's calculations and general ledger accounts affected.

| County | Utility Acct. No. | NARUC Acct. No | Acct. Description | Debit | Credit |
|--------|----------------------|-------------------|------------------------------|-----------|-----------|
| Pasco | 101**** | 101 | UPIS - Water | | \$264,632 |
| | 108**** | 108 | Acc/Dep - Water | \$199,151 | |
| | 2151000 | 215 | Retained Earnings | \$97,136 | |
| | 2711**** | 271 | CIAC - Water | \$12,627 | |
| | 2722**** | 272 | Acc/Amortz of CIAC - Water | | \$41,779 |
| | 303**** | 303 | Land-Water | | \$2,910 |
| | 403**** | 403 | Dep. Exp. - Water | \$407 | |
| | 102**** | 101 | UPIS - W/Water | | \$114,133 |
| | 108**** | 108 | Acc/Dep - W/Water | \$7,903 | |
| | 2151000 | 215 | Retained Earnings | \$97,298 | |
| | 2721**** | 271 | CIAC - W/Water | \$17,232 | |
| | 2723**** | 272 | Acc/Amortz of CIAC - W/Water | | \$8,028 |
| | 403**** | 403 | Dep. Exp. - W/Water | | \$272 |

EFFECT ON THE FILING: The general ledger adjustments above have the following effect on the utility's 13-month average rate base balances and net operating income balances presented in its filing.

| | | | | |
|--------------|---------|------------------|----------|-------------|
| Pasco County | Water | Reduce Rate Base | \$97,340 | (see below) |
| Pasco County | Water | Increase NOI | \$407 | |
| Pasco County | W/Water | Reduce Rate Base | \$97,162 | (see below) |
| Pasco County | W/Water | Reduce NOI | \$272 | |

| 13-Month <u>Avg. Calculation</u> | Water | | W/Water | |
|-------------------------------------|-----------------|-----------------|----------------|-----------------|
| | <u>Year End</u> | <u>13-Month</u> | <u>W/Water</u> | <u>13-Month</u> |
| UPIS | (\$264,632) | (\$264,632) | (\$114,133) | (\$114,133) |
| Land | (2,910) | (2,910) | 0 | 0 |
| Acc/Dep | 199,151 | 199,354 | 7,903 | 7,767 |
| CIAC | 12,627 | 12,627 | 17,232 | 17,232 |
| Acc/Amortz. | <u>(41,779)</u> | <u>(41,779)</u> | <u>(8,028)</u> | <u>(8,028)</u> |
| Net Rate Base | (\$97,543) | (\$97,340) | (\$97,026) | (\$97,162) |

The difference in the Acc/Dep balances are due to the effect of the test year depreciation accruals.

WISBAR - ADJUSTMENT TO PRIOR ORDER - WATER

| Utility <u>Acct. No.</u> | NARUC <u>Acct. No.</u> | <u>Acct. Description</u> | Remove 2005 <u>Entry</u> | Additional Audit <u>Adjustment</u> | Total Audit <u>Adjustment</u> |
|-----------------------------|---------------------------|--------------------------|--------------------------------|--|-------------------------------------|
| 3033020 | 303 | Land | (\$2,910) | (\$2,910) | (\$5,820) |
| 3036010 | 303 | Land | <u>0</u> | <u>2,910</u> | <u>2,910</u> |
| | | | (\$2,910) | \$0 | (\$2,910) |
| 3072014 | 307 | Wells | (\$15,174) | \$0 | (\$15,174) |
| 309**** | 309 | Mains | (53,830) | 53,830 | 0 |
| 310**** | 310 | Power Gen | (4,250) | 4,250 | 0 |
| 3113025 | 311 | Pumping | (4,800) | (4,250) | (9,050) |
| 3204032 | 320 | Treatment | (7,094) | 0 | (7,094) |
| 3305042 | 330 | Dist. Res/Stand | (22,972) | 416 | (22,556) |
| 3315043 | 331 | T&D Mains | (50,454) | (70,304) | (120,758) |
| 3335045 | 333 | Services | (26,526) | 16,474 | (10,052) |
| 3345046 | 334 | Meters | (53,808) | 0 | (53,808) |
| 3406091 | 340 | Office Furniture | (18,574) | 18,574 | 0 |
| 3466094 | 346 | Tools, Shop | 0 | (26,140) | (26,140) |
| 3486098 | 348 | Water Misc. Equip. | <u>(7,150)</u> | <u>7,150</u> | <u>0</u> |
| | | | (\$264,632) | \$0 | (\$264,632) |
| 108**** | 108 | Acc/Dep - Water | \$210,603 | (\$11,452) | \$199,151 |
| 2711000 | 271 | CIAC - Water | \$12,627 | \$0 | \$12,627 |
| 2722000 | 272 | Acc/Amortz - Water | (\$42,264) | \$485 | (\$41,779) |

WISBAR - ADJUSTMENT TO PRIOR ORDER - WASTEWATER

| Utility <u>Acct. No.</u> | NARUC <u>Acct. No.</u> | <u>Acct. Description</u> | Remove 2005 <u>Entry</u> | Additional Audit <u>Adjustment</u> | Total Audit <u>Adjustment</u> |
|-----------------------------|---------------------------|--------------------------|--------------------------------|--|-------------------------------------|
| 3537002 | 353 | Land | (\$500) | \$500 | \$0 |
| 3602007 | 360 | Force Mains | \$0 | (\$24,500) | (\$24,500) |
| 3612008 | 361 | Gravity Mains | (24,500) | 24,500 | 0 |
| 3804005 | 380 | T&D | (86,333) | (3,300) | (89,633) |
| 3486000 | 397 | Other Plant | <u>(3,300)</u> | <u>3,300</u> | <u>0</u> |
| | | | (\$114,133) | \$0 | (\$114,133) |
| 108**** | 108 | Sewer Acc/Dep | \$10,932 | (\$3,029) | \$7,903 |
| 2721000 | 271 | Sewer CIAC | \$17,232 | \$0 | \$17,232 |
| 2723000 | 272 | Sewer AA CIAC | (\$8,654) | \$626 | (\$8,028) |

See the following schedules for calculations for the additional audit adjustments above.

WISBAR - ADJUSTMENT TO PRIOR ORDER - WATER

| Utility Acct. No. | Acct. Description | Entry Type | Order Balance | 2002 Utility Adjustment | Audit Adjustment |
|----------------------|-------------------|------------------|------------------|----------------------------|---------------------|
| 3033020 | Land | Transfer Balance | \$0 | \$2,910 | (\$2,910) |
| 3036010 | Land | Transfer Balance | <u>2,910</u> | <u>0</u> | <u>2,910</u> |
| | | | \$2,910 | \$2,910 | \$0 |
| 3072014 | Wells | Transfer Balance | 15,174 | 15,174 | 0 |
| 309**** | Mains | Transfer Balance | 53,830 | 0 | 53,830 |
| 310**** | Power Gen | Transfer Balance | 4,250 | 0 | 4,250 |
| 3113025 | Pumping | Transfer Balance | 4,800 | 9,050 | (4,250) |
| 3204032 | Treatment | Transfer Balance | 7,094 | 7,094 | 0 |
| 3305042 | Dist. Res/Stand | Transfer Balance | 22,972 | 22,556 | 416 |
| 3315043 | T&D Mains | Transfer Balance | 50,454 | 120,758 | (70,304) |
| 3335045 | Services | Transfer Balance | 26,526 | 10,052 | 16,474 |
| 3345046 | Meters | Transfer Balance | 53,808 | 53,808 | 0 |
| 3406091 | Office Furniture | Transfer Balance | 18,574 | 0 | 18,574 |
| 3466094 | Tools, Shop | Transfer Balance | 0 | 26,140 | (26,140) |
| 3486098 | Other Assets | Transfer Balance | <u>7,150</u> | <u>0</u> | <u>7,150</u> |
| | | | \$264,632 | \$264,632 | \$0 |

| | | | | | |
|---------|-----------------------------|------------------|-------------|-------------|-----|
| 2711000 | CIAC - Water | Transfer Balance | (\$12,627) | (\$12,627) | \$0 |
| 2722000 | Acc/Amortz. of CIAC - Water | Transfer Balance | \$8,163 | \$8,163 | \$0 |
| 108**** | Acc/Dep - Water | Transfer Balance | (\$191,029) | (\$191,029) | \$0 |

| Utility Acct. No. | Acct. Description | Audit Adjustment | Rule Dep. Rate | Annual Dep. Accrual | Roll-Forward 2002-2005 | Cumulative Prior Order | Total Additional Adjustment |
|----------------------|-----------------------------|---------------------|-------------------|------------------------|---------------------------|---------------------------|-----------------------------------|
| 108**** | Acc/Dep - Mains | \$53,830 | 2.86% | \$1,538 | \$6,152 | \$2,211 | \$8,363 |
| 108**** | Acc/Dep - Power Gen | 4,250 | 5.00% | 213 | 850 | 0 | 850 |
| 1083025 | Acc/Dep - Pumping | (4,250) | 5.00% | (213) | (850) | 300 | (550) |
| 1083042 | Acc/Dep - Dist. Res/Stand | 416 | 2.70% | 11 | 45 | 287 | 332 |
| 1083043 | Acc/Dep - T&D Mains | (70,304) | 2.33% | (1,635) | (6,540) | 631 | (5,909) |
| 1083045 | Acc/Dep - Services | 16,474 | 2.50% | 412 | 1,647 | 995 | 2,642 |
| 1083046 | Acc/Dep - Meters | 0 | 5.00% | 0 | 0 | 3,362 | 3,362 |
| 1083091 | Acc/Dep - Office Furniture | 18,574 | 6.67% | 1,238 | 4,953 | 1,471 | 6,424 |
| 1083094 | Acc/Dep - Tools, Shop | (26,140) | 6.25% | (1,634) | (6,535) | 0 | (6,535) |
| 108**** | Acc/Dep - Other Assets | <u>7,150</u> | 6.67% | <u>477</u> | <u>1,907</u> | <u>566</u> | <u>2,473</u> |
| | | \$0 | | \$407 | \$1,629 | \$9,823 | \$11,452 |
| 2722000 | Acc/Amortz. of CIAC - Water | \$0 | | \$0 | \$0 | \$485 | \$485 |

| Utility Acct. No. | Acct. Description | Acc/Dep 2004 Adj | Acc/Dep 2005 Adj | Acc/Dep Adj. 13-Month Avg | Utility Acct. No. | Test Year Dep. Exp |
|----------------------|----------------------------|---------------------|---------------------|------------------------------|----------------------|-----------------------|
| 108**** | Acc/Dep - Mains | \$6,825 | \$8,363 | \$7,594 | 403**** | \$1,538 |
| 108**** | Acc/Dep - Power Gen | 638 | 850 | 744 | 403**** | 213 |
| 1083025 | Acc/Dep - Pumping | (338) | (550) | (444) | 4032025 | (213) |
| 1083042 | Acc/Dep - Dist. Res/Stand | 321 | 332 | 326 | 4032042 | 11 |
| 1083043 | Acc/Dep - T&D Mains | (4,274) | (5,909) | (5,091) | 4032043 | (1,635) |
| 1083045 | Acc/Dep - Services | 2,231 | 2,642 | 2,436 | 4032045 | 412 |
| 1083046 | Acc/Dep - Meters | 3,362 | 3,362 | 3,362 | 4032046 | 0 |
| 1083091 | Acc/Dep - Office Furniture | (7,773) | (6,535) | (7,154) | 4032091 | 1,238 |
| 1083094 | Acc/Dep - Tools, Shop | 4,106 | 2,473 | 3,290 | 4032094 | (1,634) |
| 108**** | Acc/Dep - Other Assets | <u>5,947</u> | <u>6,424</u> | <u>6,186</u> | 403**** | <u>477</u> |
| | | \$11,045 | \$11,452 | \$11,249 | | \$407 |

13-month average Acc/Dep adjustment assumes equal monthly accruals for the entire period.

WISBAR - ADJUSTMENT TO PRIOR ORDER - WASTEWATER

| Utility Acct. No. | Acct. Description | Entry Type | Order Balance | 2002 Utility Adjustment | Audit Adjustment |
|----------------------|-------------------------------|------------------|------------------|----------------------------|---------------------|
| 3537002 | Land | Transfer Balance | \$500 | \$0 | \$500 |
| 3602007 | Force Mains | Transfer Balance | \$0 | \$24,500 | (\$24,500) |
| 3612008 | Gravity Mains | Transfer Balance | 24,500 | 0 | 24,500 |
| 3804005 | T&D | Transfer Balance | 86,333 | 89,633 | (3,300) |
| 3486000 | Other Pant | Transfer Balance | <u>3,300</u> | <u>0</u> | <u>3,300</u> |
| | | | \$114,133 | \$114,133 | \$0 |
| 108**** | Acc/Dep - W/Water | Transfer Balance | (\$17,191) | (\$17,191) | \$0 |
| 2721000 | CIAC - W/Water | Transfer Balance | (\$17,232) | (\$17,232) | \$0 |
| 2723000 | Acc/Amortz. of CIAC - W/Water | Transfer Balance | \$8,234 | \$8,234 | \$0 |

| Utility Acct. No. | Acct. Description | Audit Adjustment | Rule Dep. Rate | Annual Dep. Accrual | Roll-Forward 2002-2005 | Cumulative Prior Order | Total Additional Adjustment |
|----------------------|-------------------------------|---------------------|-------------------|------------------------|---------------------------|---------------------------|-----------------------------------|
| 1084007 | Acc/Dep - Force Mains | (\$24,500) | 3.33% | (\$817) | (\$3,267) | \$0 | (\$3,267) |
| 1084008 | Acc/Dep - Gravity Mains | 24,500 | 2.22% | 544 | 2,178 | 1,123 | 3,301 |
| 1084005 | Acc/Dep - T&D | (3,300) | 5.56% | (183) | (733) | 2,995 | 2,262 |
| 108**** | Acc/Dep - Other Plant | <u>3,300</u> | 5.56% | <u>183</u> | <u>733</u> | <u>0</u> | <u>733</u> |
| | | \$0 | | (\$272) | (\$1,089) | \$4,118 | \$3,029 |
| 2723000 | Acc/Amortz. of CIAC - W/Water | \$0 | | \$0 | \$0 | \$626 | \$626 |

| Utility Acct. No. | Acct. Description | Acc/Dep 2004 Adj | Acc/Dep 2005 Adj | Acc/Dep 13-Month Avg | Utility Acct. No. | Test Year Dep. Exp |
|----------------------|-------------------------|---------------------|---------------------|-------------------------|----------------------|-----------------------|
| 1084007 | Acc/Dep - Force Mains | (\$2,450) | (\$3,267) | (\$2,858) | 4033007 | (\$817) |
| 1084008 | Acc/Dep - Gravity Mains | 2,756 | 3,301 | 3,029 | 4033008 | 544 |
| 1084005 | Acc/Dep - T&D | 2,445 | 2,262 | 2,353 | 4033005 | (183) |
| 108**** | Acc/Dep - Other Plant | <u>550</u> | <u>733</u> | <u>642</u> | 403**** | <u>183</u> |
| | | \$3,301 | \$3,029 | \$3,165 | | (\$272) |

13-month average Acc/Dep adjustment assumes equal monthly accruals for the entire period.

AUDIT FINDING NO. 3

SUBJECT: ADJUSTMENT TO UPIS ADDITIONS - MARION COUNTY

AUDIT ANALYSIS: The utility's general ledger reflects the following invoice additions to the indicated accounts.

| | <u>Year</u> | <u>SUB#</u> | <u>Utility</u> <u>Acct. No.</u> | <u>Transaction Description</u> | <u>Amount</u> | <u>Service provided</u> |
|---|-------------|-------------|------------------------------------|--------------------------------|---------------|-----------------------------|
| A | 2002 | 630 | 3072014 | 00513*03996*HAROLD E | \$9,856.64 | Replace well head piping |
| B | 2002 | 630 | 3315043 | 94989*03996*HAROLD E | \$644.42 | Repair leak on 2" main |
| A | 2003 | 630 | 3355048 | 22850*15827*NATIONAL | \$900.87 | Replace fire hydrant |
| A | 2003 | 630 | 3355048 | 24291*15827*NATIONAL | \$900.87 | Replace fire hydrant |
| A | 2003 | 630 | 3466094 | 27174*03527*HOME DEP | \$1,974.91 | New lawn mower - scrap old |
| A | 2004 | 630 | 3345046 | 56230*00109*BADGER M | \$2,230.47 | Replace 4" meter |
| B | 2005 | 630 | 3113025 | 87647*11185*DIESEL E | \$1,608.05 | Maintenance on generator |
| B | 2005 | 630 | 3113025 | 76692*08189*THOMPSON | \$760.00 | Repair relay at water plant |
| A | 2005 | 635 | 3804005 | 87673*03996*HAROLD E | \$1,200.00 | Replace air line at WWTP |

- A) Capital asset addition that should have included a corresponding retirement to UPIS and accumulated depreciation.
- B) Normal recurring expense that should have been posted to operation and maintenance expense in the year incurred.

EFFECT ON GENERAL LEDGER: The following adjustments are needed to the utility's general ledger to properly record the invoiced items listed above. See the schedule that follows for the audit staff's calculations and general ledger accounts affected.

| <u>County</u> | <u>Utility</u> <u>Acct. No.</u> | <u>NARUC</u> <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> |
|---------------|------------------------------------|----------------------------------|------------------------------|--------------|---------------|
| Marion | 101**** | 101 | UPIS - Water | | \$14,910 |
| | 108**** | 108 | Acc/Dep - Water | \$16,316 | |
| | 2151000 | 215 | Retained Earnings | | \$3,247 |
| | 403**** | 403 | Dep. Exp. - Water | | \$527 |
| | 675**** | 636 | Contractual Services - Other | \$2,368 | |
| | 102**** | 101 | UPIS - W/Water | | \$900 |
| | 108**** | 108 | Acc/Dep - W/Water | \$925 | |
| | 403**** | 403 | Dep. Exp. - W/Water | | \$25 |

EFFECT ON THE FILING: The general ledger adjustments above have the following effect on the utility's 13-month average rate base and net operating income balances presented in its filing.

| | | | | |
|---------------|--------|--------------------|---------|-----------------------|
| Marion County | Water | Increase Rate Base | \$1,143 | (\$14,869 - \$13,726) |
| Marion County | Water | Reduce NOI | \$1,841 | (\$2,368 - \$527) |
| Marion County | WWater | Increase Rate Base | \$13 | (\$463 - \$450) |
| Marion County | WWater | Increase NOI | \$25 | |

| Year | Sub# | Acct. No. | Invoice Description | Invoice Amount | Audit Action | Plant Rule | Accumulated Depreciation Accruals | 2004 | 2005 | Cumulative Acc/Dep | Total Acc/Dep |
|--|------|-----------|----------------------|----------------|-------------------|------------|-----------------------------------|---------|-----------|--------------------|---------------|
| 2002 | 630 | 3072014 | 00513*03996*HAROLD E | \$9,857 | Retire 75% | 3.33% | (\$123) | (\$246) | (\$246) | (\$862) | (\$8,255) |
| 2005 | 630 | 3113025 | 87647*1185*DIETSEL E | \$1,608 | Reclassify to O&M | 5.00% | -na- | -na- | (\$40) | (\$40) | (\$1,648) |
| 2005 | 630 | 3113025 | 76692*08189*THOMPSON | \$760 | Reclassify to O&M | 5.00% | -na- | -na- | (\$19) | (\$19) | (\$779) |
| 2002 | 630 | 3315043 | 94989*03996*HAROLD E | \$644 | Reclassify to O&M | 2.33% | (\$7) | (\$15) | (\$15) | (\$52) | (\$697) |
| 2004 | 630 | 3345046 | 56230*00109*BADGER M | \$2,230 | Retire 75% | 5.00% | -na- | -na- | (\$84) | (\$125) | (\$1,798) |
| 2003 | 630 | 3355048 | 22850*15827*NATIONAL | \$901 | Retire 75% | 2.22% | (\$8) | (\$15) | (\$38) | (\$713) | (\$713) |
| 2003 | 630 | 3355048 | 24291*15827*NATIONAL | \$901 | Retire 75% | 2.22% | (\$8) | (\$15) | (\$38) | (\$713) | (\$713) |
| 2003 | 630 | 3466094 | 27174*03527*HOME DEP | \$1,975 | Retire 75% | 6.25% | (\$1,481) | (\$93) | (\$93) | (\$231) | (\$1,713) |
| Total Plant, Dep. Expense and Acc/Dep adjustments @ 12/31/2005 (\$14,910) | | | | | | | | | | | |
| Less Plant and Acc/Dep adjustments for 2005 \$2,368 | | | | | | | | | | | |
| Total Plant and Acc/Dep adjustments @ 12/31/2004 (\$12,542) | | | | | | | | | | | |
| 13-month average adjustment (\$13,726) | | | | | | | | | | | |
| Assumes equal monthly additions and accruals | | | | | | | | | | | |
| 2005 | 635 | 3804005 | 87673*03996*HAROLD E | \$1,200 | Retire 75% | 5.56% | -na- | -na- | (\$25.00) | (\$25.00) | (\$925) |
| Total Plant, Dep. Expense and Acc/Dep adjustments @ 12/31/2005 (\$900) | | | | | | | | | | | |
| Less Plant and Acc/Dep adjustments for 2005 \$900 | | | | | | | | | | | |
| Total Plant and Acc/Dep adjustments @ 12/31/2004 \$0 | | | | | | | | | | | |
| 13-month average adjustment (\$450) | | | | | | | | | | | |
| Assumes equal monthly additions and accruals | | | | | | | | | | | |
| 2005 | 635 | 3804005 | 87673*03996*HAROLD E | \$1,200 | Retire 75% | 5.56% | -na- | -na- | (\$25.00) | (\$25.00) | (\$925) |
| Total Plant, Dep. Expense and Acc/Dep adjustments @ 12/31/2005 (\$925) | | | | | | | | | | | |
| Less Plant and Acc/Dep adjustments for 2005 \$925 | | | | | | | | | | | |
| Total Plant and Acc/Dep adjustments @ 12/31/2004 \$0 | | | | | | | | | | | |
| 13-month average adjustment (\$463) | | | | | | | | | | | |

AUDIT FINDING NO. 4

SUBJECT: ADJUSTMENT TO UPIS ADDITIONS - PASCO COUNTY

AUDIT ANALYSIS: The utility's general ledger reflects the following invoice additions to the indicated accounts.

| | Year | SUB# | Utility Acct. No. | Transaction Description | Amount | Service provided |
|---|------|------|----------------------|-------------------------|------------|---|
| A | 2002 | 626 | 3204032 | 93705*15851*NIDY COM | \$2,892.00 | No support |
| B | 2002 | 615 | 3204032 | 97888*14101*PBS&J | \$1,149.35 | Water use permit renewal |
| A | 2002 | 615 | 3335045 | 05412*14878*KEN'S BU | \$566.83 | No support |
| C | 2002 | 615 | 3804005 | 07736*14101*PBS&J | \$3,000.65 | Water use permit renewal |
| D | 2003 | 629 | 3043021 | 12453*16536*M. GELLI | \$1,000.00 | Replace roof at WTP |
| D | 2003 | 629 | 3113025 | 17193*13710*CIRCLE W | \$1,590.00 | Replace 4" master meter |
| D | 2003 | 615 | 3335045 | 12329*14878*KEN'S B | \$824.18 | Replace and relocate 3/4" meter |
| D | 2003 | 615 | 3335045 | 13658*14878*KEN'S BU | \$758.06 | Replace and relocate 3/4" meter |
| E | 2003 | 629 | 3345046 | 94486*15542*REI-TAMP | \$1,406.75 | Posting error |
| D | 2004 | 629 | 3043021 | 50659*14576*THE FENC | \$3,210.00 | Replace fence at WTP |
| D | 2004 | 615 | 3043021 | 72653*14878*KEN'S BU | \$2,375.00 | Replace fence at well #1 |
| F | 2004 | 615 | 3072014 | 65698*13710*CIRCLE W | \$2,920.00 | Abandon well #5 (land sold) |
| B | 2004 | 615 | 3113025 | 07736 V14101 | \$3,000.65 | Water use permit renewal |
| D | 2004 | 615 | 3305042 | 44480*14878*KEN'S BU | \$557.19 | Replace and relocate 3/4" meter |
| D | 2004 | 615 | 3305042 | 50194*14878*KEN'S BU | \$540.20 | Replace and relocate 3/4" meter |
| D | 2004 | 625 | 3542011 | 69116*14878*KEN'S BU | \$1,072.00 | Replace circuit breaker at lift station |
| D | 2005 | 615 | 3335045 | 93633*14878*KEN'S B | \$592.03 | Replace and relocate 3/4" meter |
| D | 2005 | 625 | 3542011 | 91846*14878*KEN'S BU | \$6,200.00 | Rebuild master lift station |

- A) Invoice addition that should be removed because the utility could not provide any supporting documentation.
- B) Cost incurred to renew the water use permit that should be considered nonrecurring and amortized over the life of the new permit which is ten years.
- C) The invoice for \$3,001 in B above was originally posted to wastewater UPIS in 2002. The utility reclassified the balance to water UPIS in 2004. The corresponding wastewater accumulated depreciation accrual should have been reversed also.
- D) Capital asset addition that should have included a corresponding retirement to UPIS and accumulated depreciation.
- E) Invoice that was a credit to utility's vendor account that was posted as an asset addition in error.
- F) Cost incurred to abandon the well at Water Treatment Plant #5. The land was sold in 2004 and is addressed in Audit Finding No. 13 of this report.

EFFECT ON GENERAL LEDGER: The following adjustments are needed to the utility's general ledger to properly record the invoiced items listed above. See the schedule that follows for the audit staff's calculations and general ledger accounts affected.

| <u>County</u> | <u>Utility</u> | <u>NARUC</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> |
|---------------|----------------|--------------|---------------------------------------|--------------|---------------|
| Pasco | 101**** | 101 | UPIS - Water | | \$21,927 |
| | 108**** | 108 | Acc/Dep - Water | \$23,687 | |
| | 186**** | 186 | Deferred Asset | \$4,150 | |
| | 186**** | 186 | Acc/Amortz. of Deferred Asset | | \$2,075 |
| | 2151000 | 215 | Retained Earnings | | \$3,397 |
| | 403**** | 403 | Dep. Exp. - Water | | \$853 |
| | 675**** | 636 | Contractual Services - Deferred Asset | \$415 | |
| | 102**** | 101 | UPIS - W/Water | | \$5,454 |
| | 108**** | 108 | Acc/Dep - W/Water | \$5,981 | |
| | 2151000 | 215 | Retained Earnings | | \$429 |
| | 403**** | 403 | Dep. Exp. - W/Water | | \$98 |

EFFECT ON THE FILING: The general ledger adjustments above have the following effect on the utility's 13-month average rate base and net operating income balances presented in its filing.

| | | | | |
|--------------|---------|--------------------|---------|---------------------------------|
| Pasco County | Water | Increase Rate Base | \$4,031 | (\$23,453 - \$21,705 + \$2,283) |
| Pasco County | Water | Increase NOI | \$438 | (\$853 - \$415) |
| Pasco County | W/Water | Increase Rate Base | \$491 | (\$3,620 - \$3,129) |
| Pasco County | W/Water | Increase NOI | \$98 | |

Working Capital Adjustment

| <u>13-Month Average Calculation</u> | <u>Dec-04</u> | <u>Additions</u> | <u>Dec-05</u> | <u>Average</u> |
|-------------------------------------|---------------|------------------|---------------|----------------|
| Deferred Asset | \$4,150 | \$0 | \$4,150 | \$4,150 |
| Acc/Amortz. of Deferred Asset | (1,660) | (415) | (2,075) | (1,868) |
| Net Balance | \$2,490 | (\$415) | \$2,075 | \$2,283 |

Average calculation assumes equal monthly accruals

$$\$4,150 = \$3,001 + \$1,149$$

$$\$1,660 = \$415 \times 4 \text{ years (2002 - 2005)}$$

$$\$415 = \$4,150 / 10 \text{ years}$$

| Year | Sub# | Acct. No. | Invoice Description | Invoice Amount | Audit Action | Plant Adjustment | Rule Dep Rate | 2002 | 2003 | 2004 | 2005 | Cumulative Acc/Dep | Total Acc/Dep |
|------|------|-----------|--|----------------|---------------------|------------------|---------------|--------|---------|---------|---------|--------------------|--|
| 2003 | 629 | 3043021 | 12453*16536*M. GELLI | \$1,000 | Retire 75% | (\$750) | 3.03% | -na- | (\$11) | (\$23) | (\$23) | (\$57) | (\$807) |
| 2004 | 629 | 3043021 | 50659*14576*THE FENC | \$3,210 | Retire 75% | (\$2,408) | 3.03% | -na- | -na- | (\$36) | (\$73) | (\$109) | (\$2,517) |
| 2004 | 615 | 3043021 | 72653*14878*KEN'S BU | \$2,375 | Retire 75% | (\$1,781) | 3.03% | -na- | -na- | (\$27) | (\$54) | (\$81) | (\$1,862) |
| | | | | | | (\$4,939) | | | | | (\$150) | (\$247) | (\$5,186) |
| 2004 | 615 | 3072014 | 65698*13710*CIRCLE W | \$2,920 | Remove - land sold | (\$2,920) | 3.33% | -na- | -na- | (\$49) | (\$97) | (\$146) | (\$3,066) |
| 2003 | 629 | 3113025 | 17193*13710*CIRCLE W | \$1,590 | Retire 75% | (\$1,193) | 5.00% | -na- | (\$30) | (\$60) | (\$60) | (\$149) | (\$1,342) |
| 2004 | 615 | 3113025 | 07736 V14101 | \$3,001 | Non-recurring | (\$3,001) | 5.00% | -na- | -na- | \$0 | (\$150) | (\$150) | (\$3,151) |
| | | | | | | (\$4,193) | | | | | (\$210) | (\$299) | (\$4,492) |
| 2002 | 626 | 3204032 | 93705*15851*NIDY COM | \$2,892 | Remove - no support | (\$2,892) | 4.55% | (\$66) | (\$131) | (\$131) | (\$131) | (\$394) | (\$3,286) |
| 2002 | 615 | 3204032 | 97888*14101*PBS&J | \$1,149 | Non-recurring | (\$1,149) | 4.55% | (\$26) | (\$52) | (\$52) | (\$52) | (\$157) | (\$1,306) |
| | | | | | | (\$4,041) | | | | | (\$184) | (\$551) | (\$4,592) |
| 2004 | 615 | 3305042 | 44480*14878*KEN'S BU | \$557 | Retire 75% | (\$418) | 2.70% | -na- | -na- | (\$6) | (\$11) | (\$17) | (\$435) |
| 2004 | 615 | 3305042 | 50194*14878*KEN'S BU | \$540 | Retire 75% | (\$405) | 2.70% | -na- | -na- | (\$5) | (\$11) | (\$16) | (\$422) |
| | | | | | | (\$823) | | | | | (\$22) | (\$33) | (\$856) |
| 2002 | 615 | 3335045 | 05412*14878*KEN'S BU | \$567 | Remove - no support | (\$567) | 2.50% | (\$7) | (\$14) | (\$14) | (\$14) | (\$43) | (\$609) |
| 2003 | 615 | 3335045 | 12329*14878*KEN'S B | \$824 | Retire 75% | (\$618) | 2.50% | -na- | (\$8) | (\$15) | (\$15) | (\$39) | (\$657) |
| 2003 | 615 | 3335045 | 13658*14878*KEN'S BU | \$758 | Retire 75% | (\$569) | 2.50% | -na- | (\$7) | (\$14) | (\$14) | (\$36) | (\$604) |
| 2005 | 615 | 3335045 | 93633*14878*KEN'S B | \$592 | Retire 75% | (\$444) | 2.50% | -na- | -na- | -na- | (\$6) | (\$6) | (\$450) |
| | | | | | | (\$2,198) | | | | | (\$49) | (\$122) | (\$2,320) |
| 2003 | 629 | 3345046 | 94486*15542*REL-TAMP | \$1,407 | Remove error | (\$2,814) | 5.00% | -na- | (\$70) | (\$141) | (\$141) | (\$352) | (\$3,165) |
| | | | Total Plant, Dep. Expense and Acc/Dep adjustments @ 12/31/2005 | | | (\$21,927) | | | | | (\$853) | (\$1,751) | (\$23,678) |
| | | | Less Plant and Acc/Dep adjustments for 2005 | | | \$444 | | | | | | | \$450 |
| | | | Total Plant and Acc/Dep adjustments @ 12/31/2004 | | | (\$21,483) | | | | | | | (\$23,228) |
| | | | 13-month average adjustment | | | (\$21,705) | | | | | | | (\$23,453) |
| | | | | | | | | | | | | | Assumes equal monthly additions and accruals |
| 2004 | 625 | 3542011 | 69116*14878*KEN'S BU | \$1,072 | Retire 75% | (\$804) | 3.13% | -na- | -na- | (13) | (\$25) | (\$38) | (\$842) |
| 2005 | 625 | 3542011 | 91846*14878*KEN'S BU | \$6,200 | Retire 75% | (\$4,650) | 3.13% | -na- | -na- | -na- | (\$73) | (\$73) | (\$4,723) |
| | | | | | | (\$5,454) | | | | | (\$98) | (\$110) | (\$5,564) |
| 2002 | 615 | 3804005 | 07736*14101*PBS&J | \$3,001 | Correct Acc/Dep | \$0 | 5.56% | (\$83) | (\$167) | (\$167) | \$0 | (\$417) | (\$417) |
| | | | Total Plant, Dep. Expense and Acc/Dep adjustments @ 12/31/2005 | | | (\$5,454) | | | | | (\$98) | (\$527) | (\$5,981) |
| | | | Less Plant, Dep. Expense and Acc/Dep adjustments for 2005 | | | \$4,650 | | | | | | | \$4,723 |
| | | | Total Plant, Dep. Expense and Acc/Dep adjustments @ 12/31/2004 | | | (\$804) | | | | | | | (\$1,258) |
| | | | 13-month average adjustment | | | (\$3,129) | | | | | | | (\$3,620) |
| | | | | | | | | | | | | | Assumes equal monthly additions and accruals |

AUDIT FINDING NO. 5

SUBJECT: ADJUSTMENT TO UPIS ADDITIONS - PINELLAS COUNTY

AUDIT ANALYSIS: The utility's general ledger reflects the following invoice additions to the indicated accounts.

| | <u>Year</u> | <u>SUB#</u> | <u>Utility</u> <u>Acct. No.</u> | <u>Transaction Description</u> | <u>Amount</u> | <u>Service provided</u> |
|---|-------------|-------------|------------------------------------|--------------------------------|---------------|-----------------------------|
| A | 2002 | 637 | 3335045 | 00064*14878*KEN'S BU | \$678.99 | No support |
| B | 2002 | 637 | 3335045 | 91220*14878*KEN'S BU | \$453.75 | Repair 2" main break |
| C | 2003 | 637 | 3043021 | 36264*17260*NATIONS | \$1,924.71 | Replace fence |
| B | 2003 | 637 | 3335045 | 25756*14878*KEN'S BU | \$498.75 | Repair 2" main break |
| B | 2003 | 637 | 3335045 | 25756*14878*KEN'S BU | \$903.78 | Repair 1" saddle |
| B | 2003 | 637 | 3335045 | 27053*14878*KEN'S BU | \$406.12 | Repair main break |
| B | 2004 | 637 | 3315043 | 72604*14878*KEN'S BU | \$401.87 | Repair 1 1/4" main break |
| B | 2004 | 637 | 3335045 | 59263*14878*KEN'S BU | \$703.23 | Repair main break for \$375 |
| C | 2004 | 637 | 3355048 | 52993*14878*KEN'S BU | \$2,650.00 | Replace fire hydrant |

- A) Invoice addition that should be removed because the utility could not provide any supporting documentation.
- B) Normal recurring expense that should have been posted to operation and maintenance expense in the year incurred.
- C) Capital asset addition that should have included a corresponding retirement to UPIS and accumulated depreciation.

EFFECT ON THE GENERAL LEDGER: The following adjustments are needed to the utility's general ledger to properly record the invoiced items listed above. See the schedule that follows for the audit staff's calculations and general ledger accounts affected.

| <u>County</u> | <u>Utility</u> <u>Acct. No.</u> | <u>NARUC</u> <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> |
|---------------|------------------------------------|----------------------------------|--------------------------|--------------|---------------|
| Pinellas | 101**** | 101 | UPIS - Water | | \$7,149 |
| | 108**** | 108 | Acc/Dep - Water | \$7,551 | |
| | 2151000 | 215 | Retained Earnings | | \$305 |
| | 403**** | 403 | Dep. Exp. - Water | | \$97 |

EFFECT ON THE FILING: The general ledger adjustments above have the following effect on the utility's 13-month average rate base and net operating income balance presented in its filing.

| | | | | |
|-----------------|-------|--------------------|-------|-------------------|
| Pinellas County | Water | Increase Rate Base | \$402 | (\$7,551 - 7,149) |
| Pinellas County | Water | Increase NOI | \$97 | |

| Year | Sub# | Acct. No. | Invoice Description | Invoice Amount | Audit Action | Plant Adjustment | Rule Dep Rate | 2002 | 2003 | 2004 | 2005 | Cumulative Acc/Dep | Total Acc/Dep |
|------|------|-----------|--|----------------|---------------------|------------------|---------------|-------|--------|--------|--------|--------------------|--|
| 2003 | 637 | 3043021 | 36264*17260*NATIONS | \$1,925 | Retire 75% | (\$1,444) | 3.03% | -na- | (\$22) | (\$44) | (\$44) | (\$109) | (\$1,553) |
| 2004 | 637 | 3315043 | 72604*14878*KEN'S BU | \$402 | Reclassify to O&M | (\$402) | 2.33% | -na- | -na- | (\$5) | (\$9) | (\$14) | (\$416) |
| 2002 | 637 | 3335045 | 00064*14878*KEN'S BU | \$679 | Remove - no support | (\$679) | 2.50% | (\$8) | (\$17) | (\$17) | (\$17) | (\$51) | (\$730) |
| 2002 | 637 | 3335045 | 91220*14878*KEN'S BU | \$454 | Reclassify to O&M | (\$454) | 2.50% | (\$6) | (\$11) | (\$11) | (\$11) | (\$34) | (\$488) |
| 2003 | 637 | 3335045 | 25756*14878*KEN'S BU | \$499 | Reclassify to O&M | (\$499) | 2.50% | -na- | (\$6) | (\$12) | (\$12) | (\$31) | (\$530) |
| 2003 | 637 | 3335045 | 25756*14878*KEN'S BU | \$904 | Reclassify to O&M | (\$904) | 2.50% | -na- | (\$11) | (\$23) | (\$23) | (\$56) | (\$960) |
| 2003 | 637 | 3335045 | 27053*14878*KEN'S BU | \$406 | Reclassify to O&M | (\$406) | 2.50% | -na- | (\$5) | (\$10) | (\$10) | (\$25) | (\$432) |
| 2004 | 637 | 3335045 | 59263*14878*KEN'S BU | \$703 | Reclassify to O&M | (\$703) | 2.50% | -na- | -na- | (\$5) | (\$9) | (\$14) | (\$389) |
| | | | | | | (\$3,316) | | | | | | (\$212) | (\$3,528) |
| 2004 | 637 | 3355048 | 52993*14878*KEN'S BU | \$2,650 | Retire 75% | (\$1,988) | 2.22% | -na- | -na- | (\$22) | (\$44) | (\$66) | (\$2,054) |
| | | | Total Plant, Dep. Expense and Acc/Dep adjustments @ 12/31/2005 | | | (\$7,149) | | | | | (\$97) | (\$402) | (\$7,551) |
| | | | Less Plant and Acc/Dep adjustments for 2005 | | | \$0 | | | | | | | \$0 |
| | | | Total Plant and Acc/Dep adjustments @ 12/31/2004 | | | (\$7,149) | | | | | | | (\$7,551) |
| | | | 13-month average adjustment | | | (\$7,149) | | | | | | | (\$7,551) |
| | | | | | | | | | | | | | Assumes equal monthly additions and accruals |

AUDIT FINDING NO. 6

SUBJECT: ADJUSTMENT TO UPIS ADDITIONS - SEMINOLE COUNTY

AUDIT ANALYSIS: The utility's general ledger reflects the following invoice additions to the indicated accounts.

| | Year | SUB# | Utility Acct. No. | Transaction Description | Amount | Service provided |
|---|------|------|----------------------|-------------------------|-----------|---------------------------------------|
| A | 2002 | 602 | 3043021 | 95062*15406*BUDGET F | 2,283.00 | Replace fence |
| B | 2002 | 606 | 3043021 | 97793*07529*ADVANCED | 800.00 | Repair roof |
| B | 2002 | 618 | 3043021 | 97793*07529*ADVANCED | 780.00 | Repair roof |
| A | 2002 | 612 | 3113025 | 01724*08189*THOMPSON | 1,504.50 | Replace starter & rewire panel |
| A | 2002 | 614 | 3113025 | 04275*02652*STARLING | 777.24 | Replace pressure switches on pumps |
| A | 2002 | 604 | 3113025 | 98386*08189*THOMPSON | 1,868.87 | Replace alternator & contact switches |
| C | 2002 | 602 | 3305042 | 01288*13098*CPH ENGI | 796.26 | Reclassify all to Wedgefield |
| C | 2002 | 602 | 3305042 | 06570*13098*CPH ENGI | 3,781.99 | Reclassify \$860 to Lake Placid |
| C | 2002 | 602 | 3305042 | 08679*13098*CPH ENGI | 565.00 | Reclassify all to Wedgefield |
| C | 2002 | 602 | 3305042 | 98385*13098*CPH ENGI | 1,574.13 | Reclassify all to Wedgefield |
| A | 2002 | 602 | 3355048 | 88824*10372*SUNSHINE | 3,000.00 | Replace fire hydrant |
| D | 2002 | 602 | 3466094 | 00068*12739*TOTAL SE | 1,080.00 | No support |
| B | 2002 | 602 | 3466094 | 91871*14441*TRI-COUN | 551.59 | Maintain fire extinguishers |
| B | 2002 | 602 | 3542011 | 01697*12739*TOTAL SE | 795.00 | Pump and clean lift station |
| B | 2002 | 604 | 3542011 | 06655*12739*TOTAL SE | 759.00 | Repair lift station |
| E | 2002 | 614 | 3542011 | 07784*15350*FLORIDA | 1,000.00 | Remove double booked entry |
| B | 2002 | 602 | 3542011 | 10410*12739*TOTAL SE | 1,420.00 | Pump and clean lift station |
| B | 2002 | 602 | 3542011 | 10410*12739*TOTAL SE | 1,410.00 | Pump and clean lift station |
| A | 2002 | 602 | 3612008 | 01854*10372*SUNSHINE | 19,493.99 | Replace 12' of 8" main |
| A | 2003 | 614 | 3113025 | 21442*02652*STARLING | 1,617.76 | Replace 100amp breaker |
| D | 2003 | 616 | 3113025 | 84557*00831*LOCKE W | 1,832.00 | No support |
| C | 2003 | 602 | 3305042 | 13778*13098*CPH ENGI | 742.20 | Reclassify all to Wedgefield |
| F | 2003 | 602 | 3305042 | 26763*11763*COLLINS | 2,200.00 | Water tank inspections |
| F | 2003 | 614 | 3305042 | 26763*11763*COLLINS | 2,200.00 | Water tank inspections |
| F | 2003 | 602 | 3305042 | 33602*11763*COLLINS | 2,200.00 | Water tank inspections |
| F | 2003 | 614 | 3305042 | 33602*11763*COLLINS | 2,200.00 | Water tank inspections |
| A | 2003 | 614 | 3335045 | 28064*10372*SUNSHINE | 822.22 | Replace service main |
| A | 2004 | 612 | 3113025 | 57903*00831*LOCKE WE | 10,893.95 | Replace well pump and motor |
| D | 2004 | 608 | 3204032 | 67144*18128*FLORIDA | 3,940.50 | No support |
| E | 2004 | 608 | 3345046 | 50270 V00109 | 1,533.00 | Correct retirement posting |
| B | 2005 | 618 | 3113025 | 91537*11185*DIESEL E | 642.29 | Maintenance of generator |
| C | 2005 | 606 | 3305042 | 77184*13113*C & A SY | 1,605.00 | Reclassify all to Lake Groves |
| D | 2005 | 602 | 3305042 | 825*00831*LOCKE WELL | 3,008.33 | No support |
| G | 2005 | 614 | 3612008 | 76925*18360*SCOTT'S | 2,200.00 | Survey of Lincoln Hts for sale |

- A) Capital asset addition that should have included a corresponding retirement to UPIS and accumulated depreciation.
- B) Normal recurring expense that should have been posted to operation and maintenance expense in the year incurred.
- C) Capital asset addition that should have been posted to a sister subsidiary system.
- D) Invoice addition that should be removed because the utility could not provide any supporting documentation.
- E) Invoices that were posted incorrectly. One was double booked and the second was a retirement that was posted as debit instead of a credit.
- F) Cost incurred to inspect the water tanks that should be considered nonrecurring and amortized over five years.
- G) Cost incurred to survey Lincoln Heights wastewater plant land. The land was sold in 2005 and is addressed in a separate finding of this report.

EFFECT ON THE GENERAL LEDGER: The following adjustments are needed to the utility's general ledger to properly record the invoiced items listed above. See the schedule that follows for the audit staff's calculations and general ledger accounts affected.

| County | Utility Acct. No. | NARUC Acct. No. | Acct. Description | Debit | Credit |
|--------|-------------------|-----------------|---------------------------------------|----------|----------|
| Pasco | 101**** | 101 | UPIS - Water | | \$47,692 |
| | 108**** | 108 | Acc/Dep - Water | \$51,728 | |
| | 186**** | 186 | Deferred Asset | \$8,800 | |
| | 186**** | 186 | Acc/Amortz. of Deferred Asset | | \$5,280 |
| | 2151000 | 215 | Retained Earnings | | \$14,347 |
| | 233**** | 233 | Acc/Payable Associated Company | \$6,143 | |
| | 403**** | 403 | Dep. Exp. - Water | | \$1,754 |
| | 675**** | 636 | Contractual Services - Other | \$642 | |
| | 675**** | 636 | Contractual Services - Deferred Asset | \$1,760 | |
| | 102**** | 101 | UPIS - W/Water | | \$8,441 |
| | 108**** | 108 | Acc/Dep - W/Water | \$9,121 | |
| | 2151000 | 215 | Retained Earnings | | \$493 |
| | 403**** | 403 | Dep. Exp. - W/Water | | \$187 |

EFFECT ON THE FILING: The general ledger adjustments above have the following effect on the utility's 13-month average rate base and net operating income balances presented in its filing.

| | | | | |
|-----------------|---------|--------------------|---------|---------------------------------|
| Seminole County | Water | Increase Rate Base | \$8,397 | (\$49,061 - \$45,064 + \$4,400) |
| Seminole County | Water | Decrease NOI | \$648 | (\$1,754 - \$642 - \$1,760) |
| Seminole County | W/Water | Increase Rate Base | \$667 | (\$8,008 - \$7,341) |
| Seminole County | W/Water | Increase NOI | \$187 | |

Working Capital Adjustment

| 13-Month Average Calculation | Dec-04 | Additions | Dec-05 | Average |
|-------------------------------|---------|-----------|---------|---------|
| Deferred Asset | \$8,800 | \$0 | \$8,800 | \$8,800 |
| Acc/Amortz. of Deferred Asset | (3,520) | (1,760) | (5,280) | (4,400) |
| Net Balance | \$5,280 | (\$1,760) | \$3,520 | \$4,400 |

Average calculation assumes equal monthly accruals

\$8,800 = \$2,200 * 4 invoices

\$5,280 = \$1,760 x 3 years (2003 - 2005)

\$1,760 = \$8,800 / 5 years

| Year | Sub# | Acct. No. | Invoice Description | Invoice Amount | Audit Action | Plant Adjustment | Rule Dep Rate | 2002 | 2003 | 2004 | 2005 | Cumulative Acc/Dep | Total Acc/Dep |
|--|------|-----------|----------------------|----------------|--------------------------|------------------|---------------|--|--------|---------|-----------|--------------------|---------------|
| 2002 | 602 | 3043021 | 95062*15406*BUDGET F | \$2,283 | Retire | (\$1,712) | 3.03% | (\$26) | (\$52) | (\$52) | (\$52) | (\$182) | (\$1,894) |
| 2002 | 606 | 3043021 | 97793*07529*ADVANCED | \$800 | Reclassify to O&M | (\$800) | 3.03% | (\$12) | (\$24) | (\$24) | (\$24) | (\$85) | (\$885) |
| 2002 | 618 | 3043021 | 97793*07529*ADVANCED | \$780 | Reclassify to O&M | (\$753) | 3.03% | (\$11) | (\$23) | (\$23) | (\$23) | (\$80) | (\$832) |
| | | | | | | (\$3,265) | | | | | (\$99) | (\$346) | (\$3,611) |
| 2002 | 612 | 3113025 | 01724*08189*THOMPSON | \$1,505 | Retire | (\$1,128) | 5.00% | (\$28) | (\$56) | (\$56) | (\$56) | (\$197) | (\$1,326) |
| 2002 | 614 | 3113025 | 04275*02652*STARLING | \$777 | Retire | (\$583) | 5.00% | (\$15) | (\$29) | (\$29) | (\$29) | (\$102) | (\$685) |
| 2002 | 604 | 3113025 | 98386*08189*THOMPSON | \$1,869 | Retire | (\$1,402) | 5.00% | (\$35) | (\$70) | (\$70) | (\$70) | (\$245) | (\$1,647) |
| 2003 | 614 | 3113025 | 21442*02652*STARLING | \$1,618 | Retire | (\$1,213) | 5.00% | -na- | (\$30) | (\$61) | (\$61) | (\$152) | (\$1,365) |
| 2003 | 616 | 3113025 | 84557*00831*LOCKE W | \$1,832 | Remove - no support | (\$1,832) | 5.00% | -na- | (\$46) | (\$92) | (\$92) | (\$229) | (\$2,061) |
| 2004 | 612 | 3113025 | 57903*00831*LOCKE WE | \$10,894 | Retire | (\$8,170) | 5.00% | -na- | -na- | (\$204) | (\$409) | (\$613) | (\$8,783) |
| 2005 | 618 | 3113025 | 91537*11185*DIESEL E | \$642 | Reclassify to O&M | (\$642) | 5.00% | -na- | -na- | -na- | (\$16) | (\$16) | (\$658) |
| | | | | | | (\$14,971) | | | | | (\$732) | (\$1,554) | (\$16,525) |
| 2004 | 608 | 3204032 | 67144*18128*FLORIDA | \$3,941 | Remove - No support | (\$3,941) | 4.55% | | | (\$90) | (\$179) | (\$269) | (\$4,209) |
| 2002 | 602 | 3305042 | 01288*13098*CPH ENGI | \$796 | Reclassify to Wedgefield | (\$796) | 2.70% | (\$11) | (\$22) | (\$22) | (\$22) | (\$75) | (\$872) |
| 2002 | 602 | 3305042 | 06570*13098*CPH ENGI | \$3,782 | Reclassify to Lk Placid | (\$861) | 2.70% | (\$12) | (\$23) | (\$23) | (\$23) | (\$81) | (\$942) |
| 2002 | 602 | 3305042 | 08679*13098*CPH ENGI | \$565 | Reclassify to Wedgefield | (\$565) | 2.70% | (\$8) | (\$15) | (\$15) | (\$15) | (\$53) | (\$618) |
| 2002 | 602 | 3305042 | 98385*13098*CPH ENGI | \$1,574 | Reclassify to Wedgefield | (\$1,574) | 2.70% | (\$21) | (\$43) | (\$43) | (\$43) | (\$149) | (\$1,723) |
| 2003 | 602 | 3305042 | 13778*13098*CPH ENGI | \$742 | Reclassify to Wedgefield | (\$742) | 2.70% | -na- | (\$10) | (\$20) | (\$20) | (\$50) | (\$792) |
| 2003 | 602 | 3305042 | 26763*11763*COLLINS | \$2,200 | Remove - non-recurring | (\$2,200) | 2.70% | -na- | (\$30) | (\$59) | (\$59) | (\$149) | (\$2,349) |
| 2003 | 614 | 3305042 | 26763*11763*COLLINS | \$2,200 | Remove - non-recurring | (\$2,200) | 2.70% | -na- | (\$30) | (\$59) | (\$59) | (\$149) | (\$2,349) |
| 2003 | 602 | 3305042 | 33602*11763*COLLINS | \$2,200 | Remove - non-recurring | (\$2,200) | 2.70% | -na- | (\$30) | (\$59) | (\$59) | (\$149) | (\$2,349) |
| 2003 | 614 | 3305042 | 33602*11763*COLLINS | \$2,200 | Remove - non-recurring | (\$2,200) | 2.70% | -na- | (\$30) | (\$59) | (\$59) | (\$149) | (\$2,349) |
| 2005 | 606 | 3305042 | 77184*13113*C & A SY | \$1,605 | Reclassify to Lk Groves | (\$1,605) | 2.70% | -na- | -na- | -na- | (\$22) | (\$22) | (\$1,627) |
| 2005 | 602 | 3305042 | 825*00831*LOCKE WELL | \$3,008 | Remove - no support | (\$3,008) | 2.70% | -na- | -na- | -na- | (\$41) | (\$41) | (\$3,049) |
| | | | | | | (\$17,952) | | | | | (\$423) | (\$1,066) | (\$19,018) |
| 2003 | 614 | 3335045 | 28064*10372*SUNSHINE | \$822 | Retire | (\$617) | 2.50% | -na- | (\$8) | (\$15) | (\$15) | (\$39) | (\$655) |
| 2004 | 608 | 3345046 | 50270 V00109 | \$1,533 | Correct retirement | (\$3,066) | 5.00% | -na- | -na- | (\$77) | (\$153) | (\$230) | (\$3,296) |
| 2002 | 602 | 3355048 | 88824*10372*SUNSHINE | \$3,000 | Retire | (\$2,250) | 2.22% | (\$25) | (\$50) | (\$50) | (\$50) | (\$175) | (\$2,425) |
| 2002 | 602 | 3466094 | 00068*12739*TOTAL SE | \$1,080 | Remove - no support | (\$1,080) | 6.25% | (\$34) | (\$68) | (\$68) | (\$68) | (\$236) | (\$1,316) |
| 2002 | 602 | 3466094 | 91871*14441*TRI-COUN | \$552 | Reclassify to O&M | (\$552) | 6.25% | (\$17) | (\$34) | (\$34) | (\$34) | (\$121) | (\$672) |
| | | | | | | (\$1,632) | | | | | (\$102) | (\$357) | (\$1,989) |
| Total Plant, Dep. Expense and Acc/Dep adjustments @ 12/31/2005 | | | | | | (\$47,692) | | | | | (\$1,754) | (\$4,036) | (\$51,728) |
| Less Plant and Acc/Dep adjustments for 2005 | | | | | | \$5,256 | | | | | | | \$5,334 |
| Total Plant and Acc/Dep adjustments @ 12/31/2004 | | | | | | (\$42,437) | | | | | | | (\$46,394) |
| 13-month average adjustment | | | | | | (\$45,064) | | Assumes equal monthly additions and accruals | | | | | (\$49,061) |

| Year | Sub# | Acct. No. | Invoice Description | Invoice Amount | Audit Action | Plant Adjustment | Rule Dep Rate | 2002 | 2003 | 2004 | 2005 | Cumulative Acc/Dep | Total Acc/Dep |
|--|------|-----------|----------------------|----------------|--------------------|------------------|---------------|--|--------|--------|---------|--------------------|---------------|
| 2002 | 602 | 3542011 | 01697*12739*TOTAL SE | \$795 | Reclassify to O&M | (\$795) | 3.13% | (\$12) | (\$25) | (\$25) | (\$25) | (\$87) | (\$882) |
| 2002 | 604 | 3542011 | 06655*12739*TOTAL SE | \$759 | Reclassify to O&M | (\$759) | 3.13% | (\$12) | (\$24) | (\$24) | (\$24) | (\$83) | (\$842) |
| 2002 | 614 | 3542011 | 07784*15350*FLORIDA | \$1,000 | Remove double book | (\$1,000) | 3.13% | (\$16) | (\$31) | (\$31) | (\$31) | (\$109) | (\$1,109) |
| 2002 | 602 | 3542011 | 10410*12739*TOTAL SE | \$1,420 | Reclassify to O&M | (\$1,420) | 3.13% | (\$22) | (\$44) | (\$44) | (\$44) | (\$155) | (\$1,575) |
| 2002 | 602 | 3542011 | 10410*12739*TOTAL SE | \$1,410 | Reclassify to O&M | (\$1,410) | 3.13% | (\$22) | (\$44) | (\$44) | (\$44) | (\$154) | (\$1,564) |
| | | | | | | (\$5,384) | | | | | (\$143) | (\$589) | (\$5,973) |
| 2002 | 602 | 3612008 | 01854*10372*SUNSHINE | \$19,494 | Retire | (\$857) | 2.22% | (\$10) | (\$19) | (\$19) | (\$19) | (\$67) | (\$923) |
| 2005 | 614 | 3612008 | 76925*18360*SCOTT'S | \$2,200 | Remove for sale | (\$2,200) | 2.22% | -na- | -na- | -na- | (\$24) | (\$24) | (\$2,224) |
| | | | | | | (\$3,057) | | | | | (\$43) | (\$91) | (\$3,148) |
| Total Plant, Dep. Expense and Acc/Dep adjustments @ 12/31/2005 | | | | | | (\$8,441) | | | | | (\$187) | (\$680) | (\$9,121) |
| Less Plant, Dep. Expense and Acc/Dep adjustments for 2005 | | | | | | \$2,200 | | | | | | | \$2,224 |
| Total Plant, Dep. Expense and Acc/Dep adjustments @ 12/31/2004 | | | | | | (\$6,241) | | | | | | | (\$6,896) |
| 13-month average adjustment | | | | | | (\$7,341) | | Assumes equal monthly additions and accruals | | | | | (\$8,008) |

AUDIT FINDING NO. 7

SUBJECT: ADJUSTMENT TO CWIP ADDITIONS - MARION AND PINELLAS COUNTIES

AUDIT ANALYSIS: The utility's general ledger reflects the following construction project (CWIP) additions to the indicated accounts.

| | County | Year | SUB# | Utility Acct. No. | Transaction Description | Amount | Service provided |
|---|----------|------|------|----------------------|-------------------------|-------------|----------------------------------|
| A | Marion | 2005 | 630 | 3113025 | Close W/O 115-04-02 | \$22,768.94 | Install new turbine pump at well |
| A | Pinellas | 2002 | 637 | 3305042 | Close W/O 115-02-01 | \$11,821.00 | Install new valves at WTP |

A). Capital asset addition that should have included a corresponding retirement to UPIS and accumulated depreciation.

EFFECT ON THE GENERAL LEDGER: The following adjustments are needed to the utility's general ledger to properly record the invoiced items listed above. See the schedule that follows for the audit staff's calculations and general ledger accounts affected.

| County | Utility Acct. No. | NARUC Acct. No. | Acct. Description | Debit | Credit |
|----------|----------------------|--------------------|-------------------|----------|----------|
| Marion | 101**** | 101 | UPIS - Water | | \$16,949 |
| | 108**** | 108 | Acc/Dep - Water | \$17,373 | |
| | 403**** | 403 | Dep. Exp. - Water | | \$424 |
| Pinellas | 101**** | 101 | UPIS - Water | | \$8,675 |
| | 108**** | 108 | Acc/Dep - Water | \$9,496 | |
| | 2151000 | 215 | Retained Earnings | | \$587 |
| | 403**** | 403 | Dep. Exp. - Water | | \$234 |

EFFECT ON THE FILING: The general ledger adjustments above have the following effect on the utility's 13-month average rate base and net operating income balances presented in its filing.

| | | | | |
|-----------------|-------|--------------------|-------|---------------------|
| Marion County | Water | Increase Rate Base | \$33 | (see below) |
| Marion County | Water | Increase NOI | \$424 | |
| Pinellas County | Water | Increase Rate Base | \$821 | (\$9,496 - \$8,675) |
| Pinellas County | Water | Increase NOI | \$234 | |

Marion County

| 13-Month Average Calculation | Dec-04 | Adjustment | Dec-05 | Average |
|------------------------------|--------|------------|------------|-----------|
| UPIS | \$0 | (\$16,949) | (\$16,949) | (\$1,304) |
| Acc/Dep | 0 | 17,373 | 17,373 | 1,336 |
| Net Balance | \$0 | \$424 | \$424 | \$33 |

\$1,304 = \$16,949 / 13 periods
 \$1,336 = \$17,373 / 13 periods

The addition was posted in Dec-2005. Therefore, only one period was included in the 13-month average calculation in the

Marion

| | | | | | |
|-------------------------------|--------------------------------|--------------|--------------------|------------------|------------|
| Project No. 630-115-04-02 | | | Total Project Cost | \$22,769 | |
| Replace turbine pump for well | | | Total Invoice Cost | \$22,599 | |
| Post to Acct. No. 3113025 | | | Retirement of 75% | (\$16,949) | |
| As of 12/31/2005 | | | Dep. Rate | <u>5.00%</u> | |
| | | | Dep Expense(1/2 ye | (\$424) | |
| <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> | Years in Service | <u>1.0</u> |
| 1083025 | Acc/Dep-Pumping Equipment | \$17,373 | | Acc/Dep | (\$424) |
| 3113025 | Pumping Equipment | | \$16,949 | | |
| 4033025 | Dep. Expense-Pumping Equipment | | \$424 | | |
| 1083025 = \$16,949 + \$424 | | | | | |

Pinelias

| | | | | | |
|---------------------------|--------------------------------------|--------------|--------------------|------------------|------------|
| Project No. 637-115-02-01 | | | Total Project Cost | \$11,821 | |
| Replace valves at WTP | | | Total Invoice Cost | \$11,566 | |
| Post to Acct. No. 3305042 | | | Retirement of 75% | (\$8,675) | |
| As of 12/31/2002 | | | Dep. Rate | <u>2.70%</u> | |
| | | | Dep Expense | (\$234) | |
| <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> | Years in Service | <u>3.5</u> |
| 1085042 | Acc/Dep-Reservoirs & Standpipes | \$9,496 | | Acc/Dep | (\$821) |
| 2151000 | Retained Earnings | | \$587 | | |
| 3305042 | Reservoirs & Standpipes | | \$8,675 | | |
| 4035042 | Dep. Expense-Reservoirs & Standpipes | | \$234 | | |
| 1085042 = \$8,675+\$821 | | | | | |

AUDIT FINDING NO. 8

SUBJECT: ADJUSTMENT TO CWIP ADDITIONS - PASCO COUNTY

AUDIT ANALYSIS: The utility's general ledger reflects the following construction project (CWIP) additions to the indicated accounts.

| | County | Year | SUB# | Utility Acct. No. | Transaction Description | Amount | Service provided |
|---|--------|------|------|----------------------|-------------------------|--------------|--------------------------------------|
| A | Pasco | 2002 | 615 | 3315043 | Close W/O 115-01-02 | \$142,350.25 | Replace 2600' of service lines |
| A | Pasco | 2002 | 629 | 3335045 | Close W/O 115-02-01 | \$38,004.25 | Replace service lines |
| A | Pasco | 2002 | 613 | 3542011 | Close W/O 116-01-01 | \$21,864.00 | Rebuild lift station |
| A | Pasco | 2004 | 615 | 3305042 | Close W/O 115-03-01 | \$76,680.95 | Replace tank, valves & piping at WTP |
| A | Pasco | 2004 | 613 | 3335046 | Close W/O 115-04-01 | \$11,311.00 | Replace valves at WTP |

A) Capital asset addition that should have included a corresponding retirement to UPIS and accumulated depreciation.

EFFECT ON THE GENERAL LEDGER: The following adjustments are needed to the utility's general ledger to properly record the invoiced items listed above. See the schedule that follows for the audit staff's calculations and general ledger accounts affected.

| County | Utility Acct. No. | NARUC Acct. No. | Acct. Description | Debit | Credit |
|--------|----------------------|--------------------|---------------------|-----------|-----------|
| Pasco | 101**** | 101 | UPIS - Water | | \$184,895 |
| | 108**** | 108 | Acc/Dep - Water | \$197,830 | |
| | 2151000 | 215 | Retained Earnings | | \$8,394 |
| | 403**** | 403 | Dep. Exp. - Water | | \$4,541 |
| | 101**** | 101 | UPIS - W/Water | | \$15,918 |
| | 108**** | 108 | Acc/Dep - W/Water | \$17,659 | |
| | 2151000 | 215 | Retained Earnings | | \$1,244 |
| | 403**** | 403 | Dep. Exp. - W/Water | | \$497 |

| Water Project No. | UPIS | Acc/Dep | Dep. Exp. |
|-------------------|-------------|-----------|-----------|
| 613-115-04-01 | (\$7,905) | \$8,201 | (\$198) |
| 615-115-01-02 | (102,328) | 110,657 | (2,380) |
| 615-115-03-01 | (47,350) | 49,270 | (1,280) |
| 629-115-02-01 | (27,312) | 29,702 | (683) |
| | (\$184,895) | \$197,830 | (\$4,541) |

EFFECT ON THE FILING: The general ledger adjustments above have the following effect on the utility's 13-month average rate base and net operating income balances presented in its filing.

| | | | | |
|--------------|---------|--------------------|----------|-------------------------|
| Pasco County | Water | Increase Rate Base | \$12,935 | (\$197,830 - \$184,895) |
| Pasco County | Water | Increase NOI | \$5,441 | |
| Pasco County | W/Water | Increase Rate Base | \$1,741 | (\$17,659 - \$15,918) |
| Pasco County | W/Water | Increase NOI | \$497 | |

Pasco

| | | | | | |
|---------------------------|--------------------------------|--------------|--------------------|------------------|------------|
| Project No. 613-115-04-01 | | | Total Project Cost | \$11,311 | |
| Replaced valves at WTP | | | Total Invoice Cost | \$10,540 | |
| Post to Acct. No. 3335045 | | | Retirement of 75% | (\$7,905) | |
| As of 12/31/2004 | | | Dep. Rate | <u>2.50%</u> | |
| | | | Dep Expense | (\$198) | |
| <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> | Years in Service | <u>1.5</u> |
| 1085045 | Acc/Dep-Pumping Equipment | \$8,201 | | Acc/Dep | (\$296) |
| 2151000 | Retained Earnings | | \$98 | | |
| 3335045 | Pumping Equipment | | \$7,905 | | |
| 4035045 | Dep. Expense-Pumping Equipment | | \$198 | | |
| 1085045 = \$7,905+\$296 | | | | | |

Pasco

| | | | | | |
|----------------------------|--------------------------------|--------------|--------------------|------------------|------------|
| Project No. 613-116-01-01 | | | Total Project Cost | \$21,864 | |
| Rebuild Lift Station | | | Total Invoice Cost | \$21,224 | |
| Post to Acct. No. 3542011 | | | Retirement of 75% | (\$15,918) | |
| As of 12/31/2002 | | | Dep. Rate | <u>3.13%</u> | |
| | | | Dep Expense | (\$497) | |
| <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> | Years in Service | <u>3.5</u> |
| 1082011 | Acc/Dep-Pumping Equipment | \$17,659 | | Acc/Dep | (\$1,741) |
| 2151000 | Retained Earnings | | \$1,244 | | |
| 3542011 | Pumping Equipment | | \$15,918 | | |
| 4032011 | Dep. Expense-Pumping Equipment | | \$497 | | |
| 1082011 = \$15,918+\$1,741 | | | | | |

Pasco

| | | | | | |
|------------------------------------|--------------------------|--------------|--------------------|------------------|------------|
| Project No. 615-115-01-02 | | | Total Project Cost | \$142,350 | |
| Replace 2600 feet of service lines | | | Total Invoice Cost | \$136,437 | |
| Post to Acct. No. 3315043 | | | Retirement of 75% | (\$102,328) | |
| As of 12/31/2002 | | | Dep. Rate | <u>2.33%</u> | |
| | | | Dep Expense | (\$2,380) | |
| <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> | Years in Service | <u>3.5</u> |
| 1085043 | Acc/Dep-Mains | \$110,657 | | Acc/Dep | (\$8,329) |
| 2151000 | Retained Earnings | | \$5,949 | | |
| 3315043 | Mains | | \$102,328 | | |
| 4035043 | Dep. Expense-Mains | | \$2,380 | | |
| 1085043 = \$102,328+\$8,329 | | | | | |

Pasco

| | | | | | |
|--|--------------------------------------|--------------|--------------------|------------------|------------|
| Project No. 615-115-03-01 | | | Total Project Cost | \$76,681 | |
| Replace hydro tank, valves & piping at WTP | | | Total Invoice Cost | \$63,133 | |
| Post to Acct. No. 3305042 | | | Retirement of 75% | (\$47,350) | |
| As of 12/31/2004 | | | Dep. Rate | <u>2.70%</u> | |
| | | | Dep Expense | (\$1,280) | |
| <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> | Years in Service | <u>1.5</u> |
| 1085042 | Acc/Dep-Reservoirs & Standpipes | \$49,270 | | Acc/Dep | (\$1,920) |
| 2151000 | Retained Earnings | | \$640 | | |
| 3305042 | Reservoirs & Standpipes | | \$47,350 | | |
| 4035042 | Dep. Expense-Reservoirs & Standpipes | | \$1,280 | | |
| 1085042 = \$47,350+\$1,920 | | | | | |

Pasco

| | | | | | |
|---------------------------|--------------------------|--------------|--------------------|------------------|------------|
| Project No. 629-115-02-01 | | | Total Project Cost | \$38,004 | |
| Replace service lines | | | Total Invoice Cost | \$36,416 | |
| Post to Acct. No. 3335045 | | | Retirement of 75% | (\$27,312) | |
| As of 12/31/2002 | | | Dep. Rate | <u>2.50%</u> | |
| | | | Dep Expense | (\$683) | |
| <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> | Years in Service | <u>3.5</u> |
| 1085045 | Acc/Dep-Services | \$29,702 | | Acc/Dep | (\$2,390) |
| 2151000 | Retained Earnings | | \$1,707 | | |
| 3335045 | Services | | \$27,312 | | |
| 4035045 | Dep. Expense-Services | | \$683 | | |
| 1085045 | = \$27,312+\$2,390 | | | | |

AUDIT FINDING NO. 9

SUBJECT: ADJUSTMENT TO CWIP ADDITIONS - SEMINOLE COUNTY

AUDIT ANALYSIS: The utility's general ledger reflects the following construction project (CWIP) additions to the indicated accounts.

| | County | Year | SUB# | Utility Acct. No. | Transaction Description | Amount | Service provided |
|---|----------|------|------|----------------------|-------------------------|--------------|--|
| A | Seminole | 2002 | 602 | 3355048 | Close W/O 115-02-01 | \$32,937.31 | Replace four fire hydrants |
| A | Seminole | 2003 | 602 | 3204032 | Close W/O 115-03-01 | \$4,218.62 | Replace chlorine treatment system |
| A | Seminole | 2003 | 614 | 3204032 | Close W/O 115-02-01 | \$4,161.38 | Replace chlorine treatment system |
| A | Seminole | 2003 | 602 | 3612008 | Close W/O 116-01-02 | \$74,947.80 | Relocate and replace sewer mains |
| B | Seminole | 2004 | 616 | 3113025 | Close W/O 115-04-01 | \$26,728.20 | New interconnect with County |
| A | Seminole | 2004 | 602 | 3542011 | Close W/O 116-03-03 | \$55,240.09 | Rebuild lift station and control panel |
| A | Seminole | 2004 | 614 | 3542011 | Close W/O 116-03-03 | \$106,985.42 | Rebuild lift station |
| A | Seminole | 2005 | 602 | 3305042 | Close W/O 115-03-01 | \$306,099.36 | Replace water storage tank |

- A) Capital asset addition that should have included a corresponding retirement to UPIS and accumulated depreciation.
- B) The interconnect with Seminole County Utilities resulted in the removal and disposal of a generator with no salvage value that was originally installed in 1991 at a cost of \$16,003.

EFFECT ON THE GENERAL LEDGER: The following adjustments are needed to the utility's general ledger to properly record the invoiced items listed above. See the schedule that follows for the audit staff's calculations and general ledger accounts affected.

| County | Utility Acct. No. | NARUC Acct. No. | Acct. Description | Debit | Credit |
|----------|----------------------|--------------------|---------------------|-----------|-----------|
| Seminole | 101**** | 101 | UPIS - Water | | \$262,733 |
| | 108**** | 108 | Acc/Dep - Water | \$269,450 | |
| | 2151000 | 215 | Retained Earnings | | \$2,173 |
| | 403**** | 403 | Dep. Exp. - Water | | \$4,544 |
| | 101**** | 101 | UPIS - W/Water | | \$165,457 |
| | 108**** | 108 | Acc/Dep - W/Water | \$173,622 | |
| | 2151000 | 215 | Retained Earnings | | \$3,420 |
| | 403**** | 403 | Dep. Exp. - W/Water | | \$4,745 |

| Water Project No. | UPIS | Acc/Dep | Dep. Exp. |
|-------------------|-------------|-----------|-----------|
| 602-115-02-01 | (\$24,316) | \$26,207 | (\$540) |
| 602-115-03-01 | (3,099) | 3,451 | (141) |
| 602-115-03-02 | (216,216) | 219,138 | (2,922) |
| 614-115-03-03 | (3,099) | 3,451 | (141) |
| 616-115-04-01 | (16,003) | 17,203 | (800) |
| | (\$262,733) | \$269,450 | (\$4,544) |

| <u>W/Water Project No.</u> | <u>UPIS</u> | <u>Acc/Dep</u> | <u>Dep. Exp.</u> |
|----------------------------|-----------------|----------------|------------------|
| 602-116-01-02 | (\$47,121) | \$49,739 | (\$1,047) |
| 602-116-03-03 | (41,035) | 42,958 | (1,282) |
| 614-116-03-03 | <u>(77,301)</u> | <u>80,925</u> | <u>(2,416)</u> |
| | (165,457) | 173,622 | (4,745) |

EFFECT ON THE FILING: The general ledger adjustments above have the following effect on the utility's 13-month average rate base and net operating income balances presented in its filing.

| | | | | |
|-----------------|---------|--------------------|---------|-------------------------|
| Seminole County | Water | Increase Rate Base | \$4,020 | (see below) |
| Seminole County | Water | Increase NOI | \$5,441 | |
| Seminole County | W/Water | Increase Rate Base | \$8,165 | (\$173,622 - \$165,457) |
| Seminole County | W/Water | Increase NOI | \$2,745 | |

Seminole County

| <u>13-Month Average Calculation</u> | <u>Dec-04</u> | <u>Adjustment</u> | <u>Dec-05</u> | <u>Average</u> |
|-------------------------------------|---------------|-------------------|------------------|-----------------|
| UPIS (Dec 2004) | (\$46,517) | \$0 | (\$46,517) | (\$46,517) |
| UPIS (2005 Addition) | <u>0</u> | <u>(216,216)</u> | <u>(216,216)</u> | <u>(16,632)</u> |
| UPIS (Dec 2005) | (\$46,517) | (\$216,216) | (\$262,733) | (\$63,149) |
| Acc/Dep (Dec 2004) | \$50,312 | \$0 | \$50,312 | \$50,312 |
| Acc/Dep (2005 Addition) | <u>0</u> | <u>219,138</u> | <u>219,138</u> | <u>16,857</u> |
| Acc/Dep (Dec 2005) | \$50,312 | \$219,138 | \$269,450 | \$67,169 |
| Net Rate Base | \$3,795 | \$2,922 | \$6,717 | \$4,020 |

\$16,632 = \$216,216 / 13 periods
 \$16,857 = \$219,138 / 13 periods

The addition was posted in Dec-2005. Therefore, only one period was included in the 13-month average calculation in the filing.

Seminole

| | | |
|---|--------------------|---------------|
| Project No. 602-115-02-01 | Total Project Cost | \$32,937 |
| Replace four fire hydrants | Total Invoice Cost | \$32,421 |
| Post to Acct. No. 3355048 | Retirement of 75% | (\$24,316) |
| As of 12/31/2002 | Dep. Rate | <u>2.22%</u> |
| | Dep Expense | (\$540) |
| <u>Acct. No.</u> <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> |
| 1085048 Acc/Dep-Hydrants | \$26,207 | |
| 2151000 Retained Earnings | | \$1,351 |
| 3355048 Hydrants | | \$24,316 |
| 4035048 Dep. Expense-Hydrants | | \$540 |
| 1085048 = \$24,316+\$1,891 | | |

Seminole

| | | |
|---|--------------------|---------------|
| Project No. 602-115-03-01 | Total Project Cost | \$4,219 |
| Replace chlorine treatment system | Total Invoice Cost | \$4,131 |
| Post to Acct. No. 3204032 | Retirement of 75% | (\$3,099) |
| As of 12/31/2003 | Dep. Rate | <u>4.55%</u> |
| | Dep Expense | (\$141) |
| <u>Acct. No.</u> <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> |
| 1084032 Acc/Dep-Treatment | \$3,451 | |
| 2151000 Retained Earnings | | \$211 |
| 3204032 Treatment | | \$3,099 |
| 4034032 Dep. Expense-Treatment | | \$141 |
| 1084032 = \$3,099+\$352 | | |

Seminole

| | | |
|--|----------------------|---------------|
| Project No. 602-115-03-02 | Total Project Cost | \$306,099 |
| Replace water storage tank | Total Invoice Cost | \$288,288 |
| Post to Acct. No. 3305042 | Retirement of 75% | (\$216,216) |
| As of 12/31/2005 | Dep. Rate | <u>2.70%</u> |
| | Dep Expense (1/2 yr) | (\$2,922) |
| <u>Acct. No.</u> <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> |
| 1085042 Acc/Dep-Reservoirs & Standpipes | \$219,138 | |
| 3305042 Reservoirs & Standpipes | | \$216,216 |
| 4035042 Dep. Expense-Reservoirs & Standpipes | | \$2,922 |
| 1085042 = \$216,216+\$2,922 | | |

Seminole

| | | |
|---|--------------------|---------------|
| Project No. 602-116-03-01 | Total Project Cost | \$74,948 |
| Relocate & replace sewer mains | Total Invoice Cost | \$62,828 |
| Post to Acct. No. 3612008 | Retirement of 75% | (\$47,121) |
| As of 12/31/2003 | Dep. Rate | <u>2.22%</u> |
| | Dep Expense | (\$1,047) |
| <u>Acct. No.</u> <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> |
| 1082008 Acc/Dep-Gravity Mains | \$49,739 | |
| 2151000 Retained Earnings | | \$1,571 |
| 3612008 Gravity Mains | | \$47,121 |
| 4032008 Dep. Expense-Gravity Mains | | \$1,047 |
| 1082008 = \$47,121+\$2,618 | | |

Seminole

| | | | | |
|--------------------------------------|---------------------------------|--------------|--------------------|------------------|
| Project No. 602-116-03-03 | | | Total Project Cost | \$55,240 |
| Rebuild lift station & control panel | | | Total Invoice Cost | \$54,713 |
| Post to Acct. No. 3542011 | | | Retirement of 75% | (\$41,035) |
| As of 12/31/2004 | | | Dep. Rate | 3.13% |
| | | | Dep Expense | (\$1,282) |
| <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> | Years in Service |
| 1082011 | Acc/Dep-Structures-Pumping | \$42,958 | | 1.5 |
| 2151000 | Retained Earnings | | \$641 | Acc/Dep |
| 3542011 | Structures-Pumping | | \$41,035 | (\$1,924) |
| 4032011 | Dep. Expense-Structures-Pumping | | \$1,282 | |
| 1082011 = \$41,035+\$1,924 | | | | |

Seminole

| | | | | |
|-----------------------------------|---------------------------------|--------------|--------------------|------------------|
| Project No. 614-115-03-03 | | | Total Project Cost | \$4,161 |
| Replace chlorine treatment system | | | Total Invoice Cost | \$4,131 |
| Post to Acct. No. 3204032 | | | Retirement of 75% | (\$3,099) |
| As of 12/31/2003 | | | Dep. Rate | 4.55% |
| | | | Dep Expense | (\$141) |
| <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> | Years in Service |
| 1082011 | Acc/Dep-Structures-Pumping | \$3,451 | | 2.5 |
| 2151000 | Retained Earnings | | \$211 | Acc/Dep |
| 3542011 | Structures-Pumping | | \$3,099 | (\$352) |
| 4032011 | Dep. Expense-Structures-Pumping | | \$141 | |
| 1082011 = \$3,099+\$352 | | | | |

Seminole

| | | | | |
|----------------------------|--------------------------------|--------------|--------------------|------------------|
| Project No. 614-116-03-03 | | | Total Project Cost | \$106,985 |
| Rebuild Lift Station | | | Total Invoice Cost | \$103,068 |
| Post to Acct. No. 3542011 | | | Retirement of 75% | (\$77,301) |
| As of 12/31/2004 | | | Dep. Rate | 3.13% |
| | | | Dep Expense | (\$2,416) |
| <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> | Years in Service |
| 1082011 | Acc/Dep-Pumping Equipment | \$80,925 | | 1.5 |
| 2151000 | Retained Earnings | | \$1,208 | Acc/Dep |
| 3542011 | Pumping Equipment | | \$77,301 | (\$3,623) |
| 4032011 | Dep. Expense-Pumping Equipment | | \$2,416 | |
| 1082011 = \$77,301+\$3,623 | | | | |

Seminole

| | | | | |
|--|--------------------------------|--------------|-------------------|------------------|
| Project No. 616-115-04-01 | | | Estimated Cost | \$16,003 |
| Interconnect with county - removed generator | | | Retirement of 75% | (\$16,003) |
| Post to Acct. No. 3113025 | | | Dep. Rate | 5.00% |
| As of 12/31/2004 | | | Dep Expense | (\$800) |
| <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> | Years in Service |
| 1083025 | Acc/Dep-Pumping Equipment | \$17,203 | | 1.5 |
| 2151000 | Retained Earnings | | \$400 | Acc/Dep |
| 3113025 | Pumping Equipment | | \$16,003 | (\$1,200) |
| 4033025 | Dep. Expense-Pumping Equipment | | \$800 | |
| 1083025 = \$77,301+\$3,623 | | | | |

AUDIT FINDING NO. 10

SUBJECT: ADJUSTMENT TO CAPITALIZED SALARY ADDITIONS - PASCO AND SEMINOLE COUNTIES

AUDIT ANALYSIS: The utility's general ledger reflects the following capitalized salary additions to the indicated accounts.

| | County | Year | SUB# | Utility Acct. No. | Transaction Description | Amount | Service provided |
|---|----------|------|------|----------------------|-------------------------|-------------|------------------------|
| A | Pasco | 2002 | 626 | 3072014 | SE80.CAPTIVE | \$3,285.00 | JLC 9hrs @ \$365/hr |
| A | Pasco | 2002 | 626 | 3072014 | SE80.CAPTIVE | \$12,246.00 | JLC 39hrs @ \$314/hr |
| A | Pasco | 2002 | 625 | 3804005 | SE80.CAPTIVE | \$3,285.00 | JLC 9hrs @ \$365/hr |
| A | Pasco | 2002 | 625 | 3804005 | SE80.CAPTIVE | \$12,246.00 | JLC 39hrs @ \$314/hr |
| B | Seminole | 2002 | 602 | 3315043 | CAP TIME | \$1,330.25 | DWR 17hrs @ \$78.25/hr |
| A | Pasco | 2003 | 626 | 3072014 | SE80.CAPTIVE | \$7,733.00 | JLC 37hrs @ \$209/hr |
| A | Pasco | 2003 | 625 | 3804005 | SE80.CAPTIVE | \$7,942.00 | JLC 38hrs @ \$209/hr |
| | | | | | | \$1,330.25 | DWR balance |
| | | | | | | \$46,737.00 | JLC balance |

- A) The utility's response to our request for supporting documentation for these amounts indicates that in 2002 JLC was working on resolving a billing dispute concerning meter reading discrepancies with Pasco County, also during 2002-2003 he was negotiating with a developer for an additional well site which resulted in an agreement that amended the original contract. During 2003-2004 he dealt with discussions and negotiations with Pasco County because the county wanted to purchase various systems which included the Summertree system, an agreement was never reached. Additionally in 2003, he worked on multiple proposed improvements to the water treatment systems as well as multiple projects dealing with sewer main repairs. The utility provided twelve months of time sheets for JLC for years 2002 and 2003. Our review of those time sheets determined that they were insufficient to support the hours charged above. The utility's response to a subsequent request for additional information stated that he was no longer employed by the company and that they had already provided everything that they possessed to support his time. Therefore, the entire balance of \$46,737, indicated above, should be removed because of insufficient supporting documentation.
- B) The utility provided twelve months of time sheets for DWR in 2002. Our review of those time sheets indicates that only two hours were charged to Subdivision 602 by DWR for work performed on the Little Wekiva project. Therefore, the \$1,330 balance indicated above should be reduced by \$1,174. (\$78.25 * 15 hours)

EFFECT ON THE GENERAL LEDGER: The following adjustments are needed to the utility's general ledger to properly record the invoiced items listed above. See the schedule that follows for the audit staff's calculations and general ledger accounts affected.

| County | Utility Acct. No. | NARUC Acct. No. | Acct. Description | Debit | Credit |
|--------|----------------------|--------------------|-----------------------------|----------|----------|
| Pasco | 1083014 | 108 | Acc/Dep - Wells & Springs | \$2,456 | |
| | 2151000 | 215 | Retained Earnings | \$21,583 | |
| | 3072014 | 307 | Wells & Springs | | \$23,264 |
| | 4032014 | 403 | Dep. Exp. - Wells & Springs | | \$775 |

| County | Utility | NARUC | Acct. Description | Debit | Credit |
|----------|---------|-------|-----------------------------|----------|----------|
| Pasco | 1084005 | 108 | Acc/Dep - Treatment Plant | \$4,122 | |
| | 2151000 | 215 | Retained Earnings | \$20,655 | |
| | 3804005 | 380 | Treatment Plant | | \$23,473 |
| | 4034005 | 403 | Dep. Exp. - Treatment Plant | | \$1,304 |
| Seminole | 1083043 | 108 | Acc/Dep - T&D Mains | \$96 | |
| | 2151000 | 215 | Retained Earnings | \$1,105 | |
| | 3315043 | 307 | T&D Mains | | \$1,174 |
| | 4032043 | 403 | Dep. Exp. - T&D Mains | | \$27 |

EFFECT ON THE FILING: The general ledger adjustments above have the following effect on the utility's 13-month average rate base and net operating income balances presented in its filing.

| | | | | |
|-----------------|---------|--------------------|----------|-------------|
| Pasco County | Water | Decrease Rate Base | \$21,195 | (see below) |
| Pasco County | Water | Increase NOI | \$775 | |
| Pasco County | W/Water | Decrease Rate Base | \$20,002 | (see below) |
| Pasco County | W/Water | Increase NOI | \$1,304 | |
| Seminole County | Water | Decrease Rate Base | \$1,092 | (see below) |
| Seminole County | W/Water | Increase NOI | \$27 | |

Pasco County

| 13-Month Average Calculation | Dec-04 | Additions | Dec-05 | Average |
|------------------------------|------------|-----------|------------|------------|
| Water - UPIS | (\$23,264) | \$0 | (\$23,264) | (\$23,264) |
| Water - Acc/Dep | \$1,681 | \$775 | \$2,456 | \$2,069 |
| Net Rate Base | (\$21,583) | \$775 | (\$20,808) | (\$21,195) |

| | | | | |
|-------------------|------------|---------|------------|------------|
| W/Water - UPIS | (\$23,473) | \$0 | (\$23,473) | (\$23,473) |
| W/Water - Acc/Dep | \$2,819 | \$1,304 | \$4,123 | \$3,471 |
| Net Rate Base | (\$20,654) | \$1,304 | (\$19,350) | (\$20,002) |

Seminole County

| 13-Month Average Calculation | Dec-04 | Additions | Dec-05 | Average |
|------------------------------|-----------|-----------|-----------|-----------|
| Water - UPIS | (\$1,174) | \$0 | (\$1,174) | (\$1,174) |
| Water - Acc/Dep | \$68 | \$27 | \$96 | \$82 |
| Net Rate Base | (\$1,106) | \$27 | (\$1,078) | (\$1,092) |

Average calculation assumes equal monthly accruals

| County | Year | SUB# | Utility | Acct. No. | Transaction Description | UPIS Adjustment | Dep. Rate | Dep. Exp Adjustment | Years | Acc/Dep Adjustment |
|----------|------|------|---------|-----------|-------------------------|-----------------|-----------|---------------------|-------|--------------------|
| Pasco | 2002 | 626 | | 3072014 | SE80.CAPTIVE | (\$3,285.00) | 3.33% | (\$109.50) | 3.5 | \$383.25 |
| Pasco | 2002 | 626 | | 3072014 | SE80.CAPTIVE | (12,246.00) | 3.33% | (408.20) | 3.5 | 1,428.70 |
| Pasco | 2003 | 626 | | 3072014 | SE80.CAPTIVE | (7,733.00) | 3.33% | (257.77) | 2.5 | 644.42 |
| | | | | | | (\$23,264.00) | | (\$775.47) | | \$2,456.37 |
| Pasco | 2002 | 625 | | 3804005 | SE80.CAPTIVE | (\$3,285.00) | 5.56% | (\$182.50) | 3.5 | \$638.75 |
| Pasco | 2002 | 625 | | 3804005 | SE80.CAPTIVE | (12,246.00) | 5.56% | (680.33) | 3.5 | 2,381.17 |
| Pasco | 2003 | 625 | | 3804005 | SE80.CAPTIVE | (7,942.00) | 5.56% | (441.22) | 2.5 | 1,103.06 |
| | | | | | | (\$23,473.00) | | (\$1,304.06) | | \$4,122.97 |
| Seminole | 2002 | 602 | | 3315043 | CAP TIME | (\$1,173.75) | 2.33% | (\$27.30) | 3.5 | \$95.54 |

AUDIT FINDING NO. 11

SUBJECT: ADJUSTMENT TO ABANDONED PLANT – ORANGE COUNTY

AUDIT ANALYSIS: The utility's general ledger reflects the following construction project (CWIP) addition to the indicated account.

| County | Year | SUB# | Utility Acct. No. | Transaction Description | Amount | Service provided |
|--------|------|------|----------------------|-------------------------|-------------|---------------------------------------|
| Orange | 2003 | 620 | 3072014 | Close W/O 115-03-01 | \$19,127.00 | Cost to abandon Crescent Heights Well |

The above cost were incurred to dismantle and dispose of the abandoned water plant equipment and to cap the existing well.

Rule 25-30.433 (9) F.A.C states that,

The amortization period for forced abandonment or the prudent retirement, in accordance with the National Association of Regulatory Commissioners Uniform System of Accounts, of plant assets prior to the end of their depreciable life shall be calculated by taking the ratio of the net loss (original cost less accumulated depreciation and contributions-in-aid-of-construction (CIAC) plus accumulated amortization of CIAC plus any cost incurred to remove the asset less any salvage value) to the sum of the annual depreciation expense, net of amortization of CIAC, plus an amount equal to the rate of return that would have been allowed on the net invested plant that would have been included in rate base before the abandonment or retirement.

Order No. PSC-03-1440-FOF-WS included the following adjustments to retire the land and water treatment plant associated with the Crescent Heights and Davis Shores water systems in Orange County because the utility interconnected these systems with Orange County Utilities to provide water for its customers.

| Acct. No | Description | UPIS @12/31/01 | Acc/Dep @12/31/01 | Avg. Acc/Dep @12/31/01 |
|----------|---------------------------|-------------------|----------------------|---------------------------|
| 302 | Land | (\$2,783) | \$0 | \$0 |
| 304 | Structures & Improvements | (5,247) | 2,357 | 2,277 |
| 307 | Wells & Springs | (11,696) | 3,934 | 3,739 |
| 311 | Pumping Equipment | (19,894) | 10,471 | 9,973 |
| 320 | Treatment Equipment | (3,769) | 2,297 | 2,211 |
| | Unassigned Acc/Dep (a) | -na- | 12,856 | 12,856 |
| | Total Retirement | (\$43,389) | \$31,915 | \$31,056 |

The utility posted the unassigned Acc/Dep adjustment to its Acct. No. 1083010 in its general ledger.

The utility posted the above order adjustments to its general ledger on March 16, 2006 and April 27, 2006, with an effective date of December 31, 2005. The audit staff corrected the utility's posted adjustment in Audit Finding No. 1 of this report because it picked up the average accumulated depreciation balances rather than the year end balances displayed above. The above adjustment resulted in an \$11,474 unrealized loss on utility investment for the retirement of utility assets ordered by the Commission. (Original cost of \$43,389 less Acc/Dep of \$31,915)

The unrealized loss of \$30,601 (\$11,474 discussed above plus the \$19,127 cost of disposal) should be reclassified to Account No. 186 – Miscellaneous Deferred Asset pending disposition of the treatment per the Commission rule cited above.

EFFECT ON THE GENERAL LEDGER: The following adjustments are needed to the utility’s general ledger to properly record the items discussed above. See the schedule that follows for the audit staff’s calculations.

| <u>County</u> | <u>Utility</u> | <u>NARUC</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> |
|---------------|----------------|--------------|----------------------------------|--------------|---------------|
| Orange | 1083014 | 108 | Acc/Dep - Wells & Springs | \$1,594 | |
| | 186**** | 186 | Deferred Asset - Unrealized Loss | \$30,601 | |
| | 2151000 | 215 | Retained Earnings | | \$12,430 |
| | 3072014 | 307 | Wells & Springs | | \$19,127 |
| | 4032014 | 403 | Dep. Exp. - Wells & Springs | | \$638 |

EFFECT ON THE FILING: To be determined by the analyst based on the final disposition of unrealized loss discussed above.

| <u>Orange</u> | | | | | |
|------------------|---------------------------------------|--------------|---------------|--------------------|------------|
| <u>Acct. No.</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> | | |
| | Project No. 620-115-03-01 | | | Total Project Cost | \$19,127 |
| | Cost to abandon Crescent Heights well | | | Remove | (\$19,127) |
| | Post to Acct. No. 3072014 | | | Dep. Rate | 3.33% |
| | As of 12/31/2003 | | | Dep Expense | (\$638) |
| | | | | Years in Service | 2.5 |
| | | | | Acc/Dep | (\$1,594) |
| 1082014 | Acc/Dep-Wells & Springs | \$1,594 | | | |
| 186**** | Deferred Asset | \$19,127 | | | |
| 2151000 | Retained Earnings | | \$956 | | |
| 3072014 | Wells & Springs | | \$19,127 | | |
| 4032014 | Dep. Expense-Wells & Springs | | \$638 | | |

AUDIT FINDING NO. 12

SUBJECT: ADJUSTMENT TO AVERAGE PLANT – SEMINOLE COUNTY

AUDIT ANALYSIS: The utility's filing and general ledger reflect the following balances in the indicated accounts. The difference between the year-end balances is the utility's adjustment to Order No. PSC-03-1440-FOF-WS, which was not posted to the utility's general ledger until 2005 and is discussed in Audit Finding No. 1 of this report.

| Filing | | Balance | Balance | 13-Month |
|------------------|----------------------------|------------------|------------------|----------------|
| <u>Acct. No.</u> | <u>Account Description</u> | <u>@12/31/04</u> | <u>@12/31/05</u> | <u>Average</u> |
| 1084*** | Acc/Dep - T&D Equipment | (\$163,451) | (\$245,381) | (\$171,976) |
| 3804*** | T&D Equipment | \$212,499 | (\$173,311) | \$133,750 |
| 4033*** | Dep. Exp. - T&D Equipment | | \$690 | |

| G/L | | Balance | Balance |
|------------------|----------------------------|------------------|------------------|
| <u>Acct. No.</u> | <u>Account Description</u> | <u>@12/31/04</u> | <u>@12/31/05</u> |
| 1084*** | Acc/Dep - T&D Equipment | (\$82,118) | (\$188) |
| 3804*** | T&D Equipment | \$386,623 | \$229 |
| 4033*** | Dep. Exp. - T&D Equipment | | \$13,155 |

The above-mentioned order adjustments retired Seminole County's entire wastewater treatment plant account balances when the utility interconnected with the City of Sanford for wastewater treatment disposal. The average balances displayed above are the result of an erroneous 13-month average calculation because of the utility's failure to correctly post the ordered adjustments in a timely matter.

The filing and general ledger balances associated with Seminole County wastewater treatment accounts displayed above should be reduced to zero per the Commission order cited above.

EFFECT ON THE GENERAL LEDGER: The following adjustments are needed to the utility's general ledger to properly record the items discussed above.

| County | Utility | NARUC | Acct. Description | Debit | Credit |
|----------|------------------|------------------|---------------------------|----------|----------|
| | <u>Acct. No.</u> | <u>Acct. No.</u> | | | |
| Seminole | 1084*** | 108 | Acc/Dep - T&D Equipment | \$188 | |
| | 2151000 | 215 | Retained Earnings | \$13,196 | |
| | 3804*** | 307 | T&D Equipment | | \$229 |
| | 4033*** | 403 | Dep. Exp. - T&D Equipment | | \$13,155 |

EFFECT ON THE FILING: The filing adjustments discussed above have the following effect on the utility's 13-month average rate base and net operating income balances presented in its filing.

| | | | | |
|-----------------|---------|--------------------|----------|-------------------------|
| Seminole County | W/Water | Increase Rate Base | \$38,226 | (\$171,976 - \$133,750) |
| Seminole County | W/Water | Increase NOI | \$690 | |

AUDIT FINDING NO. 13

SUBJECT: ADJUSTMENT TO LAND – PASCO COUNTY

AUDIT ANALYSIS: On August 23, 2004, the utility sold one of five parcels of land it acquired in the purchase of the Bartelt-WisBar utility system for \$20,000. The sale was recorded by a warranty deed on August 30, 2004, in the official records of the Pasco County Clerks office in OR Book 6005 Page 836. The parcel of land sold has an original cost of \$1,150 as determined below.

Sell of Bartelt-WisBar land in 2004

| <u>Description of Land</u> | | <u>Size(SqFt)</u> | <u>Percentage</u> | <u>Original Cost</u> | <u>Retirement</u> | <u>Remaining Original Cost</u> |
|----------------------------|----------------------|-------------------|-------------------|----------------------|-------------------|--------------------------------|
| Parcel #1 | Lift Station & Meter | 4,165 | 100.00% | \$500.00 | \$0.00 | \$500.00 |
| Parcel #2 | Well #1 | 2,400 | 17.08% | \$497.08 | \$0.00 | \$497.08 |
| Parcel #3 | Well #2 | 3,600 | 25.62% | 745.62 | 0.00 | 745.62 |
| Parcel #4 | Well #3 | 2,500 | 17.79% | 517.79 | 0.00 | 517.79 |
| Parcel #5 | Right of Way Well #3 | 0 | 0.00% | 0.00 | 0.00 | 0.00 |
| Parcel #6 | Well #5 | <u>5,550</u> | <u>39.50%</u> | <u>1,149.50</u> | <u>(1,149.50)</u> | <u>0.00</u> |
| Total | | 14,050 | 100.00% | \$2,910.00 | (\$1,149.50) | \$1,760.50 |

Original cost was determined in Order No. PSC-01-1655-PAA-WS, issued August 13, 2001

The utility incurred cost of \$2,920 to remove plant assets and cap the well prior to the sale of the land. We removed these costs from Acct. No. 3072014 in Audit finding No. 4 of this report. The existing building was transferred with the land to the buyer. We could not determine the original cost of the building or the abandoned well from existing utility records. The pumping and treatment equipment was removed and stored as parts for future use or scraped with no salvage value.

The accounting treatment for the above transaction is described in Rule 25-30.430 (9) F.A.C which was discussed in Audit Finding No. 11 of this report.

EFFECT ON THE GENERAL LEDGER: Account No. 303 – Land should be reduced by \$1,150. The corresponding adjustment to retire the building and abandoned well and the associated accumulated depreciation balances should be determined by the staff engineer. Accordingly, the final disposition of any resulting gain or loss on disposal should be determined by the staff analyst per the Commission rule cited above.

EFFECT ON THE FILING: To be determined by the Tallahassee staff.

AUDIT FINDING NO. 14

SUBJECT: ADJUSTMENT TO LAND – SEMINOLE COUNTY

AUDIT ANALYSIS: The utility's filing reflects wastewater land balances of \$180,351 and \$178,845, for year end and 13-month average, respectively, as of December 31, 2005.

Utility records indicate that it was involved in a lawsuit involving the condemnation and subsequent acquisition of a significant portion of its land located at the Lincoln Heights wastewater system in Seminole County. The utility began incurring legal and engineering fees related to the condemnation as early as February 1998 concerning this issue.

Order No. PSC-03-1440-FOF-WS made the following adjustments to the utility's accounting treatment of the cost incurred that were associated with this issue as of December 31, 2001.

- Stipulation No. 2 Reclassified \$22,255 of capitalized executive salaries to Acct. No 186 related to the condemnation proceedings from Seminole County rate base.
- Stipulation No. 6 Retired \$398,852 and \$75,169 of UPIS and Acc/Dep for the wastewater treatment plant that was abandoned and removed from service.
- Stipulation No. 7 Reduce land by \$101,519 and reclassified \$14,935 of preliminary cost studies to Acct. No. 183 related to the condemnation proceedings from Seminole County rate base.
- Stipulation No. 24 Removed \$2,389 of legal fees related to the condemnation proceedings from test year O&M expense.
- Stipulation No. 24 Removed \$19,345 of amortization cost related to the condemnation proceedings from test year O&M expense.

Exception No. 9 and Disclosure No. 1 of the audit staff's report, issued November 5, 2002, in Docket No. 020071-WS, determined that the utility received \$154,190 from the Florida Department of Transportation (FDOT) for the condemnation and seizure of approximately 14.90 acres of utility land for roadway improvements. It was further determined that the utility properly retired the original cost for the land by reducing Acct. No. 353 – Land by \$6,000 in 1999. The remaining utility land, approximately 6.18 acres, with a remaining original cost of \$5,597, contained the abandoned wastewater treatment plant, abandoned percolation ponds and the newly constructed master lift station. The utility filed a lawsuit against the FDOT and Seminole County and was still litigating the outcome of the condemnation proceedings during the rate case proceedings for the above mention docket.

On November 20, 2002, the Circuit Court of the Eighteenth Judicial Circuit, in Case No. 99-584-13-L, issued a judgment of \$850,000 for Utilities, Inc. of Florida (UIF) as final settlement of the lawsuit mentioned above. The judgment was recorded by Seminole

County Clerks official records in OR Book 4608 Page 1833, on November 25, 2002.

Utility records reflect the following additions to land for the indicated periods:

| County | Year | SUB# | Utility | | Amount | Service provided |
|----------|------|------|-----------|-------------------------|-----------------|-----------------------------------|
| | | | Acct. No. | Transaction Description | | |
| Seminole | 2002 | 614 | 3537002 | 91445*13705*GLACE & | \$50,562.08 | Engineering fees for condemnation |
| Seminole | 2002 | 614 | 3537002 | R/C R06197 V16258 | 5,271.25 | Consulting fees for condemnation |
| Seminole | 2005 | 614 | 3537002 | 79494*18417*ECS - FL | <u>6,527.00</u> | Engineering fees for sale of land |
| | | | | | \$62,360.33 | |

On May 5, 2005, UIF sold the remaining parcel of land mentioned above for \$140,000. The warranty deed was recorded by Seminole County Clerks official records in OR Book 5722 Pages 1103-1104, on May 12, 2005. The terms of the sale included all land owned by the utility and the abandoned wastewater treatment plant that was located on the property. On the same day the purchaser executed a non-exclusive perpetual easement to UIF for its water and wastewater facilities and the water and wastewater distribution and collection lines which are located above and under the property conveyed. The easement was recorded by Seminole County Clerks official records in OR Book 5722 Pages 1105-1110, on May 12, 2005.

Based on our review of Seminole County Clerks official records and the Seminole County Property Appraisers office records we have determined that UIF no longer owns any land associated with its wastewater systems. Therefore, the entire year end and 13-month average balances of \$180,351 and \$178,845 displayed above should be removed and retired from utility operations as of December 31, 2005. The details of the land adjustment are displayed below.

| <u>Transaction</u> | <u>Amount</u> |
|--|-----------------|
| Balance at 12/31/2005 | \$180,351 |
| Prior order adjustment (Stipulation No. 7) | (101,519) |
| Remove original cost of land sold | (5,597) |
| Remove land additions since last rate case | <u>(62,360)</u> |
| Unidentified remaining balance to retire | \$10,875 |

Furthermore we have calculated the following potential realized gain from the condemnation, sale, retirement and removal of the utility's wastewater land and treatment facilities.

| <u>Transaction</u> | <u>Amount</u> | <u>Calculation</u> |
|---|-----------------|--|
| 1999 condemnation of land & facilities | \$154,190 | |
| 2002 Circuit Court Judgment | 850,000 | |
| 2005 Sale of land and treatment plant | 140,000 | |
| Unrealized loss on retirement of wastewater treatment plant | (323,683) | (\$75,169 - \$398,852) |
| Original cost of land condemned | (6,000) | |
| Original cost of land sold | (5,597) | |
| Deferred legal & engineering cost from last rate case | (58,924) | (\$22,255 + \$14,935 + \$2,389 + \$19,345) |
| Reclassified land additions related to condemnation and sale since last rate case | (62,360) | |
| Retire unidentified remaining land balance | <u>(10,875)</u> | (see above) |
| Potential realized gain | \$676,751 | |

The above calculation does not include any unknown legal and engineering fees concerning this issue since the utility's last rate case other than those identified as land additions and removed above. Our audit procedures did not find any cost charged to UPIS or O&M expense for the periods that we examined.

The accounting treatment for the above transaction is described in Rule 25-30.430 (9) F.A.C which was discussed in Audit Finding No. 11 of this report.

EFFECT ON THE GENERAL LEDGER: Account No. 353 – Land should be reduced by \$180,351. Accordingly, the final disposition of any resulting gain or loss on disposal should be determined by the staff analyst per the Commission rule cited above.

EFFECT ON THE FILING: Account No. 353 – Land should be reduced by \$178,845. Accordingly, the final disposition of any resulting gain or loss on disposal should be determined by the staff analyst per the Commission rule cited above.

AUDIT FINDING NO. 15

SUBJECT: ADJUSTMENT TO CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION – ORANGE COUNTY

AUDIT ANALYSIS: The utility's general ledger reflects the following entry was recorded to Contributions-in-Aid of-Construction (CIAC) in 2005.

| <u>County</u> | <u>Year</u> | <u>SUB#</u> | <u>Utility</u> <u>Acct. No.</u> | <u>Transaction Description</u> | <u>Amount</u> | <u>Service provided</u> |
|---------------|-------------|-------------|------------------------------------|--------------------------------|---------------|--|
| Orange | 2005 | 621 | 2711000 | RES CAP FEE TO CIAC | \$42,867.81 | Reserve capacity fee paid to Orange County |

On December 20, 1996 the utility executed a contract with Orange County Utilities for the interconnection and wholesale purchase of water for its customers in the Davis Shores water service territory. The terms of the contract required the utility to pay Orange County Utilities a water capacity charge which the utility identified as a reserve capacity fee of \$43,378. The balance was to be paid over seven years in monthly installments of \$665.34 which included an annual interest rate of 7.50 percent. The total principal and interest to be paid was \$55,888.56. (\$665.34 x 12 months x 7 years) the utility recorded its final payment in March 2004.

The utility posted a total of \$42,867 for the principal portion of the month payments to Acct. No. 2333000 – Deferred Charges Other through March 2004. The December 2004 balance for this account was \$42,867 and the December 2005 balance was \$0. The utility included a 13-month average balance of \$32,975 for this account in its working capital calculation in its filing for this rate case proceeding. In October 2005 the utility reclassified the entire balance from this account to Acct. No. 2711000 – CIAC. The resulting effect was to create a debit balance of \$4,115 for CIAC which had a credit balance of \$38,753 prior to the above-mention reclassification.

The utility's accounting treatment for the water capacity charge was incorrect.

The above issue is addressed in Commission Order No. PSC-03-119-PAA-SU, issued October 7, 2003 in Docket No. 030106-SU and Order No. 19284, issued May 5, 1988 in Docket No. 870093-WS. These orders determined that connection fees for existing customers such those in this issue should be capitalized or deferred and amortized to O&M expense over the term of the loan from the county. In this case over seven years.

The proper accounting treatment would have been for the utility to post the following entries to record the water capacity charge and the subsequent monthly amortization and loan repayment. Had the utility posted the transaction correctly as displayed below the water capacity charge would have been fully amortized and recovered as of October 2003. (November 1996 through October 2003)

| <u>Acct. No.</u> | <u>Account Description</u> | <u>Debit</u> | <u>Credit</u> |
|------------------|--|--------------|---------------|
| 186**** | Deferred Asset - Water Capacity Charge | \$43,378 | |
| 232**** | Note Payable - Orange County Utilities | | \$43,378 |

Initial Journal entry to record the water capacity charge

| | | | |
|---------|--|-------|-------|
| 131**** | Cash - Monthly principal and interest payment | | \$xxx |
| 186**** | Amortz.of Deferred Asset - Water Capacity Charge | | \$516 |
| 232**** | Note Payable - Orange County Utilities | \$xxx | |
| 427**** | Interest Expense | \$xxx | |
| 636**** | Amortization of Deferred assets | \$516 | |

Monthly recurring journal entry to record the payment of loan and the amortization of the deferred water capacity charge
(\$516 = \$43,378 / 7 years / 12 months)

The utility's journal entry to Acct. No. 2711000 for \$42,868 should be reversed and charged to retained earnings as a prior period adjustment because the entire balance would have been fully amortized as of October 2003 had it been recorded properly in November 1996 and amortized as illustrated above. The corresponding 13-month average balance for CIAC is a credit balance of \$38,753 after removing the \$42,868 capacity fee mentioned above. The above journal entry was not included in the calculation of CIAC amortization expense for the test year. Therefore, no corresponding adjustment to accumulated amortization of CIAC or amortization of CIAC expense is necessary.

| <u>Filing</u> | <u>Account Description</u> | <u>Balance @12/31/04</u> | <u>Balance @12/31/05</u> | <u>13-Month Average</u> |
|---------------|----------------------------|--------------------------|--------------------------|-------------------------|
| 271**** | CIAC - Per utility | (\$38,753) | \$4,115 | (\$28,860) |
| 271**** | CIAC - Per audit | (\$38,753) | (\$38,753) | (\$38,753) |
| | Audit Adjustment | \$0 | (\$42,868) | (\$9,893) |

The utility's 13-month average working capital balance should be reduced by \$32,975 to remove the effect of the water capacity fee that was included in its filing which is discussed above.

EFFECT ON THE GENERAL LEDGER: The following adjustments are needed to the utility's general ledger to properly record the items discussed above.

| <u>County</u> | <u>Utility</u> | <u>NARUC</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> |
|---------------|----------------|--------------|--------------------------|--------------|---------------|
| Seminole | 2151000 | 215 | Retained Earnings | | \$42,868 |
| | 2711000 | 271 | CIAC | \$42,868 | |

EFFECT ON THE FILING: The filing adjustments discussed above have the following effect on the utility's 13-month average rate base balance presented in its filing.

| | | | | |
|---------------|-------|------------------|----------|----------------------|
| Orange County | Water | Reduce Rate Base | \$42,868 | (\$9,893 + \$32,975) |
|---------------|-------|------------------|----------|----------------------|

AUDIT FINDING NO. 16

SUBJECT: ADJUSTMENT TO ALLOCATE WSC RATE BASE

STATEMENT OF FACT: WSC, the service corporation for the parent company Utilities, Inc., allocates a portion of its common rate base to each subsidiary utility throughout the United States. UIF received \$60,589, which is the 13-month average amount as of December 31, 2005. The allocation is net of accumulated depreciation and accumulated deferred income taxes or approximately 3.48 percent of the total WSC average net rate base of \$1,740,155. The allocation was calculated using a customer equivalent percentage that equates all customers throughout the United States in terms of equivalent residential connections. The utility did not include the WSC rate base allocation in its filing.

The Commission's Division of Regulatory Compliance and Consumer Assistance, at the request of The Division of Economic Regulation, performed an affiliate transaction audit of Utilities, Inc. and its subsidiary WSC for the 12-month period ended December 31, 2005, in Docket No. 060253-WS. The scope of the audit included a review of the WSC rate base components that are allocated to all of its subsidiary operations in 2005. The audit report, issued July 15, 2006, included specific adjustments that increased the UIF allocated 13-month average WSC rate base allocation by \$12,826 to \$73,415.

The audit staff has incorporated the findings of the above-mentioned audit report to determine the UIF allocated 13-month average WSC rate base balance of \$73,415 for this proceeding which should then be allocated to the five counties using the same method that was used to allocate UIF's own common rate base.

EFFECT ON GENERAL LEDGER: None, because WSC only allocates its net rate base for rate case proceedings.

EFFECT ON FILING: Increase the utility's 13-month average balance by \$73,415, for the 12-month period ended December 31, 2005 by the amounts indicated below.

| System | Percent | WSC Average | WSC Year End |
|--------------------|---------------|----------------|-----------------|
| Marion -Water | 5.70% | \$4,185 | \$4,057 |
| Marion - W/Water | 0.72% | 529 | 513 |
| Orange | 3.36% | 2,467 | 2,392 |
| Pasco - Water | 31.07% | 22,810 | 22,116 |
| Pasco - W/Water | 11.84% | 8,692 | 8,428 |
| Pinellas | 4.52% | 3,318 | 3,217 |
| Seminole - Water | 27.90% | 20,483 | 19,860 |
| Seminole - W/Water | <u>14.89%</u> | <u>10,931</u> | <u>10,599</u> |
| | 100.00% | \$73,415 | \$71,182 |

AUDIT FINDING NO. 17

SUBJECT: ADJUSTMENT TO CASH WORKING CAPITAL

AUDIT ANALYSIS: The utility included a 13-month average balance of \$1,972,664 for cash for a Bank of America bank account in Florida. It is used to transfer funds to the cash account to the parent company. The actual balances from the bank statement are displayed below.

| Month | Bank of America Account | Highest Daily Balance | |
|----------------------------------|----------------------------|--------------------------|------------------|
| January 1, 2005 | \$69,491.47 | | |
| January 31, 2005 | 57,880.04 | \$155,033.98 | |
| February 28, 2005 | 81,762.25 | 152,169.28 | |
| March 31, 2005 | 92,263.83 | 182,388.09 | |
| April 30, 2005 | 57,521.56 | 167,886.75 | |
| May 31, 2005 | 62,917.12 | 154,042.08 | |
| June 30, 2005 | 63,824.27 | 249,116.84 | |
| July 31, 2005 | 54,978.23 | 170,051.02 | |
| August 31, 2005 | 93,832.76 | 156,052.27 | |
| September 30, 2005 | 54,152.90 | 176,982.25 | |
| October 31, 2005 | 145,765.01 | 166,406.75 | |
| November 30, 2005 | 89,547.07 | 138,446.73 | |
| December 31, 2005 | <u>67,574.21</u> | <u>157,442.42</u> | |
| Total 13-months | \$991,510.72 | \$2,026,018.46 | |
| 13-month average | <u>\$76,270.06</u> | <u>\$168,834.87</u> | 12-month average |
| Per MFR A-17 | \$1,972,664.00 | \$1,972,664.00 | |
| Difference Filing and Statements | <u>(\$1,896,393.94)</u> | <u>(\$1,803,829.13)</u> | |
| Allocation: | | | |
| Marion County Water | (\$90,457.99) | 4.77% | |
| Marion County Wastewater | (25,601.32) | 1.35% | |
| Orange County Water | (76,424.68) | 4.03% | |
| Pasco County Water | (462,720.12) | 24.40% | |
| Pasco County Wastewater | (293,751.42) | 15.49% | |
| Pinellas County Water | (70,356.22) | 3.71% | |
| Seminole County Water | (446,980.05) | 23.57% | |
| Seminole County Wastewater | <u>(430,102.15)</u> | <u>22.68%</u> | |
| | (\$1,896,393.94) | 100.00% | |

Timing differences create differences between the general ledger and the bank statements. The filing is \$1,896,394 more than the average bank statement balance. If the highest daily balance for the month was used, the decrease would be \$1,803,829. It seems unusual for the timing differences to be so extreme. Since the purpose of the working capital allowance is to give the company enough current funds to cover its expenses, it may be more reasonable to use the actual cash balances.

EFFECT ON THE GENERAL LEDGER: There is no effect on the general ledger.

EFFECT ON THE FILING: An adjustment to decrease working capital by \$1,896,384, as shown above by county, should be considered.

AUDIT FINDING NO. 18

SUBJECT: ADJUSTMENT TO REVENUES- PINELLAS COUNTY

AUDIT ANALYSIS: In an agreement between Utilities Inc of Florida (utility) and Pinellas County Utilities (Pinellas County), terms display that the utility agrees to perform billing and collection service on the subject accounts (sewer bills for customers of Pinellas County) for the cost of postage (currently \$.39/customer) plus the cost of mailing the reports.

During our analysis of this agreement, it was determined that both water and wastewater billings are submitted on one bill. Therefore the postage for both wastewater and applicable water customer billing is paid for by Pinellas County,

Further analysis of postage expense for Utilities Inc of Florida revealed that the utility receives an allocation from its Northbrook office for postage – among other items. None of the allocations were credited for the amount paid by Pinellas County.

To illustrate its billing process, the utility provided: 1) an invoice to Pinellas County for amount due for bills and mailing; 2) the Cash book ledger displaying the amount from the above invoice; and, 3) the remittance letter from the utility to Pinellas County - all for the billing cycle 9/15-10/15/06.

Staff determined that the amount for invoices to Pinellas County should be recorded as revenues. Based upon the number of equivalent sewer connections for 2005 of 5,708, the total revenues not recorded by the utility equaled \$2,226 plus \$15 (the annual cost of mailing the report at \$1.29 per month)

The Utility understated revenues by the amount of postage paid by Pinellas County for the purpose of mailing customer bills by \$2,241

EFFECT ON THE GENERAL LEDGER: Increase Pinellas County water revenues by \$2,241.

EFFECT ON THE FILING: Increase Pinellas County water revenues by \$2,241.

AUDIT FINDING NO. 19

SUBJECT: ADJUSTMENT TO REMOVE OUT OF PERIOD EXPENSES

AUDIT ANALYSIS: The utility has included more than twelve months of purchased electric, meter reading and purchased water treatment. The following schedule breaks down the general ledger charges for the items that had more than twelve months by subdivision.

| | County | SUB# | Acct. No. | Invoice | Amount | By County |
|---|----------|------|-----------|----------------------|------------|------------|
| A | Marion | 635 | 7151020 | U68504*62650*OCALA U | \$430.88 | \$430.88 |
| B | Orange | 621 | 6101010 | U68050*63117*ORANGE | 586.00 | 586.00 |
| C | Pasco | 613 | 6361000 | SE 5 A/P ACCRUAL | 107.80 | |
| D | Pasco | 613 | 7105000 | U68480*65701*PASCO C | 892.25 | |
| E | Pasco | 613 | 7151020 | U68603*63900*PROGRES | 43.24 | |
| F | Pasco | 615 | 6151010 | U68597*63900*PROGRES | 78.32 | |
| G | Pasco | 615 | 6151010 | U68601*63900*PROGRES | 47.94 | |
| H | Pasco | 615 | 6151010 | U68602*63900*PROGRES | 320.07 | |
| I | Pasco | 615 | 6361000 | SE 5 A/P ACCRUAL | 791.70 | 2,281.32 |
| J | Pinellas | 637 | 6361000 | 73075*01547*WILHELM, | 395.50 | |
| K | Pinellas | 637 | 6361000 | SE 5 A/P ACCRUAL | 359.10 | 754.60 |
| | | | | | \$4,052.80 | \$4,052.80 |

- A Ocala electric meter 37591 for period Dec. 04
- B Purchased Water Windermere Fl. for period Dec. 04
- C Meter reading for period Jan. 06 (balance includes 13 months)
- D Wastewater treatment Prestige Drive for period Nov. 04
- E Electric Nov. 30, 04 to 12/30/04 for 2410 Prestige Dr. Pump Water
- F Electric Dec. 1 04 to Dec. 31, 04 for Buena Vista Lane Well 1 Holiday
- G Electric Nov. 30 04 to Dec. 30 04 for 2031 Pleasure Dr. Pump 2 Holiday
- H Electric Nov. 30, 04 to Dec. 30, 04 for 2046 Holiday Dr. Well Holiday
- I Meter reading paid in Jan.06-13-months
- J Meter reading 565 reads Dec-04 14-months
- K Meter reading paid in Jan.06 14-months

EFFECT ON THE GENERAL LEDGER: The following entry should be made:

| SUB# | Utility Acct. No. | NARUC Acct. No. | Acct. Description | Debit | Credit |
|------|-------------------|-----------------|----------------------|---------|--------|
| 090 | 2150000 | 215 | Retained Earnings | \$4,053 | |
| 621 | 6101010 | 610 | Purchased Water | | \$586 |
| 615 | 6151010 | 615 | Purchased Power | | \$78 |
| 615 | 6151010 | 615 | Purchased Power | | \$48 |
| 615 | 6151010 | 615 | Purchased Power | | \$320 |
| 613 | 6361000 | 636 | Meter Reading | | \$108 |
| 615 | 6361000 | 636 | Meter Reading | | \$792 |
| 637 | 6361000 | 636 | Meter Reading | | \$396 |
| 637 | 6361000 | 636 | Meter Reading | | \$359 |
| 613 | 7105000 | 710 | Purchased Wastewater | | \$892 |
| 613 | 7151020 | 715 | Purchased Power | | \$43 |
| 635 | 7151020 | 715 | Purchased Power | | \$431 |

EFFECT ON THE FILING: Operating Expenses should be reduced by \$431 for Marion County, \$586 for Orange County, \$2,281 for Pasco County and \$755 for Pinellas County to remove out of period expenses.

AUDIT FINDING NO. 20

SUBJECT: ADJUSTMENT TO LAWN MOWING EXPENSE ALLOCATION

AUDIT ANALYSIS: The utility pays Ken's Bushhogging for lawn mowing services for Lake Tarpon (637) in Pinellas County, Orangewood (629) and Summertree (626) in Pasco County. The utility usually splits these invoices equally between each of the subdivisions. However, in May 2005, the utility charged the entire amount to Summertree. According to utility personnel, the invoices should be allocated at 17 percent to Lake Tarpon, 33 percent to Orangewood, and 50 percent to Summertree. This allocation appears reasonable based on observations of the space being mowed. This allocation would increase miscellaneous expense in Pasco County and decrease miscellaneous expense in Pinellas County. The following schedule details the allocation:

| SUB# | Acct. No. | Invoice No. | Amount | Per Utility | Per Audit | Adjustment |
|--------|-----------|----------------------|------------|-------------|--------------|----------------|
| 626 | 6759415 | 73875*14878*KEN'S BU | \$216.66 | | | |
| 626 | 6759415 | 75923*14878*KEN'S BU | 216.66 | | | |
| 626 | 6759415 | 81713*14878*KEN'S BU | 216.67 | | | |
| 626 | 6759415 | 83888*14878*KEN'S BU | 650.00 | | | |
| 626 | 6759415 | 84740*14878*KEN'S BU | 216.66 | | | |
| 626 | 6759415 | 87223*14878*KEN'S BU | 216.66 | | | |
| 626 | 6759415 | 89560*14878*KEN'S BU | 216.67 | | | |
| 626 | 6759415 | 92295*14878*KEN'S BU | 216.67 | | | |
| 626 | 6759415 | 95408*14878*KEN'S BU | 216.66 | | | |
| 626 | 6759415 | 97882*14878*KEN'S BU | 216.66 | | | |
| 626 | 6759415 | 464*14878*KEN'S BUSH | 216.67 | | | |
| 626 | 6759415 | 3563*14878*KEN'S BUS | 216.66 | | | |
| 626 | 6759415 | SE 5 A/P ACCRUAL | \$216.67 | | 50% of total | Pasco Water |
| | | | | \$3,249.97 | \$4,008.33 | \$758.36 |
| 629 | 6759415 | 73875*14878*KEN'S BU | \$216.67 | | | |
| 629 | 6759415 | 75923*14878*KEN'S BU | 216.67 | | | |
| 629 | 6759415 | 81713*14878*KEN'S BU | 216.67 | | | |
| 629 | 6759415 | 84740*14878*KEN'S BU | 216.67 | | | |
| 629 | 6759415 | 87223*14878*KEN'S BU | 216.67 | | | |
| 629 | 6759415 | 89560*14878*KEN'S BU | 216.67 | | | |
| 629 | 6759415 | 95408*14878*KEN'S BU | 216.67 | | | |
| 629 | 6759415 | 97882*14878*KEN'S BU | 216.67 | | | |
| 629 | 6759415 | 464*14878*KEN'S BUSH | 216.67 | | | |
| 629 | 6759415 | 3563*14878*KEN'S BUS | \$216.67 | | 33% of total | Pasco Water |
| | | | | \$2,166.70 | \$2,645.50 | \$478.80 |
| 637 | 6759415 | 73875*14878*KEN'S BU | \$216.67 | | | |
| 637 | 6759415 | 75923*14878*KEN'S BU | 216.67 | | | |
| 637 | 6759415 | 81713*14878*KEN'S BU | 216.66 | | | |
| 637 | 6759415 | 84740*14878*KEN'S BU | 216.67 | | | |
| 637 | 6759415 | 87223*14878*KEN'S BU | 216.67 | | | |
| 637 | 6759415 | 89560*14878*KEN'S BU | 216.66 | | | |
| 637 | 6759415 | 92295*14878*KEN'S BU | 216.66 | | | |
| 637 | 6759415 | 95408*14878*KEN'S BU | 216.67 | | | |
| 637 | 6759415 | 97882*14878*KEN'S BU | 216.67 | | | |
| 637 | 6759415 | 464*14878*KEN'S BUSH | 216.66 | | | |
| 637 | 6759415 | 3563*14878*KEN'S BUS | 216.67 | | | |
| 637 | 6759415 | SE 5 A/P ACCRUAL | \$216.66 | | 17% of total | Pinellas Water |
| | | | | \$2,599.99 | \$1,362.83 | (\$1,237.16) |
| Totals | | | \$8,016.66 | \$8,016.66 | \$8,016.66 | \$0.00 |

EFFECT ON THE GENERAL LEDGER: The following entry should be made:

| <u>County</u> | <u>Utility</u> <u>Acct. No.</u> | <u>NARUC</u> <u>Acct. No</u> | <u>Acct. Description</u> | <u>Debit</u> | <u>Credit</u> |
|---------------|------------------------------------|---------------------------------|--------------------------|--------------|---------------|
| Pasco | 6759415 | 675 | Miscellaneous Expense | \$1,237 | |
| Pinellas | 6759415 | 675 | Miscellaneous Expense | | \$1,237 |

EFFECT ON THE FILING: Operating and Maintenance Expenses for Pasco County Water should be increased by \$1,237 and Pinellas County Water decreased by \$1,237.

AUDIT FINDING NO. 21

SUBJECT: ADJUSTMENT TO YEAR END ACCRUALS

AUDIT ANALYSIS: In December of 2005, the utility accrued expenses which were paid in 2006. Some of the invoices paid were not as much as was accrued. In addition, a 2004 invoice was paid in 2005 but the accrued amount that was reversed out in January was not sufficient to cover the invoice. The difference decreases purchased wastewater expenses in Pasco County by \$14,464 and \$1,907 for Seminole County. The following details the amounts accrued versus the amounts paid:

| County | SUB# | Account | Transaction | Accrual | Actual | Difference | By County |
|----------|------|---------|---------------------|-----------------|-----------------|---------------|-----------------|
| Pasco | 625 | 7105000 | SE5.PURSWR.EXP/REV | \$26,000.00 | \$11,536.08 | \$14,463.92 | \$14,463.92 |
| Seminole | 602 | 7105000 | SE5.PURSWR.EXP/REV | 7,200.00 | 5,839.34 | 1,360.66 | |
| Seminole | 623 | 7105000 | SE5.PURSWR.EXP/REV | 3,000.00 | 2,795.51 | 204.49 | |
| Seminole | 623 | 7105000 | 73683*03064*CITY OF | <u>3,141.70</u> | <u>2,800.00</u> | <u>341.70</u> | <u>1,906.85</u> |
| | | | | \$39,341.70 | \$22,970.93 | \$16,370.77 | \$16,370.77 |

Note A

Note A- This item was paid in Jan. 2005 but the reversal for the 2004 amount was only \$2,800.

EFFECT ON THE GENERAL LEDGER: The following entry should be made:

| County | Utility Acct. No. | NARUC Acct. No. | Acct. Description | Debit | Credit |
|----------|----------------------|--------------------|----------------------|----------|----------|
| | 2151000 | 215 | Retained Earnings | \$16,371 | |
| Pasco | 7105000 | 710 | Purchased wastewater | | \$14,464 |
| Seminole | 7105000 | 710 | Purchased wastewater | | \$1,907 |

EFFECT ON THE FILING: Wastewater Operating and Maintenance Expenses for Pasco County should be reduced by \$14,464 and Seminole County by \$1,907.

AUDIT FINDING NO. 22

SUBJECT: ADJUSTMENT TO O&M EXPENSE FOR ITEMS THAT SHOULD BE CAPITALIZED

AUDIT ANALYSIS: The utility recorded two capital additions to utility plant in service in operating expenses. The items should have also included a corresponding retirement amount. The utility's policy is to retire 75 percent of the capital assets purchase price when the original cost cannot be determined. They also recorded a permit renewal that should have been recorded in a deferred asset account and amortized over three years.

The utility recorded the following invoices to its operating expense accounts.

| County | SUB# | Account | Invoice | Amount | Years | Description |
|----------|------|---------|----------------------|------------|-------|---|
| Marion | 635 | 6755090 | 78189*18391*RIGHTWAY | \$1,044.00 | 33 | Install new gate and repair fence |
| Seminole | 604 | 6755090 | 843*10372*SUNSHINE B | \$4,800.00 | 33 | Repaired driveway at Oakland shores water plant |
| Seminole | 602 | 6355010 | 81329*13024*ADVANCED | \$1,099.00 | 3 | Testing for permit renewal every three years for Wethersfield |

The schedule below calculates the retirements and the corresponding cumulative effect on the utility's rate base balance.

| NARUC Acct. No. | Amount | 75% Retirement |
|--------------------|---------|-------------------|
| 304 | \$1,044 | (\$783) |
| 304 | \$4,800 | (3,600) |
| | | (\$4,383) |

EFFECT ON THE GENERAL LEDGER: The following journal entries should be made to correct the utility's general ledger balance.

| SUB# | Utility Acct. No. | NARUC Acct. No. | Acct. Description | Debit | Credit |
|------|----------------------|--------------------|---|---------|---------|
| 635 | 3044031 | 304 | Structures and Improvements Marion County Water | \$1,044 | |
| 604 | 3044031 | 304 | Structures and Improvements Seminole County Water | \$4,800 | |
| 602 | 186**** | 186 | Deferred Permit Expenses | \$1,099 | |
| 635 | 6755090 | 675 | Miscellaneous Water Expense | | \$1,044 |
| 604 | 6755090 | 675 | Miscellaneous Water Expense | | \$4,800 |
| 602 | 6355010 | 635 | Contract Services Other | | \$1,099 |
| | | | Transfer to plant and defer | | |
| 635 | 1083021 | 108 | Structures and Improvements Marion County Water A/D | \$783 | |
| 604 | 1083021 | 108 | Structures and Improvements Seminole County Water A/D | \$3,600 | |
| 635 | 3044031 | 304 | Structures and Improvements Marion County Water | | \$783 |
| 604 | 3044031 | 304 | Structures and Improvements Seminole County Water | | \$3,600 |
| | | | Retire plant | | |
| 602 | 6355010 | 635 | Contract Services Other | \$275 | |
| 602 | 186**** | 186 | Deferred Permit Expenses | | \$275 |
| | | | Record amortization of deferred costs for April-Dec. 2005 | | |
| 635 | 4032021 | 403 | Depreciation Exp. Structures Marion County. | \$16 | |
| 604 | 4032021 | 403 | Depreciation Exp. Structures Seminole County. | \$73 | |
| 635 | 1083021 | 108 | Structures and Improvements Marion County Water A/D | | \$16 |
| 604 | 1083021 | 108 | Structures and Improvements Seminole County Water A/D | | \$73 |
| | | | Record depreciation expense on plant for 1/2 year | | |

EFFECT ON THE FILING: The above general ledger entries have the following effect on the respective county 13-month average rate base and year end net operating income balances.

Marion County

- Water Net Plant should be increased by \$194
- Water O&M Expense should be reduced by \$1,044
- Water Depreciation Expense should be increased by \$16

Seminole County

- Water Net Plant should be increased by \$176
- Working Capital should be increased by \$655
- Water O&M Expense should be reduced by \$ 5,624 (\$275 - \$4,800 - \$1,099)
- Water Depreciation Expense for should be increased by \$73

Calculation of 13-month average rate base balances above

| SUB# | Jan-Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | 13-Month Average |
|-------|----------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|------------------|
| 602 | \$0 | \$0 | \$1,099 | \$1,099 | \$1,099 | \$1,099 | \$1,099 | \$1,099 | \$1,099 | \$1,099 | \$1,099 | \$761 |
| 602 | <u>0</u> | <u>0</u> | <u>(31)</u> | <u>(61)</u> | <u>(92)</u> | <u>(122)</u> | <u>(153)</u> | <u>(183)</u> | <u>(214)</u> | <u>(244)</u> | <u>(275)</u> | <u>(106)</u> |
| Total | \$0 | \$0 | \$1,068 | \$1,038 | \$1,007 | \$977 | \$946 | \$916 | \$885 | \$855 | \$824 | \$655 |
| 604 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$4,800 | \$4,800 | \$738 |
| 604 | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(3,600)</u> | <u>(3,600)</u> | <u>(554)</u> |
| 604 | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(37)</u> | <u>(73)</u> | <u>(8)</u> |
| Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,164 | \$1,127 | \$176 |
| 635 | \$0 | \$1,044 | \$1,044 | \$1,044 | \$1,044 | \$1,044 | \$1,044 | \$1,044 | \$1,044 | \$1,044 | \$1,044 | \$803 |
| 635 | <u>0</u> | <u>(783)</u> | <u>(783)</u> | <u>(783)</u> | <u>(783)</u> | <u>(783)</u> | <u>(783)</u> | <u>(783)</u> | <u>(783)</u> | <u>(783)</u> | <u>(783)</u> | <u>(602)</u> |
| 635 | <u>0</u> | <u>(2)</u> | <u>(3)</u> | <u>(5)</u> | <u>(6)</u> | <u>(8)</u> | <u>(9)</u> | <u>(11)</u> | <u>(13)</u> | <u>(14)</u> | <u>(16)</u> | <u>(7)</u> |
| Total | \$0 | \$259 | \$258 | \$256 | \$255 | \$253 | \$252 | \$250 | \$248 | \$247 | \$245 | \$194 |

AUDIT FINDING NO. 23

SUBJECT: ADJUSTMENT TO BAD DEBT EXPENSE

AUDIT ANALYSIS: The utility has charged all bad debt expense to water even though many of the bills being written off also include wastewater charges. Allocation of the bad debt write off's using the percent of wastewater customers is displayed below.

Bad Debt Expense Charged to:

| County | Water | Wastewater Percentage | Wastewater Amount |
|----------|------------------|-----------------------|-------------------|
| Marion | (\$801.38) | 10.01% | (\$80.22) |
| Orange | 3,009.03 | 0.00% | 0.00 |
| Pasco | 8,346.12 | 27.59% | 2,302.69 |
| Pinellas | 158.73 | 0.00% | 0.00 |
| Seminole | <u>13,274.10</u> | 34.81% | <u>4,620.71</u> |
| | \$23,986.60 | | \$6,843.19 |

EFFECT ON THE GENERAL LEDGER: There is no effect on the ledger since the company does not maintain separate accounts for water and wastewater.

EFFECT ON THE FILING: Water O& M Expense should be increased by \$80 for water in Marion County and wastewater decreased by \$80.

Water O& M Expense should be decreased by \$2,303 for water in Pasco County and wastewater increased by \$2,303.

Water O& M Expense should be decreased by \$4,621 for water in Seminole County and wastewater increased by \$4,621.

AUDIT FINDING NO. 24

SUBJECT: ADJUSTMENT TO REMOVE LAWN MOWING EXPENSES NOT RELATED TO THE UIF SYSTEMS

AUDIT ANALYSIS: The utility has charged \$400 a month to Acct. No. 6759415 – Mowing & Snowplowing to Water O&M Expenses in Seminole County. Invoices could not be provided for this amount. The utility determined that the charge was not related to UIF. The following invoices were posted in 2005:

| County | Division | Account | Invoice | Amount |
|----------|----------|---------|--------------------------------|---------------|
| Seminole | 614 | 6759415 | 72933*13276*WOODS LA | \$400.00 |
| Seminole | 614 | 6759415 | SE 5 A/P ACCRUAL | (400.00) |
| Seminole | 614 | 6759415 | 75066*13276*WOODS LA | 400.00 |
| Seminole | 614 | 6759415 | 090*SE05.6A*01*27 1 02-02-2005 | 400.00 |
| Seminole | 614 | 6759415 | 77448*13276*WOODS LA | 400.00 |
| Seminole | 614 | 6759415 | 80638*13276*WOODS LA | 400.00 |
| Seminole | 614 | 6759415 | 82940*13276*WOODS LA | 400.00 |
| Seminole | 614 | 6759415 | SE 5 A/P ACCRUAL | (400.00) |
| Seminole | 614 | 6759415 | 85375*13276*WOODS LA | 400.00 |
| Seminole | 614 | 6759415 | 090*SE05.6A*05*28 1 06-01-2005 | 400.00 |
| Seminole | 614 | 6759415 | 88469*13276*WOODS LA | 400.00 |
| Seminole | 614 | 6759415 | 91214*13276*WOODS LA | 400.00 |
| Seminole | 614 | 6759415 | 94168*13276*WOODS LA | 400.00 |
| Seminole | 614 | 6759415 | 96785*13276*WOODS LA | 400.00 |
| Seminole | 614 | 6759415 | 99329*13276*WOODS LA | 400.00 |
| Seminole | 614 | 6759415 | 1838*13276*WOODS LAW | <u>400.00</u> |
| | | | | \$4,800.00 |

EFFECT ON THE GENERAL LEDGER: The following entry is needed:

| County | Utility Acct. No. | NARUC Acct. No. | Acct. Description | Debit | Credit |
|----------|----------------------|--------------------|----------------------------|---------|---------|
| Seminole | 233**** | 233 | Acc/Pay Associated Company | \$4,800 | |
| Seminole | 6759415 | 675 | Miscellaneous Exp. | | \$4,800 |

EFFECT ON THE FILING: Water O&M Expense should be decreased by \$4,800 in Seminole County.

AUDIT FINDING NO. 25

SUBJECT: ADJUSTMENT TO PURCHASED POWER EXPENSE

AUDIT ANALYSIS: Two of the utility's electric meters are used for more than one purpose. The electric meter for the lift station at Cherry Way in Pasco County also services an irrigation meter not owned by UIF. The electric meter that serves the UIF main office in Altamonte Springs also serves a lift station for the Wethersfield wastewater system in Seminole County. The UIF office meter is charged to Cost Center 600 which is a subdivision that is allocated to UIF systems only. The UIF office is actually used for all Florida systems and should be allocated to all Florida systems. The December 2005 allocation based on ERC's allocates 12 percent of total Florida common expenses to the UIF systems.

The electric for the Cherry Way Lift Station in Pasco County was estimated by the utility using the elapsed time readings for the lift station pumps logged monthly by utility operators.

| <u>Month</u> | <u>Actual KWH</u> | <u>Actual Amount</u> |
|--|-----------------------|--------------------------|
| January | 417 | \$37.34 |
| February | 342 | 40.82 |
| March | 255 | 33.19 |
| April | 127 | 21.94 |
| May | 194 | 27.83 |
| June | 199 | 28.26 |
| July | 280 | 35.38 |
| August | 341 | 41.86 |
| September | 353 | 42.95 |
| October | 354 | 46.71 |
| November | 317 | 42.96 |
| December | <u>325</u> | <u>45.28</u> |
| | 3,504 | \$444.52 |
| Estimated fixed costs | | <u>166.20</u> |
| Estimated variable costs | | \$278.32 |
| Estimate KWH per utility | 45 | |
| Usage for Lift Station 2 based on percent used | 1.28% | \$3.57 |
| Half of fixed cost for meter | | <u>83.10</u> |
| Total for Lift Station | | \$86.67 |
| Amount to be removed related to irrigation | | <u>\$357.85</u> |

The electric used for the Wethersfield lift station and the portion of the office electric costs related to UIF was computed as displayed below.

| <u>Month</u> | <u>Actual KWH</u> | <u>Actual Amount</u> |
|--|-----------------------|--------------------------|
| January | 8,560 | \$848.32 |
| February | 9,200 | 898.35 |
| March | 8,280 | 756.84 |
| April | 10,000 | 884.56 |
| May | 9,320 | 843.56 |
| June | 12,400 | 1,081.02 |
| July | 15,520 | 1,325.33 |
| August | 14,640 | 1,302.85 |
| September | 15,600 | 1,378.56 |
| October | 14,120 | 1,252.09 |
| November | 10,880 | 998.06 |
| December | <u>9,840</u> | <u>900.52</u> |
| | 138,360 | \$12,470.06 |
| Estimated Fixed Costs | | <u>238.68</u> |
| Remaining variable cost to allocate | | \$12,231.38 |
| Estimate KWH for Lift Station | 14,033 | |
| Usage for Lift Station | 10.14% | \$1,240.55 |
| Half of Fixed Costs above | | <u>119.34</u> |
| | | \$1,359.89 |
| Electric for UIF Florida office | | \$10,871.49 |
| Percent of ERC's for UIF common expense | 12.00% | |
| Actual electric expense that should be charged to UIF | | \$1,304.58 |
| Total amount charged to UIF systems in filing | | <u>12,470.06</u> |
| Amount that should have been allocated to other Florida systems (audit adjustment) | | (\$11,165.48) |

UIF O&M Expenses for the irrigation meter at Cherry Way, the portion of the office electric expense related to other Florida systems and the electric expense related to Wethersfield lift station should be adjusted are displayed below.

| <u>County</u> | <u>Allocation Percentage</u> | <u>Allocation Error Office</u> | <u>Error Cherry Way</u> | <u>Add back L/S at Wethersfield</u> | <u>Total To Correct</u> |
|---------------------|----------------------------------|------------------------------------|-----------------------------|---|-----------------------------|
| Marion Water | 5.70% | (\$635.99) | -na- | -na- | (\$635.99) |
| Marion Wastewater | 0.72% | (80.73) | -na- | -na- | (80.73) |
| Orange Water | 3.36% | (375.50) | -na- | -na- | (375.50) |
| Pasco Water | 31.07% | (3,469.23) | -na- | -na- | (3,469.23) |
| Pasco Wastewater | 11.84% | (1,321.77) | \$357.85 | -na- | (963.92) |
| Pinellas Water | 4.52% | (504.68) | -na- | -na- | (504.68) |
| Seminole Water | 27.90% | (3,115.17) | -na- | -na- | (3,115.17) |
| Seminole Wastewater | <u>14.89%</u> | <u>(1,662.43)</u> | <u>-na-</u> | <u>\$1,359.89</u> | <u>(302.54)</u> |
| | 100.00% | (\$11,165.48) | (\$357.85) | \$1,359.89 | (\$9,447.74) |

EFFECT ON THE GENERAL LEDGER: The adjustment does not affect the general ledger because the utility should allocate these costs for filing purposes only.

EFFECT ON THE FILING: O&M Expenses should be reduced by \$9,448 as shown above by county for the respective water or wastewater systems.

AUDIT FINDING NO. 26

SUBJECT: ADJUSTMENT TO COMMUNICATION EXPENSES

AUDIT ANALYSIS: The utility charges its Nextel communication bills to UIF Cost Center 600 which is allocated to the UIF systems only. Our review of the invoices indicates that they include charges for all the cell phones used by utility employees throughout the state of Florida. Using the December 2005 allocations based on ERC's, UIF is allocated 12 percent of the total Florida common costs. The invoices and the respective allocation at 12 percent are displayed below.

| <u>SUB#</u> | <u>Account</u> | <u>Invoice</u> | <u>Month</u> | <u>Amount</u> |
|---|----------------|---------------------|--------------|------------------|
| 600 | 6759405 | U70553*65313*NEXTEL | JAN | \$13,896.14 |
| 600 | 6759405 | U72582*65313*NEXTEL | MAR | 7,373.16 |
| 600 | 6759405 | U74693*65313*NEXTEL | MAR | 7,849.94 |
| 600 | 6759405 | U77074*65313*NEXTEL | APR | 8,520.34 |
| 600 | 6759405 | U79366*65313*NEXTEL | MAY | 8,848.92 |
| 600 | 6759405 | U81545*65313*NEXTEL | JUN | 9,111.33 |
| 600 | 6759405 | U83847*65313*NEXTEL | JUL | 9,590.43 |
| 600 | 6759405 | U86342*65313*NEXTEL | AUG | 10,199.34 |
| 600 | 6759405 | FLA COMM EXP | SEP | 10,755.00 |
| 600 | 6759405 | FLA COMM EXP | OCT | 10,000.00 |
| 600 | 6759405 | U88879*65313*NEXTEL | OCT | 10,754.72 |
| 600 | 6759405 | U91271*65313*NEXTEL | NOV | 9,156.66 |
| 600 | 6759405 | U93417*65313*NEXTEL | NOV | 8,281.38 |
| 600 | 6759405 | U95651*65313*NEXTEL | DEC | <u>7,581.32</u> |
| | | | | \$131,918.68 |
| Portion that should be UIF based on ERC allocations | | | 12.00% | |
| Amount that should be included in UIF common cost | | | | <u>15,830.24</u> |
| Amount to be removed from UIF allocation | | | | \$116,088.44 |

The correction of this error is allocated to the five counties below.

| <u>System</u> | <u>Allocation Percentage</u> | <u>Correction by County</u> |
|--------------------|------------------------------|-----------------------------|
| Marion - Water | 5.70% | \$6,617.04 |
| Marion - W/Water | 0.72% | 835.84 |
| Orange - Water | 3.36% | 3,900.57 |
| Pasco - Water | 31.07% | 36,068.68 |
| Pasco - W/Water | 11.84% | 13,744.87 |
| Pinellas - Water | 4.52% | 5,247.20 |
| Seminole - Water | 27.90% | 32,388.67 |
| Seminole - W/Water | <u>14.89%</u> | <u>17,285.57</u> |
| | 100.00% | \$116,088.44 |

EFFECT ON THE GENERAL LEDGER: This adjustment does not affect the general ledger. However, these costs should be included in the allocated costs and not the direct costs for these systems.

EFFECT ON THE FILING: O&M Expense should be decreased by \$116,088 as shown above by county for the respective water or wastewater systems.

AUDIT FINDING NO. 27

SUBJECT: ADJUSTMENT TO CHEMICAL EXPENSE – MARION COUNTY

AUDIT ANALYSIS: UIF has only one wastewater treatment plant in Marion County. All Marion county chemicals were charged to water expenses. The utility has provided an analysis of its 2005 chemical purchases which indicates that \$902.50 of sodium hypochlorite was used at the Crownwood wastewater plant.

EFFECT ON THE GENERAL LEDGER: The utility does not maintain separate accounts for water and wastewater chemicals. Allocations are done in the filings only. Therefore, no adjustment is needed.

EFFECT ON THE FILING: O&M Expenses for Marion County water should be decreased by \$903 and wastewater expenses increased by the same amount.

AUDIT FINDING NO. 28

SUBJECT: ADJUSTMENT TO TRANSPORTATION EXPENSE

AUDIT ANALYSIS: The utility pays a transportation management company for gas and repairs to its vehicles. The charges are recorded to each system based on the vehicles assigned drivers' allocated time. The expenses related to the UIF systems are charged to Cost Center 600 and allocated to all five counties in the filing based on customers. Our review of these charges indicates that some allocated expenses for drivers not assigned to UIF have been charged directly to UIF. The difference between the general ledger and the invoices for the sample that was taken is \$3,598.28 and is displayed below.

| Total UIF per G/L | Direct UIF per G/L | Non-Direct per Utility | Non-UIF per Audit | Adjustment | Percentage Adjusted |
|----------------------|-----------------------|---------------------------|----------------------|----------------|------------------------|
| \$6,642.10 | \$6,434.24 | \$207.86 | \$1,878.43 | \$1,670.57 | 25.15% |
| 4,546.70 | 4,401.41 | 145.29 | 1,459.12 | 1,313.83 | 28.90% |
| 1,925.25 | 1,864.99 | 60.26 | 390.16 | 329.90 | 17.14% |
| 973.74 | 943.27 | 30.47 | 428.04 | 397.57 | 40.83% |
| 4,543.47 | 4,401.28 | 142.19 | 123.55 | (18.64) | -0.41% |
| <u>1,355.24</u> | <u>1,192.24</u> | <u>163.00</u> | <u>68.05</u> | <u>(94.95)</u> | -7.01% |
| \$19,986.50 | \$19,237.43 | \$749.07 | \$4,347.35 | \$3,598.28 | 18.00% |

There is an 18 percent average allocation error rate in the audit staff's sample of transportation expenses charged to Cost Center 600. Our sample included 23.9 percent of total transportation expenses. (\$19,987 / \$83,646) Using that rate, an error of \$15,056 is possible. The calculation is displayed below.

| Cost Center | Account | Vendor | Amount |
|--------------------------------------|---------|----------------------|-----------------|
| 600 | 6501020 | 74519*01042*GE CAPIT | \$2,640.10 |
| 600 | 6501020 | 79756*01042*GE CAPIT | 3,118.38 |
| 600 | 6501020 | 77482*01042*GE CAPIT | 4,664.08 |
| 600 | 6501020 | 82353*01042*GE CAPIT | 3,424.50 |
| 600 | 6501020 | 85316*01042*GE CAPIT | 3,772.10 |
| 600 | 6501020 | 87858*01042*GE CAPIT | 4,485.32 |
| 600 | 6501020 | 90188*01042*GE CAPIT | 3,724.61 |
| 600 | 6501020 | 94160*01042*GE CAPIT | 5,680.05 |
| 600 | 6501020 | 95652*01042*GE CAPIT | 6,026.33 |
| 600 | 6501020 | 98315*01042*GE CAPIT | 7,516.53 |
| 600 | 6501020 | 1502*01042*GE CAPITA | 6,307.31 |
| 600 | 6501020 | 4299*01042*GE CAPITA | 6,434.24 |
| 600 | 6501030 | 74519*01042*GE CAPIT | 2,144.69 |
| 600 | 6501030 | 79756*01042*GE CAPIT | 1,486.10 |
| 600 | 6501030 | 77482*01042*GE CAPIT | 4,401.28 |
| 600 | 6501030 | 82353*01042*GE CAPIT | 1,383.32 |
| 600 | 6501030 | 85316*01042*GE CAPIT | 2,405.22 |
| 600 | 6501030 | 87858*01042*GE CAPIT | 3,905.13 |
| 600 | 6501030 | 90188*01042*GE CAPIT | 330.30 |
| 600 | 6501030 | 94160*01042*GE CAPIT | 1,312.83 |
| 600 | 6501030 | 95652*01042*GE CAPIT | 943.27 |
| 600 | 6501030 | *01042*GE CAPITAL FL | 1,271.01 |
| 600 | 6501030 | 1502*01042*GE CAPITA | 1,864.99 |
| 600 | 6501030 | 4299*01042*GE CAPITA | <u>4,404.41</u> |
| | | | \$83,646.11 |
| Estimate 18% in error. | | | 18.00% |
| Estimate of error in vehicle charges | | | \$15,056.30 |

Our correction of the actual and estimated transportation expense error should be allocated to the five counties and is displayed below.

| <u>County</u> | <u>Allocation Percentage</u> | <u>Using Actual</u> | <u>Using Estimate</u> |
|---------------------|----------------------------------|-------------------------|---------------------------|
| Marion Water | 5.70% | \$204.96 | \$857.61 |
| Marion Wastewater | 0.72% | 26.02 | 108.86 |
| Orange Water | 3.36% | 121.01 | 506.34 |
| Pasco Water | 31.07% | 1,118.02 | 4,678.14 |
| Pasco Wastewater | 11.84% | 425.96 | 1,782.36 |
| Pinellas Water | 4.52% | 162.64 | 680.54 |
| Seminole Water | 27.90% | 1,003.92 | 4,200.71 |
| Seminole Wastewater | <u>14.89%</u> | <u>535.75</u> | <u>2,241.73</u> |
| | 100.00% | \$3,598.28 | \$15,056.30 |

EFFECT ON THE GENERAL LEDGER: The utility allocates the accounts for the filings. No adjustment is needed to the general ledger.

EFFECT ON THE FILING: O&M Expense should be reduced by the actual error of \$3,598 or the estimated error of \$15,056 by county for the respective water or wastewater systems as indicated above.

AUDIT FINDING NO. 29

SUBJECT: ADJUSTMENT TO UIF COMMON ALLOCATED EXPENSES

AUDIT ANALYSIS: The utility has charged the following invoices to the direct costs for Cost Center 600. Cost Center 600 includes two groups, those allocated to all Florida systems and those charged directly and allocated to UIF's five county systems based on customers. Our review of these invoices indicates that they actually benefit all utility systems throughout Florida. UIF should only receive 12 percent of these costs which would be allocated to the five county systems in this proceeding. The following schedule details these invoices and the correction to O&M expense that is needed.

| <u>SUB</u> | <u>Acct. No.</u> | <u>DESCRIPTION</u> | <u>Allocation</u> | <u>Total UIF</u> | <u>Service provided</u> |
|---|------------------|----------------------|-------------------|------------------|---|
| 600 | 6759005 | 79292*01055*PITNEY B | All Fla. | \$587.43 | Quarterly charge for mailing machine |
| 600 | 6759005 | 86682*01055*PITNEY B | All Fla. | 587.43 | Quarterly charge for mailing machine |
| 600 | 6759005 | 95169*01055*PITNEY B | All Fla. | 587.43 | Quarterly charge for mailing machine |
| 600 | 6759005 | 3442*01055*PITNEY BO | All Fla. | 587.43 | Quarterly charge for mailing machine |
| 600 | 6759017 | 82577*10308*LEWIS JA | All Fla. | 109.09 | Kitchen towels and bathroom tissue |
| 601 | 6759260 | 91152*05554*DEL-AIR | All Fla. | <u>590.29</u> | Air conditioner repaired at main office |
| | | | | \$3,049.10 | |
| Percent/Amount Allocated to UIF | | | 12.00% | <u>365.89</u> | |
| Amount allocated to other Florida systems | | | | \$2,683.21 | |

| | <u>Allocation Percentage</u> | <u>Adjustment</u> |
|---------------------|------------------------------|-------------------|
| Marion Water | 5.70% | (\$152.84) |
| Marion Wastewater | 0.72% | (19.40) |
| Orange Water | 3.36% | (90.24) |
| Pasco Water | 31.07% | (833.70) |
| Pasco Wastewater | 11.84% | (317.64) |
| Pinellas Water | 4.52% | (121.28) |
| Seminole Water | 27.90% | (748.62) |
| Seminole Wastewater | <u>14.89%</u> | <u>(399.50)</u> |
| | 100.00% | (\$2,683.21) |

EFFECT ON THE GENERAL LEDGER: The amounts are charged to the same account and division but to the allocated instead of the direct.

EFFECT ON THE FILING: O&M Expenses should be reduced by \$2,683 by county for the respective water or wastewater systems as indicated above.

AUDIT FINDING NO. 30

SUBJECT: ADJUSTMENT TO REALLOCATE UIF COMMON EXPENSES

AUDIT ANALYSIS: Several invoices were found to be charged to the wrong cost center. Others should have been charged to Cost Center 600 or 601 to be allocated to all Florida systems and not just the UIF county systems. The following invoices need to be corrected:

| County | SUB# | Account | Invoice No. | Amount | County Amount | Proper Subdivision | Description |
|---|------|---------|----------------------|---------------|---------------|--------------------|--|
| Charged to the wrong cost center: | | | | | | | |
| Pasco/Pin | 639 | 6759412 | 863*15277*CINTAS COR | \$725.45 | | 695 | Uniforms for Ft. Myers |
| Pasco/Pin | 639 | 7758370 | 88380*07331*DUNN, MI | 201.67 | | 645/690/693 | Expense Report for non-UIF Divisions |
| Pasco/Pin | 639 | 7758370 | 97895*07331*DUNN, MI | 217.55 | \$1,144.67 | 645/690/693 | Expense Report for non-UIF Divisions |
| Pinellas | 637 | 6355010 | 77189*13024*ADVANCED | 133.50 | | 629 | Orangewood Testing-Pasco |
| Seminole | 616 | 6759140 | 75531*13113*C & A SY | <u>28.89</u> | | 648 | Alarm Monitoring Longwood |
| | | | | \$1,307.06 | \$1,307.06 | | |
| Charged to the wrong cost center - should be allocated to all Florida systems: | | | | | | | |
| Org/Sem | 603 | 6759001 | 78188*13984*FLORIDA | \$59.00 | | 601 | Underground Utilities Subscription |
| Org/Sem | 603 | 6759405 | 74214*17675*DIRECT W | 423.55 | | 601 | Radio accessories 16 cases |
| Org/Sem | 603 | 6759405 | 75182*17281*C BRUCE | 357.95 | | 601 | Battery chargers for car stock replacement |
| Org/Sem | 603 | 6759410 | 87741*16064*FLORIDA | 495.00 | | 601 | Office and Field Emp. First Aid Kits |
| Org/Sem | 603 | 6759410 | 91608*16064*FLORIDA | 670.00 | | 601 | Occupational Safety Training |
| Org/Sem | 603 | 6759416 | 87680*16064*FLORIDA | 225.00 | | 601 | Membership Renewal |
| Org/Sem | 603 | 6759416 | 93796*16064*FLORIDA | 176.00 | | 601 | Occupational safety training |
| Org/Sem | 603 | 6759018 | 78447*12404*AFFORDAB | 266.25 | | 601 | UIF truck detail for all trucks |
| Org/Sem | 603 | 6759018 | 75281*15626*FLORIDA | 180.00 | | 601 | Fla. Water Resource Journal classified ad |
| Org/Sem | 603 | 6759018 | 83634*15626*FLORIDA | 216.00 | | 601 | Classified ad in Fla. Water Resource Journal |
| Org/Sem | 603 | 6759019 | 1785*00946*AMERICAN | 450.00 | \$3,518.75 | 601 | Membership in American Waterworks |
| Pasco/Pin | 639 | 6759018 | 92374*14767*NEWS-PRE | 1,315.90 | | 601 | Ads for operators |
| Pasco/Pin | 639 | 6759018 | SE 5 A/P ACCRUAL | 891.65 | 2,207.55 | 601 | Tampa Tribune Job ad |
| Seminole | 602 | 7754011 | 78465*17265*ROTO ROO | <u>362.28</u> | | 600 | Ladies room repair in Altamonte office |
| | | | | \$6,088.58 | \$6,088.58 | | |
| Percent to UIF for Florida | | | | <u>12.00%</u> | | | |
| Amount that should have been in UIF | | | | \$730.63 | | | |
| Amount that should have been allocated to other Fla. Companies | | | | \$5,357.95 | | | (\$6,088.58 - \$730.63) |
| Total to be removed from UIF | | | | \$6,665.01 | | | (\$1,307.06 + \$5,357.95) |
| Total to be removed from UIF (Less Pinellas reclass to Pasco) | | | | \$6,531.51 | | | (\$6,665.01 - \$133.50) |

The amounts to be removed get allocated to the five counties as follows:

| Allocation Percentage | County System | Correction to SUB 600/601 | Individual Corrections | Total Corrections |
|-----------------------|---------------------|---------------------------|------------------------|-------------------|
| 5.70% | Marion Water | \$305.19 | \$0.00 | \$305.19 |
| 0.72% | Marion Wastewater | 38.74 | 0.00 | 38.74 |
| 3.36% | Orange Water | 180.19 | 0.00 | 180.19 |
| 31.07% | Pasco Water | 1,664.77 | 620.38 | 2,285.15 |
| 11.84% | Pasco Wastewater | 634.17 | 281.59 | 915.76 |
| 4.52% | Pinellas Water | 242.18 | 242.70 | 484.88 |
| 27.90% | Seminole Water | 1,494.87 | 28.89 | 1,523.76 |
| 14.89% | Seminole Wastewater | <u>797.75</u> | <u>0.00</u> | <u>797.75</u> |
| 100.00% | | \$5,357.84 | \$1,173.56 | \$6,531.40 |

EFFECT ON THE LEDGER: The entry does not affect future periods and does not need to be made.

EFFECT ON THE FILING: Operation and Maintenance expense should be reduced by \$6,531 by county for the respective water or wastewater systems as indicated above.

AUDIT FINDING NO. 31

SUBJECT: ADJUSTMENT TO RATE CASE EXPENSE

AUDIT ANALYSIS: The utility recorded more costs for rate case expense than allowed in Commission Order PSC-03-1440-FOF-WS. They have included the unamortized portion of these costs in the working capital calculation. The amortization included in expenses is also higher than the amount allowed in the order. The actual costs were changed in the utility proforma adjustments. The revised amount includes the utility calculation of the unamortized balance plus the current estimate of costs for this current case. The total is allocated based on a customer allocation.

The calculation of the 13-month average working capital costs follow:

| County System | Amount | 2004 | 2005 | Unamortized At Dec. 2005 | Average 2004-05 | Average Per Filing | Difference |
|--|---------------|--------------|---------------|-----------------------------|--------------------|-----------------------|-----------------|
| Marion Water | \$30,672 | \$5,751 | \$7,668 | \$17,253 | \$21,087 | \$19,187 | \$1,900 |
| Marion Wastewater | 2,388 | 448 | 597 | 1,343 | 1,642 | 5,430 | (3,789) |
| Orange Water | 9,804 | 1,838 | 2,451 | 5,515 | 6,740 | 16,210 | (9,470) |
| Pasco Water | 152,240 | 28,545 | 38,060 | 85,635 | 104,665 | 98,147 | 6,518 |
| Pasco Wastewater | 60,608 | 11,364 | 15,152 | 34,092 | 41,668 | 62,307 | (20,639) |
| Pinellas Water | 16,904 | 3,170 | 4,226 | 9,509 | 11,622 | 14,923 | (3,302) |
| Seminole Water | 81,128 | 15,212 | 20,282 | 45,635 | 55,776 | 94,809 | (39,033) |
| Seminole Wastewater | <u>43,856</u> | <u>8,223</u> | <u>10,964</u> | <u>24,669</u> | <u>30,151</u> | <u>91,229</u> | <u>(61,078)</u> |
| | \$397,600 | \$74,550 | \$99,400 | \$223,650 | \$273,350 | \$402,243 | (\$128,893) |
| 13-Month Average Per Utility Working Capital | | | | | <u>402,243</u> | | |
| Decrease To Working Capital | | | | | | | (\$128,893) |

The calculation of the unamortized rate case balance used in the filing B-10 follows:

| County System | Allowed Amount | Annual Amort. Allowed | Amortization 2004 | Amortization 2005 | Amortization Through June 2006 | Net Unamortized At June 2006 |
|---------------------------------|-------------------|-----------------------------|----------------------|----------------------|--------------------------------------|------------------------------------|
| Marion Water | \$30,672 | \$7,668 | \$5,751 | \$7,668 | \$3,834 | \$13,419 |
| Marion Wastewater | 2,388 | 597 | 448 | 597 | 299 | 1,045 |
| Orange Water | 9,804 | 2,451 | 1,838 | 2,451 | 1,226 | 4,289 |
| Pasco Water | 152,240 | 38,060 | 28,545 | 38,060 | 19,030 | 66,605 |
| Pasco Wastewater | 60,608 | 15,152 | 11,364 | 15,152 | 7,576 | 26,516 |
| Pinellas Water | 16,904 | 4,226 | 3,170 | 4,226 | 2,113 | 7,396 |
| Seminole Water | 81,128 | 20,282 | 15,212 | 20,282 | 10,141 | 35,494 |
| Seminole Wastewater | <u>43,856</u> | <u>10,964</u> | <u>8,223</u> | <u>10,964</u> | <u>5,482</u> | <u>19,187</u> |
| | \$397,600 | \$99,400 | \$74,550 | \$99,400 | \$49,700 | \$173,950 |
| Unamortized Balance Per B-10 | | | | | | <u>149,099</u> |
| Unamortized Balance Understated | | | | | | \$24,851 |

Based on the above, 13-month average working capital should be reduced by \$128,893 as shown above by county and water and wastewater. The balance of unamortized rate case costs as of June 2006, are understated in filing B-10 by \$24,851 as shown above by county and water or wastewater.

The difference between the test year rate case expense and the expense allowed in the order follows:

| County System | Order | G/L & Filing | Difference |
|---------------------|---------------|---------------|----------------|
| Marion Water | \$7,668 | \$6,540 | \$1,128 |
| Marion Wastewater | 597 | 830 | (233) |
| Orange Water | 2,451 | 3,861 | (1,410) |
| Pasco Water | 38,060 | 35,674 | 2,386 |
| Pasco Wastewater | 15,152 | 13,592 | 1,560 |
| Pinellas Water | 4,226 | 5,190 | (964) |
| Seminole Water | 20,282 | 32,034 | (11,752) |
| Seminole Wastewater | <u>10,964</u> | <u>17,095</u> | <u>(6,131)</u> |
| Total | \$99,400 | \$114,816 | (\$15,416) |

Test year rate case expenses were overstated by \$15,416. However, the proforma adjustment removes these costs.

EFFECT ON THE GENERAL LEDGER: There is no effect on the general ledger. The utility can amortize the actual costs.

EFFECT ON THE FILING: Working capital should be reduced by \$128,893 as shown above by county. Test year rate case expenses should be reduced by \$15,416 as shown above by county. The unamortized balance of rate case expense used in the adjustments to test year in filing B-10, should be increased by \$24,851.

AUDIT FINDING NO. 32

SUBJECT: ADJUSTMENT TO PROPERTY TAXES

AUDIT ANALYSIS: In our analysis of the utility's property taxes, we noted that the amounts recorded in the MFRs did not agree with the amounts listed on the actual tax bills from each county taxing district.

Our analysis of the individual property taxes revealed that the utility allocated county specific tax bills to all five counties as common cost incurred and that it also included \$893 for a vehicle registration fee in the allocated balance.

The tax bills included by the utility and our computation of the proposed adjustment to remove the county specific tax bills from the common allocated balance is displayed in the following schedules.

EFFECT ON THE GENERAL LEDGER: The adjustment does not affect the general ledger because the utility allocated these costs for filing purposes only.

EFFECT ON THE FILING: Property tax expense should be redistributed for the respective water or wastewater systems as indicated below.

Basis of Allocation

| <u>Tax Bill</u> | <u>Amount per G/L</u> | <u>County Specific Tax Bills</u> | <u>Proposed Staff Adjustment</u> |
|---------------------------|---------------------------|--------------------------------------|--------------------------------------|
| Pasco County Tax Bills | \$11,538.36 | \$11,538.36 | |
| Pasco County Tax Bills | \$5,539.60 | \$5,539.60 | \$17,077.96 |
| Pasco County Tax Bills | \$21.06 | \$21.06 | |
| Pasco County Tax Bills | \$86.81 | \$86.81 | \$107.87 |
| Seminole County Tax Bills | \$22.03 | \$22.03 | |
| Seminole County Tax Bills | \$451.41 | \$451.41 | |
| Seminole County Tax Bills | \$175.04 | \$175.04 | |
| Seminole County Tax Bills | \$791.84 | \$791.84 | \$1,440.32 |
| Seminole County Tax Bills | \$9,097.88 | | |
| Seminole County Tax Bills | \$893.70 | | |
| Pinellas County Tax Bill | \$353.87 | \$353.87 | \$353.87 |
| Allocation from WSC | \$2,471.00 | | |
| Total Amount Allocated | <u>\$31,442.60</u> | | <u>\$18,980.02</u> |
| Proposed Staff Adjustment | | | (\$18,980.02) |

Calculation of Adjustment

| Water & Wastewater Balance per MFR | Marion | | Orange | | Pasco | | Pinellas | | Seminole | | Total |
|---------------------------------------|------------|----------|------------|--------|-------------|-------------|------------|--------|------------|------------|-------------|
| | Water | Sewer | Water | Sewer | Water | Sewer | Water | Sewer | Water | Sewer | |
| Direct | \$2,281.00 | \$289.00 | \$1,850.00 | \$0.00 | \$19,773.00 | \$7,534.00 | \$0.00 | \$0.00 | \$1,002.00 | \$535.00 | \$33,264.00 |
| Allocation (1) | 1,791.00 | 227.00 | 1,057.00 | 0.00 | 9,771.00 | 3,722.00 | 1,421.00 | 0.00 | 8,772.00 | 4,682.00 | \$31,443.00 |
| Total | \$4,072.00 | \$516.00 | \$2,907.00 | \$0.00 | \$29,544.00 | \$11,256.00 | \$1,421.00 | \$0.00 | \$9,774.00 | \$5,217.00 | \$64,707.00 |
| Allocation % (per Utility) | 5.70% | 0.72% | 3.36% | 0.00% | 31.08% | 11.84% | 4.52% | 0.00% | 27.90% | 14.89% | 100.00% |

Staff Adjustment

| | | | | | | | | | | | |
|--|--------------|------------|------------|--------|--------------|--------------|------------|--------|--------------|--------------|---------------|
| 1) To remove county specific RE taxes for Pasco County (\$107.87) charged as company-wide allocation | (\$6.14) | (\$0.78) | (\$3.63) | \$0.00 | (\$33.52) | (\$12.77) | (\$4.87) | \$0.00 | (\$30.09) | (\$16.06) | (\$107.87) |
| 2) To remove county specific Tang. Taxes for Pasco County (\$17,077.96) charged as company-wide allocation | (972.76) | (123.29) | (574.10) | 0.00 | (5,307.02) | (2,021.57) | (771.80) | 0.00 | (4,764.43) | (2,542.98) | (17,077.96) |
| 3) To remove county specific RE Taxes for Seminole County (\$1,440.32) charged as company-wide allocation | (82.04) | (10.40) | (48.42) | 0.00 | (447.58) | (170.49) | (65.09) | 0.00 | (401.82) | (214.47) | (1,440.32) |
| 4) To remove county specific RE taxes for Seminole County (\$353.87) charged as company-wide allocation | (20.16) | (2.55) | (11.90) | 0.00 | (109.97) | (41.89) | (15.99) | 0.00 | (98.72) | (52.69) | (353.87) |
| Sum of Adjustments 1 - 4 to remove improper allocation of county specific tax | (\$1,081.11) | (\$137.02) | (\$638.04) | \$0.00 | (\$5,898.09) | (\$2,246.72) | (\$857.76) | \$0.00 | (\$5,295.07) | (\$2,826.21) | (\$18,980.02) |
| 5) To add-in county specific RE and Tangible taxes to specific counties | 0.00 | 0.00 | 0.00 | 0.00 | 17,185.83 | 0.00 | 353.87 | 0.00 | 1,440.32 | 0.00 | 0.00 |
| Total County-Wide Adjustment | (\$1,081.11) | (\$137.02) | (\$638.04) | \$0.00 | \$11,287.74 | (\$2,246.72) | (\$503.89) | \$0.00 | (\$3,854.75) | (\$2,826.21) | \$0.00 |

| Staff Adjusted Balance of Real Estate and Tangible Taxes (Direct & Allocated) | Marion | | Orange | | Pasco | | Pinellas | | Seminole | | Total |
|---|------------|----------|------------|--------|-------------|------------|----------|--------|------------|------------|-------------|
| | Water | Sewer | Water | Sewer | Water | Sewer | Water | Sewer | Water | Sewer | |
| Direct | \$2,281.00 | \$289.00 | \$1,850.00 | \$0.00 | \$36,958.83 | \$7,534.00 | \$354.00 | \$0.00 | \$2,442.32 | \$535.00 | \$52,244.15 |
| Allocation (1) | 709.89 | 89.98 | 418.96 | 0.00 | 3,872.91 | 1,475.28 | 563.24 | 0.00 | 3,476.93 | 1,855.79 | 12,462.98 |
| Total | \$2,990.89 | \$378.98 | \$2,268.96 | \$0.00 | \$40,831.74 | \$9,009.28 | \$917.24 | \$0.00 | \$5,919.25 | \$2,390.79 | \$64,707.13 |

(1) Includes Vehicle Registration Costs of \$893.70. This amount is not a Tax Other Than Income but is a legitimate company expense and is properly allocable over the five-county jurisdiction. Therefore, no adjustment has been made.

AUDIT FINDING NO. 33

SUBJECT: ADJUSTMENT TO ALLOCATED WSC EXPENSE

AUDIT ANALYSIS: WSC, the service corporation for the parent company Utilities, Inc. allocates a portion of its common operating expenses to each subsidiary utility throughout the United States. UIF received \$242,788 or approximately 3.2 percent of \$7,644,705 in total WSC common expenses for the 12-month period ended December 31, 2005.

UIF posted the WSC allocated expenses to Cost Center 600 and then re-allocated them to the five county systems which are included in this rate proceeding based on a customer allocation.

The Commission's Division of Regulatory Compliance and Consumer Assistance, at the request of the Division of Economic Regulation, performed an affiliate transaction audit of Utilities, Inc. and its subsidiary WSC for the 12-month period ended December 31, 2005 in Docket No. 060253-WS. The scope of the audit included a review of the WSC common expenses that are allocated to all of its subsidiary operations in 2005. The audit report, issued July 15, 2006, included specific adjustments that reduced the UIF allocated WSC common expenses by \$6,662 to \$236,126.

The audit staff has incorporated the findings of the above mentioned audit report to determine the UIF allocated WSC common expenses for this proceeding. See audit staff's calculation on the following page.

EFFECT ON THE GENERAL LEDGER: The following entry should be made for the UIF allocation from Cost Center 600.

| <u>G/L Acct.</u> | <u>Description</u> | <u>Debit</u> | <u>Credit</u> |
|------------------|-----------------------|--------------|---------------|
| 2151000 | Retained Earnings | \$6,662 | |
| 4032098 | Dep. Exp. Computer | | \$50 |
| 4191010 | Interest Income | \$5 | |
| 4272090 | Interest Expense | \$1,627 | |
| 6329002 | Audit Fees | | \$2,769 |
| 6369009 | Amtorz. Exp. Computer | | \$444 |
| 6599090 | Insurance Exp. Other | | \$3,247 |
| 6759005 | Postage Fees | | \$1,784 |

EFFECT ON THE FILING: The utility's depreciation expense should be reduced by \$50 and Operation and Maintenance Expense should be reduced by \$8,244. For detail by county, see the second schedule following this finding.

| UIF Allocation Schedules | Per Company | | Adjustment | | Per Audit | |
|---|------------------|----------------|-----------------|------------------|------------------|------------------|
| | WSC Expense | UIF | WSC Expense | UIF | WSC Expense | UIF |
| SE51 Allocated Computer | \$545,445 | \$21,793 | (\$12,634) | (\$494) | \$532,811 | \$21,299 |
| SE52 Allocated Insurance | 2,114,495 | 51,076 | (156,711) | (3,247) | 1,957,784 | 47,829 |
| SE60 Allocated General | <u>4,984,765</u> | <u>169,919</u> | <u>(74,972)</u> | <u>(2,921)</u> | <u>4,909,793</u> | <u>166,998</u> |
| Per G/L | \$7,644,705 | \$242,788 | (\$244,317) | (\$6,662) | \$7,400,388 | \$236,126 |
| Remove interest income and expense not included in the filing | | | | <u>(\$1,632)</u> | | <u>(\$1,632)</u> |
| Per MFR | | | | (\$8,294) | | \$234,494 |

| SE51 | | Per Utility | Adjustment | Per Audit |
|----------|-------------------|--------------|----------------|--------------|
| Acct No. | | | | |
| 4032098 | Dep. - Computer | \$3,963 | (\$50) | \$3,913 |
| 6369009 | Amtz. - Computer | <u>1,080</u> | <u>(444)</u> | <u>636</u> |
| | | \$5,043 | (\$494) | \$4,549 |
| SE52 | | Per Utility | Adjustment | Per Audit |
| Acct No. | | | | |
| 6599090 | Insurance - Other | \$51,076 | (\$3,247) | \$47,829 |
| SE60 | | Per Utility | Adjustment | Per Audit |
| Acct No. | | | | |
| 4191010 | Interest Income | (\$5) | \$5 | \$0 |
| 4272090 | Interest Expense | (1,627) | 1,627 | 0 |
| 6329002 | Audit Fees | 8,130 | (2,769) | 5,361 |
| 6759005 | Postage Fees | <u>3,374</u> | <u>(1,784)</u> | <u>1,590</u> |
| | | \$9,872 | (\$2,921) | \$6,951 |

| | | MFR | Adjustment |
|--|-------------------|-----------|----------------|
| Acct No. | | Acct. No. | |
| 4032098 | Dep. - Computer | 403 | (\$50) |
| 4191010 | Interest Income | 426 * | 0 |
| 4272090 | Interest Expense | 419/427 * | 0 |
| 6329002 | Audit Fees | 632/732 | (2,769) |
| 6369090 | Amtz. - Computer | 636/736 | (444) |
| 6599090 | Insurance - Other | 659/759 | (3,247) |
| 6759005 | Postage Fees | 675/775 | <u>(1,784)</u> |
| | | | (\$8,244) |
| Total WSC allocated expense adjustment | | | (\$8,294) |

* Per utility these two allocations from WSC are not carried forward into the MFR filing so no adjustment is needed.

| WSC | | Marion | Marion | Orange | Pasco | Pasco | Pinellas | Seminole | Seminole | Total |
|----------------------------------|------------------|----------------|---------------|----------------|------------------|----------------|----------------|------------------|----------------|------------------|
| Allocation | Description | Water | Wastewater | Water | Water | Wastewater | Water | Water | Wastewater | Adjust. |
| | | 5.70% | 0.72% | 3.36% | 31.07% | 11.84% | 4.52% | 27.90% | 14.89% | 100.00% |
| SE 51 | | | | | | | | | | |
| <u>Acct. No.</u> | | | | | | | | | | |
| 4032098 | Dep.-Computer | (\$3) | (\$0) | (\$2) | (\$16) | (\$6) | (\$2) | (\$14) | (\$7) | (\$50) |
| 6369009 | Amts. - Computer | (25) | (3) | (15) | (138) | (53) | (20) | (124) | (66) | (444) |
| | | (\$28) | (\$4) | (\$17) | (\$153) | (\$58) | (\$22) | (\$138) | (\$74) | (\$494) |
| SE 52 | | | | | | | | | | |
| <u>Acct. No.</u> | | | | | | | | | | |
| 6599090 | Insurance-Other | (\$185) | (\$23) | (\$109) | (\$1,009) | (\$384) | (\$147) | (\$906) | (\$483) | (\$3,247) |
| SE 60 | | | | | | | | | | |
| <u>Acct. No.</u> | | | | | | | | | | |
| 4191010 | Interest Income | \$0 | \$0 | \$0 | \$2 | \$1 | \$0 | \$1 | \$1 | \$5 |
| 4272090 | Interest Expense | 93 | 12 | 55 | 506 | 193 | 74 | 454 | 242 | 1,627 |
| 6329002 | Audit Fees | (158) | (20) | (93) | (860) | (328) | (125) | (773) | (412) | (2,769) |
| 6759005 | Postage | (102) | (13) | (60) | (554) | (211) | (81) | (498) | (266) | (1,784) |
| | | (\$166) | (\$21) | (\$98) | (\$908) | (\$346) | (\$132) | (\$815) | (\$435) | (\$2,921) |
| Total WSC and UIF Adjustments | | <u>(\$379)</u> | <u>(\$48)</u> | <u>(\$224)</u> | <u>(\$2,070)</u> | <u>(\$789)</u> | <u>(\$301)</u> | <u>(\$1,859)</u> | <u>(\$992)</u> | <u>(\$6,662)</u> |
| Adjustment to Dep. Exp. | | (\$3) | (\$0) | (\$2) | (\$16) | (\$6) | (\$2) | (\$14) | (\$7) | (\$50) |
| Adjustment to O&M Exp. | | (470) | (60) | (277) | (2,561) | (976) | (373) | (2,300) | (1,227) | (8,244) |
| Int. Exp. not included in filing | | <u>93</u> | <u>12</u> | <u>55</u> | <u>507</u> | <u>193</u> | <u>74</u> | <u>455</u> | <u>243</u> | <u>1,632</u> |
| | | (\$379) | (\$48) | (\$224) | (\$2,070) | (\$789) | (\$301) | (\$1,859) | (\$992) | (\$6,662) |

AUDIT FINDING NO. 34

SUBJECT : INFORMATION ON CALCULATED REVENUES IN FILING FOR PASCO COUNTY

AUDIT ANALYSIS: During our audit of operating revenues, we noted that the utility billed incorrect rates to its customers in Pasco County (sub 626) for the billing cycle ended April 8, 2005.

For the billing cycle ended 4/8/05, Sub 626 (which encompasses the subdivisions of Paradise Point West, Summertree and Arborwood at Summertree) included approximately 1,034 water and 1,010 wastewater equivalent residential connections. Usage dates for this billing cycle were 3/1/05 to 3/31/05. Effective 3/21/05, the utility received a price index increase and prepared a prorated schedule that created a combined billing rate for the period.

When applying the billing factor for customer use for the period 3/1/05-3/31/05, the utility used the rates effective on 3/21/05 instead of the prorated rates. The rates effective on 3/21/05 were higher than the prorated rates.

Consumption for the April 8 billing cycle was 3,895,608 gallons (water) and 2,553,426 gallons (wastewater). Prorated rates and billed rates are shown below.

| | | <u>Prorated Rates</u> | <u>Billed Rates</u> | <u>Over billed Difference</u> |
|----------------------------|------------------------------------|---------------------------|-------------------------|-----------------------------------|
| WATER | | | | |
| Base Charges | | | | |
| 62601 | 5/8" Residential | 8.8780 | 8.9300 | 0.0520 |
| 62602 | 5/8" General Service | 8.8780 | 8.9300 | 0.0520 |
| 62610 | 1" General Service | 22.2135 | 22.3500 | 0.1365 |
| 62613 | 2" General Service | 71.0610 | 71.4900 | 0.4290 |
| Usage on above meter sizes | | | | |
| | | 1.7570 | 1.7700 | 0.0130 |
| WASTEWATER | | | | |
| Base Charges: | | | | |
| 62621 | Residential | 9.7280 | 9.7800 | 0.0520 |
| | Max usage billed - First 6,000 gal | 7.9645 | 8.0100 | 0.0455 |
| 62629 | 5/8" General Service | 9.7280 | 9.7800 | 0.0520 |
| 62630 | 1" General Service | 24.3200 | 24.4500 | 0.1300 |
| 62633 | 2" General Service | 77.8240 | 78.2400 | 0.4160 |
| Usage on above meter sizes | | | | |
| | | 9.5580 | 9.6100 | 0.0520 |

Because of the various customer classes and the billing cap on residential sewer usage, the effect of the over billing cannot be determined.

In response to a document request, the company spokesperson stated that an adjustment had not been made to correct the customer billing. However, the utility will take appropriate action and correct the billing to the prorated rates and credit the applicable customers affected.

EFFECT ON THE GENRAL LEDGER: There is no effect on the general ledger because the revenue calculation was for filing purposes only.

EFFECT ON THE FILING: To be determined by the analyst in Tallahassee.

AUDIT FINDING NO. 35

SUBJECT: INFORMATION ON VEHICLE REPAIRS

AUDIT ANALYSIS: The utility charged two major vehicle repairs to Cost Center 600 which gets allocated to all five counties based on number of customers. The utility does not carry collision insurance, only liability. Any fleet of vehicles can expect to have accidents. We could not determine if the expenses for the test year were higher than in the past. The utility should provide a five year history of its expenses related to vehicle repairs. If the test year amount is unusual compared to the other years, the excess amount should be deferred and amortized. The charges in the test year that appear to be excessive are displayed below.

| Utility | | | | UIF |
|---|------------------|----------------------|-----------------|-------------------|
| <u>SUB#</u> | <u>Acct. No.</u> | <u>Invoice</u> | <u>Total</u> | <u>Allocation</u> |
| 600 | 6501030 | 73725*07933*DIMMITT | \$9,245.01 | \$8,955.69 |
| 600 | 6501030 | 91755*13267*J-BAR EN | <u>1,134.56</u> | <u>1,099.05</u> |
| | | | \$10,379.57 | \$10,054.74 |
| | | | | \$324.83 |
| Percent/Amount allocated to UIF | | | | <u>38.98</u> |
| Amount allocated to other Florida systems | | | | 12.00% |
| | | | | \$10,093.72 |

| | <u>Allocation Percentage</u> | <u>Adjustment</u> |
|---------------------|------------------------------|-------------------|
| Marion Water | 5.70% | (\$574.94) |
| Marion Wastewater | 0.72% | (72.98) |
| Orange Water | 3.36% | (339.45) |
| Pasco Water | 31.07% | (3,136.22) |
| Pasco Wastewater | 11.84% | (1,194.89) |
| Pinellas Water | 4.52% | (456.24) |
| Seminole Water | 27.90% | (2,816.15) |
| Seminole Wastewater | 14.89% | <u>(1,502.85)</u> |
| | 100.00% | (\$10,093.72) |

EFFECT ON THE GENERAL LEDGER: This finding is for information purposes.

EFFECT ON THE FILING: To be determined by the analyst in Tallahassee.

AUDIT FINDING NO. 36

SUBJECT: INFORMATION ON CONTRIBUTIONS IN AID OF CONSTRUCTION

AUDIT ANALYSIS: In 2003, the utility made adjusting journal entries to re-distribute its combined CIAC account balances for the UIF water and wastewater systems into several specific accounts based on the percentage of water and wastewater UPIS account balances excluding organization, franchise, transportation and office equipment account balances. The utility's calculations are displayed on the following pages.

The utility first determined a balance for undistributed CIAC which represented cash collections. The amount was determined by estimating the total tap fees collected for the utility system. The remaining CIAC balance was then redistributed to specific CIAC sub-accounts based on the allocation methodology described above.

However, the audit staff notes that there are two problems with the utility's calculation.

1. The utility did not book Commission adjustments from the last rate case until 2005 and therefore the plant balances used by the utility to reallocate its CIAC balance did not reflect the Commission balances.
2. The utility allocated the CIAC to all of its UPIS accounts excluding organization, franchise and transportation equipment.

Usually when the utility receives contributed plant from a developer, it consists of service lines, lift stations, and customer service extensions. The utility's allocation method redistributed a portion of its CIAC balance to accounts containing buildings and structures, wells, pumping equipment, treatment plant and sewer lagoons. These accounts are not normally associated with contributed property for wastewater utility systems.

The audit staff defers this issue to the analyst in Tallahassee for final disposition.

EFFECT ON THE LEDGER: If the utility's CIAC allocation is recalculated by the analyst, the accumulated amortization of CIAC and CIAC amortization expense balances will all need to be adjusted accordingly.

EFFECT ON THE FILING: The total balance for CIAC reflected in the utility's filing will not change. However, the accumulated amortization of CIAC would need to be adjusted along with the 13-month average balance for the test year. Additionally the recalculated amortization of CIAC expense balance will affect the net depreciation expense presented in the utility's filing.

MARION COUNTY - WATER

TOTAL ADJUSTMENT

| Utility | Account | Balance | Recluses | Balance |
|-----------|-------------------------------|-----------|------------|-----------|
| Acct. No. | Description | 12/31/02 | | 12/31/02 |
| 2711000 | CIAC - Undistributed | \$134,014 | (\$86,384) | \$47,630 |
| 2711010 | CIAC - Tax | 7,700 | 0 | 7,700 |
| 2711011 | CIAC - Structures - Source | 0 | 0 | 0 |
| 2711021 | CIAC - Structures - Pumping | 0 | 2,476 | 2,476 |
| 2711031 | CIAC - Structures - Treatment | 0 | 148 | 148 |
| 2711012 | CIAC - Reservoirs | 0 | 0 | 0 |
| 2711014 | CIAC - Wells & Springs | 0 | 4,624 | 4,624 |
| 2711025 | CIAC - Pumping | 0 | 12,347 | 12,347 |
| 2711032 | CIAC - Treatment | 0 | 2,205 | 2,205 |
| 2711042 | CIAC - Dist. Reservoirs | 0 | 10,418 | 10,418 |
| 2711043 | CIAC - T&D Mains | 0 | 33,099 | 33,099 |
| 2711045 | CIAC - Services | 0 | 13,826 | 13,826 |
| 2711046 | CIAC - Meters | 0 | 4,115 | 4,115 |
| 2711047 | CIAC - Meter Installations | 0 | 156 | 156 |
| 2711048 | CIAC - Hydrants | 0 | 2,970 | 2,970 |
| | | \$141,714 | \$0 | \$141,714 |

ORANGE COUNTY - WATER

SUB-0620

SUB-0621

TOTAL ADJUSTMENT

| Utility | Account | Balance | Recluses | Balance | Balance | Recluses | Balance | Balance | Recluses | Balance |
|-----------|-------------------------------|----------|------------|----------|----------|------------|----------|----------|------------|----------|
| Acct. No. | Description | 12/31/02 | | 12/31/02 | 12/31/02 | | 12/31/02 | 12/31/02 | | 12/31/02 |
| 2711000 | CIAC - Undistributed | \$21,893 | (\$18,743) | \$3,150 | \$16,510 | (\$13,244) | \$3,266 | \$38,403 | (\$31,987) | \$6,416 |
| 2711010 | CIAC - Tax | 350 | 0 | 350 | 0 | 0 | 0 | 350 | 0 | 350 |
| 2711011 | CIAC - Structures - Source | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2711021 | CIAC - Structures - Pumping | 0 | 658 | 658 | 0 | 341 | 341 | 0 | 1,000 | 1,000 |
| 2711031 | CIAC - Structures - Treatment | 0 | 6 | 6 | 0 | 79 | 79 | 0 | 84 | 84 |
| 2711012 | CIAC - Reservoirs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2711014 | CIAC - Wells & Springs | 0 | 706 | 706 | 0 | 2,482 | 2,482 | 0 | 3,188 | 3,188 |
| 2711025 | CIAC - Pumping | 0 | 1,559 | 1,559 | 0 | 3,462 | 3,462 | 0 | 5,021 | 5,021 |
| 2711032 | CIAC - Treatment | 0 | 423 | 423 | 0 | 406 | 406 | 0 | 830 | 830 |
| 2711042 | CIAC - Dist. Reservoirs | 0 | 183 | 183 | 0 | 358 | 358 | 0 | 541 | 541 |
| 2711043 | CIAC - T&D Mains | 0 | 9,171 | 9,171 | 0 | 4,521 | 4,521 | 0 | 13,692 | 13,692 |
| 2711045 | CIAC - Services | 0 | 2,541 | 2,541 | 0 | 787 | 787 | 0 | 3,328 | 3,328 |
| 2711046 | CIAC - Meters | 0 | 3,454 | 3,454 | 0 | 801 | 801 | 0 | 4,255 | 4,255 |
| 2711047 | CIAC - Meter Installations | 0 | 36 | 36 | 0 | 6 | 6 | 0 | 43 | 43 |
| 2711048 | CIAC - Hydrants | 0 | 5 | 5 | 0 | 0 | 0 | 0 | 5 | 5 |
| | | \$22,243 | \$0 | \$22,243 | \$16,510 | \$0 | \$16,510 | \$38,753 | \$0 | \$38,753 |

PASCO COUNTY - WATER

SUB-0613

SUB-0615

SUB-0626

| Utility | Account | Balance | | Balance | | Balance | | Balance | | Balance |
|-----------|-------------------------------|----------|------------|----------|----------|----------|----------|-----------|-------------|-----------|
| Acct. No. | Description | 12/31/02 | Recluses | 12/31/02 | 12/31/02 | Recluses | 12/31/02 | 12/31/02 | Recluses | 12/31/02 |
| 2711000 | CIAC - Undistributed | \$12,302 | (\$12,302) | \$0 | \$325 | (\$215) | \$110 | \$426,438 | (\$426,438) | \$0 |
| 2711010 | CIAC - Tax | 0 | 0 | 0 | 320 | 0 | 320 | 0 | 0 | 0 |
| 2711011 | CIAC - Structures - Source | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,651 | 6,651 |
| 2711021 | CIAC - Structures - Pumping | 0 | 0 | 0 | 0 | 2 | 2 | 0 | 2,999 | 2,999 |
| 2711031 | CIAC - Structures - Treatment | 0 | 90 | 90 | 0 | 3 | 3 | 0 | 805 | 805 |
| 2711012 | CIAC - Reservoirs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2711014 | CIAC - Wells & Springs | 0 | 101 | 101 | 0 | 10 | 10 | 0 | 101,194 | 101,194 |
| 2711025 | CIAC - Pumping | 0 | 0 | 0 | 0 | 14 | 14 | 0 | 39,166 | 39,166 |
| 2711032 | CIAC - Treatment | 0 | 0 | 0 | 0 | 4 | 4 | 0 | 9,646 | 9,646 |
| 2711042 | CIAC - Dist. Reservoirs | 0 | 200 | 200 | 0 | 14 | 14 | 0 | 15,495 | 15,495 |
| 2711043 | CIAC - T&D Mains | 0 | 9,428 | 9,428 | 0 | 120 | 120 | 0 | 149,717 | 149,717 |
| 2711045 | CIAC - Services | 0 | 565 | 565 | 0 | 17 | 17 | 0 | 46,546 | 46,546 |
| 2711046 | CIAC - Meters | 0 | 1,564 | 1,564 | 0 | 28 | 28 | 0 | 32,811 | 32,811 |
| 2711047 | CIAC - Meter Installations | 0 | 355 | 355 | 0 | 1 | 1 | 0 | 381 | 381 |
| 2711048 | CIAC - Hydrants | 0 | 0 | 0 | 0 | 2 | 2 | 0 | 21,028 | 21,028 |
| | | \$12,302 | \$0 | \$12,302 | \$645 | \$0 | \$645 | \$426,438 | \$0 | \$426,438 |

PASCO COUNTY - WATER

SUB-0629

TOTAL ADJUSTMENT

| Utility | Account | Balance | | Balance | | Balance | | Balance | |
|-----------|-------------------------------|----------|------------|----------|-----------|-------------|-----------|----------|----------|
| Acct. No. | Description | 12/31/02 | Recluses | 12/31/02 | 12/31/02 | Recluses | 12/31/02 | 12/31/02 | Recluses |
| 2711000 | CIAC - Undistributed | \$40,270 | (\$36,580) | \$3,690 | \$479,335 | (\$475,535) | \$3,800 | | |
| 2711010 | CIAC - Tax | 3,065 | 0 | 3,065 | 3,385 | 0 | 3,385 | | |
| 2711011 | CIAC - Structures - Source | 0 | 0 | 0 | 0 | 6,651 | 6,651 | | |
| 2711021 | CIAC - Structures - Pumping | 0 | 1,866 | 1,866 | 0 | 4,868 | 4,868 | | |
| 2711031 | CIAC - Structures - Treatment | 0 | 86 | 86 | 0 | 983 | 983 | | |
| 2711012 | CIAC - Reservoirs | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 2711014 | CIAC - Wells & Springs | 0 | 1,314 | 1,314 | 0 | 102,619 | 102,619 | | |
| 2711025 | CIAC - Pumping | 0 | 3,848 | 3,848 | 0 | 43,028 | 43,028 | | |
| 2711032 | CIAC - Treatment | 0 | 1,656 | 1,656 | 0 | 11,306 | 11,306 | | |
| 2711042 | CIAC - Dist. Reservoirs | 0 | 5,003 | 5,003 | 0 | 20,712 | 20,712 | | |
| 2711043 | CIAC - T&D Mains | 0 | 14,352 | 14,352 | 0 | 173,616 | 173,616 | | |
| 2711045 | CIAC - Services | 0 | 4,750 | 4,750 | 0 | 51,878 | 51,878 | | |
| 2711046 | CIAC - Meters | 0 | 3,681 | 3,681 | 0 | 38,083 | 38,083 | | |
| 2711047 | CIAC - Meter Installations | 0 | 24 | 24 | 0 | 761 | 761 | | |
| 2711048 | CIAC - Hydrants | 0 | 0 | 0 | 0 | 21,029 | 21,029 | | |
| | | \$43,335 | \$0 | \$43,335 | \$482,720 | \$0 | \$482,720 | | |

PINELLAS COUNTY - WATER

TOTAL ADJUSTMENT

| Utility Acct. No. | Account Description | Balance 12/31/02 | Recluses | Balance 12/31/02 |
|----------------------|-------------------------------|---------------------|-------------|---------------------|
| 2711000 | CIAC - Undistributed | \$138,847 | (\$137,940) | \$907 |
| 2711010 | CIAC - Tax | 0 | 0 | 0 |
| 2711011 | CIAC - Structures - Source | 0 | 0 | 0 |
| 2711021 | CIAC - Structures - Pumping | 0 | 1,867 | 1,867 |
| 2711031 | CIAC - Structures - Treatment | 0 | 307 | 307 |
| 2711012 | CIAC - Reservoirs | 0 | 0 | 0 |
| 2711014 | CIAC - Wells & Springs | 0 | 11,008 | 11,008 |
| 2711025 | CIAC - Pumping | 0 | 2,565 | 2,565 |
| 2711032 | CIAC - Treatment | 0 | 4,599 | 4,599 |
| 2711042 | CIAC - Dist. Reservoirs | 0 | 12,344 | 12,344 |
| 2711043 | CIAC - T&D Mains | 0 | 66,971 | 66,971 |
| 2711045 | CIAC - Services | 0 | 32,440 | 32,440 |
| 2711046 | CIAC - Meters | 0 | 5,076 | 5,076 |
| 2711047 | CIAC - Meter Installations | 0 | 167 | 167 |
| 2711048 | CIAC - Hydrants | 0 | 596 | 596 |
| | | \$138,847 | \$0 | \$138,847 |

SEMINOLE COUNTY - WATER

SUB-602

SUB-604

SUB-606

| Utility Acct. No. | Account Description | Balance 12/31/02 | Recluses | Balance 12/31/02 | Balance 12/31/02 | Recluses | Balance 12/31/02 | Balance 12/31/02 | Recluses | Balance 12/31/02 |
|----------------------|-------------------------------|---------------------|-------------|---------------------|---------------------|------------|---------------------|---------------------|------------|---------------------|
| 2711000 | CIAC - Undistributed | \$379,106 | (\$371,866) | \$7,240 | \$52,234 | (\$51,884) | \$350 | \$11,763 | (\$11,763) | \$0 |
| 2711010 | CIAC - Tax | 350 | 0 | 350 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2711011 | CIAC - Structures - Source | 0 | 38 | 38 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2711021 | CIAC - Structures - Pumping | 0 | 9,901 | 9,901 | 0 | 2,086 | 2,086 | 0 | 1,266 | 1,266 |
| 2711031 | CIAC - Structures - Treatment | 0 | 2,222 | 2,222 | 0 | 110 | 110 | 0 | 95 | 95 |
| 2711012 | CIAC - Reservoirs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2711014 | CIAC - Wells & Springs | 0 | 13,527 | 13,527 | 0 | 1,560 | 1,560 | 0 | 258 | 258 |
| 2711025 | CIAC - Pumping | 0 | 39,897 | 39,897 | 0 | 7,209 | 7,209 | 0 | 2,563 | 2,563 |
| 2711032 | CIAC - Treatment | 0 | 11,242 | 11,242 | 0 | 3,620 | 3,620 | 0 | 801 | 801 |
| 2711042 | CIAC - Dist. Reservoirs | 0 | 12,395 | 12,395 | 0 | 9,718 | 9,718 | 0 | 1,181 | 1,181 |
| 2711043 | CIAC - T&D Mains | 0 | 177,892 | 177,892 | 0 | 20,581 | 20,581 | 0 | 3,342 | 3,342 |
| 2711045 | CIAC - Services | 0 | 38,947 | 38,947 | 0 | 3,563 | 3,563 | 0 | 1,051 | 1,051 |
| 2711046 | CIAC - Meters | 0 | 48,335 | 48,335 | 0 | 2,424 | 2,424 | 0 | 804 | 804 |
| 2711047 | CIAC - Meter Installations | 0 | 517 | 517 | 0 | 44 | 44 | 0 | 403 | 403 |
| 2711048 | CIAC - Hydrants | 0 | 16,956 | 16,956 | 0 | 970 | 970 | 0 | 0 | 0 |
| | | \$379,456 | \$0 | \$379,456 | \$52,234 | \$0 | \$52,234 | \$11,763 | \$0 | \$11,763 |

SEMINOLE COUNTY - WATER

SUB-608

SUB-610

SUB-612

| Utility | Account | Balance | | Balance | | Balance | | Balance | | Balance |
|-----------|-------------------------------|----------|------------|----------|----------|------------|----------|----------|------------|----------|
| Acct. No. | Description | 12/31/02 | Recluses | 12/31/02 | 12/31/02 | Recluses | 12/31/02 | 12/31/02 | Recluses | 12/31/02 |
| 2711000 | CIAC - Undistributed | \$35,918 | (\$35,068) | \$850 | \$23,803 | (\$21,733) | \$2,070 | \$34,106 | (\$18,436) | \$15,670 |
| 2711010 | CIAC - Tax | 0 | 0 | 0 | 500 | 0 | 500 | 2,100 | 0 | 2,100 |
| 2711011 | CIAC - Structures - Source | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2711021 | CIAC - Structures - Pumping | 0 | 3,342 | 3,342 | 0 | 1,341 | 1,341 | 0 | 205 | 205 |
| 2711031 | CIAC - Structures - Treatment | 0 | 586 | 586 | 0 | 122 | 122 | 0 | 182 | 182 |
| 2711012 | CIAC - Reservoirs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2711014 | CIAC - Wells & Springs | 0 | 1,870 | 1,870 | 0 | 1,013 | 1,013 | 0 | 462 | 462 |
| 2711025 | CIAC - Pumping | 0 | 7,709 | 7,709 | 0 | 1,997 | 1,997 | 0 | 2,431 | 2,431 |
| 2711032 | CIAC - Treatment | 0 | 3,819 | 3,819 | 0 | 1,541 | 1,541 | 0 | 399 | 399 |
| 2711042 | CIAC - Dist. Reservoirs | 0 | 2,443 | 2,443 | 0 | 1,074 | 1,074 | 0 | 642 | 642 |
| 2711043 | CIAC - T&D Mains | 0 | 11,343 | 11,343 | 0 | 12,511 | 12,511 | 0 | 12,124 | 12,124 |
| 2711045 | CIAC - Services | 0 | 2,569 | 2,569 | 0 | 1,659 | 1,659 | 0 | 1,417 | 1,417 |
| 2711046 | CIAC - Meters | 0 | 1,258 | 1,258 | 0 | 467 | 467 | 0 | 512 | 512 |
| 2711047 | CIAC - Meter Installations | 0 | 130 | 130 | 0 | 8 | 8 | 0 | 63 | 63 |
| 2711048 | CIAC - Hydrants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | \$35,918 | \$0 | \$35,918 | \$24,303 | \$0 | \$24,303 | \$36,206 | \$0 | \$36,206 |

SEMINOLE COUNTY - WATER

SUB-614

SUB-616

SUB-618

| Utility | Account | Balance | | Balance | | Balance | | Balance | | Balance |
|-----------|-------------------------------|----------|------------|----------|----------|------------|----------|----------|------------|----------|
| Acct. No. | Description | 12/31/02 | Recluses | 12/31/02 | 12/31/02 | Recluses | 12/31/02 | 12/31/02 | Recluses | 12/31/02 |
| 2711000 | CIAC - Undistributed | \$74,084 | (\$73,034) | \$1,050 | \$32,337 | (\$30,276) | \$2,061 | \$93,811 | (\$75,041) | \$18,770 |
| 2711010 | CIAC - Tax | 0 | 0 | 0 | 0 | 0 | 0 | 1,400 | 0 | 1,400 |
| 2711011 | CIAC - Structures - Source | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2711021 | CIAC - Structures - Pumping | 0 | 5,329 | 5,329 | 0 | 1,499 | 1,499 | 0 | 1,068 | 1,068 |
| 2711031 | CIAC - Structures - Treatment | 0 | 7,168 | 7,168 | 0 | 58 | 58 | 0 | 516 | 516 |
| 2711012 | CIAC - Reservoirs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2711014 | CIAC - Wells & Springs | 0 | 1,928 | 1,928 | 0 | 747 | 747 | 0 | 17,567 | 17,567 |
| 2711025 | CIAC - Pumping | 0 | 12,898 | 12,898 | 0 | 8,321 | 8,321 | 0 | 19,002 | 19,002 |
| 2711032 | CIAC - Treatment | 0 | 4,194 | 4,194 | 0 | 426 | 426 | 0 | 1,751 | 1,751 |
| 2711042 | CIAC - Dist. Reservoirs | 0 | 10,528 | 10,528 | 0 | 6,042 | 6,042 | 0 | 4,362 | 4,362 |
| 2711043 | CIAC - T&D Mains | 0 | 19,932 | 19,932 | 0 | 8,490 | 8,490 | 0 | 22,981 | 22,981 |
| 2711045 | CIAC - Services | 0 | 6,006 | 6,006 | 0 | 2,741 | 2,741 | 0 | 6,187 | 6,187 |
| 2711046 | CIAC - Meters | 0 | 4,794 | 4,794 | 0 | 1,896 | 1,896 | 0 | 865 | 865 |
| 2711047 | CIAC - Meter Installations | 0 | 255 | 255 | 0 | 56 | 56 | 0 | 146 | 146 |
| 2711048 | CIAC - Hydrants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 595 | 595 |
| | | \$74,084 | \$0 | \$74,084 | \$32,337 | \$0 | \$32,337 | \$95,211 | \$0 | \$95,211 |

SEMINOLE COUNTY - WATER

TOTAL ADJUSTMENT

| Utility | Account | Balance | | Balance |
|-----------|-------------------------------|-----------|---------------|---------------|
| Acct. No. | Description | 12/31/02 | Recluses | 12/31/02 |
| 2711000 | CIAC - Undistributed | \$737,162 | (\$689,101) | \$48,061 |
| 2711010 | CIAC - Tax | 4,350 | 0 | 4,350 |
| 2711011 | CIAC - Structures - Source | 0 | 38 | 38 |
| 2711021 | CIAC - Structures - Pumping | 0 | 26,036 | 26,036 |
| 2711031 | CIAC - Structures - Treatment | 0 | 11,058 | 11,058 |
| 2711012 | CIAC - Reservoirs | 0 | 0 | 0 |
| 2711014 | CIAC - Wells & Springs | 0 | 38,931 | 38,931 |
| 2711025 | CIAC - Pumping | 0 | 102,028 | 102,028 |
| 2711032 | CIAC - Treatment | 0 | 27,793 | 27,793 |
| 2711042 | CIAC - Dist. Reservoirs | 0 | 48,385 | 48,385 |
| 2711043 | CIAC - T&D Mains | 0 | 289,195 | 289,195 |
| 2711045 | CIAC - Services | 0 | 64,140 | 64,140 |
| 2711046 | CIAC - Meters | 0 | 61,354 | 61,354 |
| 2711047 | CIAC - Meter Installations | 0 | 1,623 | 1,623 |
| 2711048 | CIAC - Hydrants | <u>0</u> | <u>18,520</u> | <u>18,520</u> |
| | | \$741,512 | \$0 | \$741,512 |

PASCO COUNTY - W/WATER

SUB-0613

SUB-0625

TOTAL ADJUSTMENT

| Utility | Account | Balance | | Balance | Balance | | Balance | Balance | | Balance |
|-----------|-------------------------|----------|------------|----------|-----------|-------------|-----------|-----------|-------------|----------|
| Acct. No. | Description | 12/31/02 | Reclass | 12/31/02 | 12/31/02 | Reclass | 12/31/02 | 12/31/02 | Reclass | 12/31/02 |
| 2721000 | CIAC - Undistributed | \$17,232 | (\$17,232) | \$0 | \$463,032 | (\$463,032) | \$0 | \$480,264 | (\$480,264) | \$0 |
| 2721010 | CIAC - Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2721011 | CIAC - Lift Station | 0 | 3,123 | 3,123 | 0 | 69,208 | 69,208 | 0 | 72,331 | 72,331 |
| 2721003 | CIAC - Structures | 0 | 0 | 0 | 0 | 14,355 | 14,355 | 0 | 14,355 | 14,355 |
| 2721012 | CIAC - Spray Irrigation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2721006 | CIAC - Services | 0 | 45 | 45 | 0 | 36,691 | 36,691 | 0 | 36,736 | 36,736 |
| 2721007 | CIAC - Force Mains | 0 | 3,002 | 3,002 | 0 | 52,178 | 52,178 | 0 | 55,180 | 55,180 |
| 2721008 | CIAC - Gravity Mains | 0 | 24 | 24 | 0 | 167,237 | 167,237 | 0 | 167,261 | 167,261 |
| 2721098 | CIAC - Manholes | 0 | 0 | 0 | 0 | 8,685 | 8,685 | 0 | 8,685 | 8,685 |
| 2721004 | CIAC - Lagoons | 0 | 0 | 0 | 0 | 54,794 | 54,794 | 0 | 54,794 | 54,794 |
| 2721005 | CIAC - Treatment Plant | 0 | 11,038 | 11,038 | 0 | 59,885 | 59,885 | 0 | 70,923 | 70,923 |
| 2721009 | CIAC - Outfall Lines | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | \$17,232 | \$0 | \$17,232 | \$463,032 | \$0 | \$463,032 | 480,264 | 0 | 480,264 |

SEMINOLE COUNTY - W/WATER

SUB-602

SUB-614

TOTAL ADJUSTMENT

| Utility | Account | Balance | | Balance | Balance | | Balance | Balance | | Balance |
|-----------|-------------------------|-----------|-------------|-----------|-----------|-------------|-----------|-----------|-------------|-----------|
| Acct. No. | Description | 12/31/02 | Reclass | 12/31/02 | 12/31/02 | Reclass | 12/31/02 | 12/31/02 | Reclass | 12/31/02 |
| 2721000 | CIAC - Undistributed | \$499,841 | (\$495,611) | \$4,230 | \$110,209 | (\$109,639) | \$570 | \$610,051 | (\$605,251) | \$4,800 |
| 2721010 | CIAC - Tax | 0 | 0 | 0 | 570 | 0 | 570 | 570 | 0 | 570 |
| 2721011 | CIAC - Lift Station | 01/00/00 | 110,225 | 10/12/01 | 01/00/00 | 3,835 | 07/01/10 | 01/00/00 | 114,060 | 04/13/12 |
| 2721003 | CIAC - Structures | \$0 | \$61,833 | \$61,833 | \$0 | \$3,941 | \$3,941 | \$0 | \$65,774 | \$65,774 |
| 2721012 | CIAC - Spray Irrigation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2721006 | CIAC - Services | 0 | 37,273 | 37,273 | 0 | 1,624 | 1,624 | 0 | 38,897 | 38,897 |
| 2721007 | CIAC - Force Mains | 0 | 4,034 | 4,034 | 0 | 21 | 21 | 0 | 4,056 | 4,056 |
| 2721008 | CIAC - Gravity Mains | 0 | 256,483 | 256,483 | 0 | 74,966 | 74,966 | 0 | 331,449 | 331,449 |
| 2721098 | CIAC - Manholes | 0 | 23,146 | 23,146 | 0 | 2 | 2 | 0 | 23,148 | 23,148 |
| 2721004 | CIAC - Lagoons | 0 | 0 | 0 | 0 | 41 | 41 | 0 | 41 | 41 |
| 2721005 | CIAC - Treatment Plant | 0 | 2,616 | 2,616 | 0 | 25,209 | 25,209 | 0 | 27,825 | 27,825 |
| 2721009 | CIAC - Outfall Lines | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | \$499,841 | \$0 | \$499,841 | \$110,779 | \$0 | \$110,779 | \$610,621 | \$0 | \$610,621 |

AUDIT FINDING NO. 37

SUBJECT: INFORMATION ON CAPITAL STRUCTURE

AUDIT ANALYSIS: The utility's filings reflect the following capital structure balances for each of the five county systems prior to the reconciliation with the average rate base balance as of December 31, 2005.

| Marion County | Prior Year | Test Year | 13-month | |
|--------------------------|----------------------|----------------------|----------------------|------------------|
| <u>Class of Capital</u> | <u>12/31/2004</u> | <u>12/31/2005</u> | <u>Average</u> | <u>Cost Rate</u> |
| Long Term Debt | \$112,803,215 | \$135,285,191 | \$133,025,102 | 6.65% |
| Short Term Debt | 18,768,000 | 3,926,000 | 4,522,923 | 5.01% |
| Common Equity | 88,963,597 | 92,611,247 | 91,510,699 | 11.78% |
| Customer Deposits | 6,350 | 6,040 | 6,448 | 6.00% |
| Tax Credits - Zero Costs | 7,566 | 7,566 | 7,566 | 0.00% |
| Acc Deferred Income Tax | <u>75,542</u> | <u>75,542</u> | <u>75,542</u> | 0.00% |
| Totals | \$220,624,270 | \$231,911,586 | \$229,148,280 | |

| Orange County | Prior Year | Test Year | 13-month | |
|--------------------------|----------------------|----------------------|----------------------|------------------|
| <u>Class of Capital</u> | <u>12/31/2004</u> | <u>12/31/2005</u> | <u>Average</u> | <u>Cost Rate</u> |
| Long Term Debt | \$112,803,215 | \$135,285,191 | \$133,025,102 | 6.65% |
| Short Term Debt | 18,768,000 | 3,926,000 | 4,522,923 | 5.01% |
| Common Equity | 88,963,597 | 92,611,247 | 91,510,699 | 11.78% |
| Customer Deposits | 5,880 | 5,660 | 5,814 | 6.00% |
| Tax Credits - Zero Costs | 1,545 | 1,545 | 1,545 | 0.00% |
| Acc Deferred Income Tax | <u>15,430</u> | <u>15,430</u> | <u>15,430</u> | 0.00% |
| Totals | \$220,557,667 | \$231,845,073 | \$229,081,513 | |

| Pasco County | Prior Year | Test Year | 13-month | |
|--------------------------|----------------------|----------------------|----------------------|------------------|
| <u>Class of Capital</u> | <u>12/31/2004</u> | <u>12/31/2005</u> | <u>Average</u> | <u>Cost Rate</u> |
| Long Term Debt | \$112,803,215 | \$135,285,191 | \$133,025,102 | 6.65% |
| Short Term Debt | 18,768,000 | 3,926,000 | 4,522,923 | 5.01% |
| Common Equity | 88,963,597 | 92,611,247 | 91,510,699 | 11.78% |
| Customer Deposits | 22,570 | 23,740 | 23,850 | 6.00% |
| Tax Credits - Zero Costs | 38,207 | 38,207 | 38,207 | 0.00% |
| Acc Deferred Income Tax | <u>381,463</u> | <u>381,463</u> | <u>381,463</u> | 0.00% |
| Totals | \$220,977,052 | \$232,265,848 | \$229,502,244 | |

| Pinellas County | Prior Year | Test Year | 13-month | |
|--------------------------|----------------------|----------------------|----------------------|------------------|
| <u>Class of Capital</u> | <u>12/31/2004</u> | <u>12/31/2005</u> | <u>Average</u> | <u>Cost Rate</u> |
| Long Term Debt | \$112,803,215 | \$135,285,191 | \$133,025,102 | 6.65% |
| Short Term Debt | 18,768,000 | 3,926,000 | 4,522,923 | 5.01% |
| Common Equity | 88,963,597 | 92,611,247 | 91,510,699 | 11.78% |
| Customer Deposits | 3,645 | 3,645 | 3,560 | 6.00% |
| Tax Credits - Zero Costs | 3,617 | 3,617 | 3,617 | 0.00% |
| Acc Deferred Income Tax | <u>36,110</u> | <u>36,110</u> | <u>36,110</u> | 0.00% |
| Totals | \$220,578,184 | \$231,865,810 | \$229,102,011 | |

| Seminole County | Prior Year | Test Year | 13-month | |
|--------------------------|----------------------|----------------------|----------------------|------------------|
| <u>Class of Capital</u> | <u>12/31/2004</u> | <u>12/31/2005</u> | <u>Average</u> | <u>Cost Rate</u> |
| Long Term Debt | \$112,803,215 | \$135,285,191 | \$133,025,102 | 6.65% |
| Short Term Debt | 18,768,000 | 3,926,000 | 4,522,923 | 5.01% |
| Common Equity | 88,963,597 | 92,611,247 | 91,510,699 | 11.78% |
| Customer Deposits | 45,295 | 45,935 | 45,500 | 6.00% |
| Tax Credits - Zero Costs | 56,388 | 56,388 | 56,388 | 0.00% |
| Acc Deferred Income Tax | <u>562,979</u> | <u>562,979</u> | <u>562,979</u> | 0.00% |
| Totals | \$221,199,474 | \$232,487,740 | \$229,723,591 | |

The Commission's Division of Regulatory Compliance and Consumer Assistance, at the request of the Division of Economic Regulation, performed an affiliate transaction audit of Utilities, Inc. and its subsidiary WSC for the 12-month period ended December 31, 2005, in Docket No. 060253-WS. The scope of the audit included a review of the Utilities, Inc.'s, the parent, capital structure component balances as of December 31, 2005. The audit report, issued July 15, 2006 determined the following average balances for Utilities Inc of Florida's parent level capital along with each corresponding counties level of capital as of December 31, 2005.

| Marion County | Prior Year | Test Year | 13-month | |
|---------------------------------|----------------------|----------------------|----------------------|------------------|
| <u>Class of Capital</u> | <u>12/31/2004</u> | <u>12/31/2005</u> | <u>Average</u> | <u>Cost Rate</u> |
| Parent Level | | | | |
| Long Term Debt | \$112,803,215 | \$135,285,191 | \$133,025,102 | 6.58% |
| Short Term Debt | 18,768,000 | 3,926,000 | 4,403,615 | 5.14% |
| * Common Equity | 92,087,507 | 95,673,345 | 94,603,703 | |
| UIF- Marion County Level | | | | |
| Customer Deposits | 6,350 | 6,040 | 6,448 | 6.00% |
| Tax Credits - Zero Costs | 7,566 | 7,566 | 7,566 | 0.00% |
| Acc Deferred Income Tax | <u>75,542</u> | <u>75,542</u> | <u>75,542</u> | 0.00% |
| Totals | \$223,748,180 | \$234,973,684 | \$232,121,976 | |

| Orange County | Prior Year | Test Year | 13-month | |
|---------------------------------|----------------------|----------------------|----------------------|------------------|
| <u>Class of Capital</u> | <u>12/31/2004</u> | <u>12/31/2005</u> | <u>Average</u> | <u>Cost Rate</u> |
| Parent Level | | | | |
| Long Term Debt | \$112,803,215 | \$135,285,191 | \$133,025,102 | 6.58% |
| Short Term Debt | 18,768,000 | 3,926,000 | 4,403,615 | 5.14% |
| * Common Equity | 92,087,507 | 95,673,345 | 94,603,703 | |
| UIF- Orange County Level | | | | |
| Customer Deposits | 5,880 | 5,660 | 5,814 | 6.00% |
| Tax Credits - Zero Costs | 1,545 | 1,545 | 1,545 | 0.00% |
| Acc Deferred Income Tax | <u>15,430</u> | <u>15,430</u> | <u>15,430</u> | 0.00% |
| Totals | \$223,681,577 | \$234,907,171 | \$232,055,209 | |

| Pasco County | Prior Year | Test Year | 13-month | |
|----------------------------|-------------------|-------------------|----------------|------------------|
| <u>Class of Capital</u> | <u>12/31/2004</u> | <u>12/31/2005</u> | <u>Average</u> | <u>Cost Rate</u> |
| Parent Level | | | | |
| Long Term Debt | \$112,803,215 | \$135,285,191 | \$133,025,102 | 6.58% |
| Short Term Debt | 18,768,000 | 3,926,000 | 4,403,615 | 5.14% |
| * Common Equity | 92,087,507 | 95,673,345 | 94,603,703 | |
| UIF- Pasco County Level | | | | |
| Customer Deposits | 22,570 | 23,740 | 23,850 | 6.00% |
| Tax Credits - Zero Costs | 38,207 | 38,207 | 38,207 | 0.00% |
| Acc Deferred Income Tax | <u>381,463</u> | <u>381,463</u> | <u>381,463</u> | 0.00% |
| Totals | \$224,100,962 | \$235,327,946 | \$232,475,940 | |
| Pinellas County | Prior Year | Test Year | 13-month | |
| <u>Class of Capital</u> | <u>12/31/2004</u> | <u>12/31/2005</u> | <u>Average</u> | <u>Cost Rate</u> |
| Parent Level | | | | |
| Long Term Debt | \$112,803,215 | \$135,285,191 | \$133,025,102 | 6.58% |
| Short Term Debt | 18,768,000 | 3,926,000 | 4,403,615 | 5.14% |
| * Common Equity | 92,087,507 | 95,673,345 | 94,603,703 | |
| UIF- Pinellas County Level | | | | |
| Customer Deposits | 3,645 | 3,645 | 3,560 | 6.00% |
| Tax Credits - Zero Costs | 3,617 | 3,617 | 3,617 | 0.00% |
| Acc Deferred Income Tax | <u>36,110</u> | <u>36,110</u> | <u>36,110</u> | 0.00% |
| Totals | \$223,702,094 | \$234,927,908 | \$232,075,707 | |
| Seminole County | Prior Year | Test Year | 13-month | |
| <u>Class of Capital</u> | <u>12/31/2004</u> | <u>12/31/2005</u> | <u>Average</u> | <u>Cost Rate</u> |
| Parent Level | | | | |
| Long Term Debt | \$112,803,215 | \$135,285,191 | \$133,025,102 | 6.58% |
| Short Term Debt | 18,768,000 | 3,926,000 | 4,403,615 | 5.14% |
| * Common Equity | 92,087,507 | 95,673,345 | 94,603,703 | |
| UIF- Seminole County Level | | | | |
| Customer Deposits | 45,295 | 45,935 | 45,500 | 6.00% |
| Tax Credits - Zero Costs | 56,388 | 56,388 | 56,388 | 0.00% |
| Acc Deferred Income Tax | <u>562,979</u> | <u>562,979</u> | <u>562,979</u> | 0.00% |
| Totals | \$224,323,384 | \$235,549,838 | \$232,697,287 | |

* The cost rate for common equity to be determined after reconciliation to the utility's average rate base.

Based on the above affiliate audit report findings, the average common equity balance should be increased by \$3,093,004 (\$94,603,703 - \$91,510,699), the long-term debt cost rate should be decreased by 0.07 percent (6.65% - 6.58%).

EFFECT ON THE GENERAL LEDGER: None, because capital structure balances are only used in rate case proceedings.

EFFECT ON THE FILING: To be determined by the analyst in Tallahassee.

EXHIBIT NO. 1

Schedule of Water Rate Base

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Marion County
 Docket No.: 060253-WS
 Schedule Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: A-1
 Page 1 of 1
 Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

| Line No. | (1) Description | (2) Average Amount Per Books | (3) A-3 Utility Adjustments | (4) Adjusted Utility Balance | (5) Supporting Schedule(s) |
|----------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------------------|
| 1 | Utility Plant in Service | \$ 677,507 | \$ 36,978 (A) | \$ 714,485 | A-5, A-3 |
| 2 | | | | | |
| 3 | Utility Land & Land Rights | 17,082 | - | 17,082 | A-5, A-3 |
| 4 | | | | | |
| 5 | Less: Non-Used & Useful Plant | - | - | - | A-7, A-3 |
| 6 | | | | | |
| 7 | Construction Work in Progress | 39,336 | (39,336) (C) | - | - |
| 8 | | | | | |
| 9 | Less: Accumulated Depreciation | (299,941) | (31,750) (D) | (331,691) | A-9, A-3 |
| 10 | | | | | |
| 11 | Less: CIAC | (151,110) | - | (151,110) | A-12 |
| 12 | | | | | |
| 13 | Accumulated Amortization of CIAC | 61,322 | - | 61,322 | A-14 |
| 14 | | | | | |
| 15 | Acquisition Adjustments | - | | | - |
| 16 | | | | | |
| 17 | Accum. Amort. of Acq. Adjustments | - | | | - |
| 18 | | | | | |
| 19 | Advances For Construction | - | | | A-16 |
| 20 | | | | | |
| 21 | Working Capital Allowance | - | 126,774 (E) | 126,774 | A-17, A-3 |
| 22 | | | | | |
| 23 | Total Rate Base | \$ 344,196 | \$ 92,666 | \$ 436,862 | |

EXHIBIT NO. 2

Schedule of Water Rate Base

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Orange County
 Docket No.: 060253 - WS
 Schedule Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: A-1
 Page 1 of 1
 Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

| Line No. | (1) Description | (2) Average Amount Per Books | (3) A-3 Utility Adjustments | (4) Adjusted Utility Balance | (5) Supporting Schedule(s) |
|----------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------------------|
| 1 | Utility Plant In Service | \$ 177,468 | | \$ 177,468 | A-5 |
| 2 | | | | | |
| 3 | Utility Land & Land Rights | - | | - | A-5 |
| 4 | | | | | |
| 5 | Less: Non-Used & Useful Plant | | | - | A-7 |
| 6 | | | | | |
| 7 | Construction Work in Progress | | | - | - |
| 8 | | | | | |
| 9 | Less: Accumulated Depreciation | (79,913) | | (79,913) | A-9 |
| 10 | | | | | |
| 11 | Less: CIAC | (28,860) | | (28,860) | A-12 |
| 12 | | | | | |
| 13 | Accumulated Amortization of CIAC | 26,540 | | 26,540 | A-14 |
| 14 | | | | | |
| 15 | Acquisition Adjustments | | | - | - |
| 16 | | | | | |
| 17 | Accum. Amort. of Acq. Adjustments | | | - | - |
| 18 | | | | | |
| 19 | Advances For Construction | | | - | A-16 |
| 20 | | | | | |
| 21 | Working Capital Allowance | | 107,107 (A) | 107,107 | A-17 |
| 22 | | | | | |
| 23 | Total Rate Base | \$ 95,235 | \$ 107,107 | \$ 202,342 | |

EXHIBIT NO. 3

Schedule of Water Rate Base

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Pasco County
 Docket No.: 060253 - WS
 Schedule Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: A-1
 Page 1 of 1
 Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

| Line No. | (1) Description | (2) Average Amount Per Books | (3) A-3 Utility Adjustments | (4) Adjusted Utility Balance | (5) Supporting Schedule(s) |
|----------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------------------|
| 1 | Utility Plant in Service | \$ 3,195,102 | \$ 141,298 (A) | \$ 3,336,400 | A-3, A-5 |
| 2 | | | | | |
| 3 | Utility Land & Land Rights | 2,718 | 9,000 (A) | 11,718 | A-3, A-5 |
| 4 | | | | | |
| 5 | Less: Non-Used & Useful Plant | | | - | A-7 |
| 6 | | | | | |
| 7 | Construction Work in Progress | 261,878 | (261,878) (B) | - | A-3 |
| 8 | | | | | |
| 9 | Less: Accumulated Depreciation | (1,164,562) | 3,095 (C) | (1,161,467) | A-3, A-9 |
| 10 | | | | | |
| 11 | Less: CIAC | (595,435) | | (595,435) | A-12 |
| 12 | | | | | |
| 13 | Accumulated Amortization of CIAC | 339,096 | | 339,096 | A-14 |
| 14 | | | | | |
| 15 | Acquisition Adjustments | | | | - |
| 16 | | | | | |
| 17 | Accum. Amort. of Acq. Adjustments | | | | - |
| 18 | | | | | |
| 19 | Advances For Construction | | | | A-16 |
| 20 | | | | | |
| 21 | Working Capital Allowance | - | 648,489 (D) | 648,489 | A-17 |
| 22 | | | | | |
| 23 | Total Rate Base | \$ 2,038,797 | \$ 540,004 | \$ 2,578,801 | |

EXHIBIT NO. 4

Schedule of Water Rate Base

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Pinellas County
 Docket No.: 060253 - WS
 Schedule Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: A-1
 Page 1 of 1
 Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

| Line No. | Description | Average Amount Per Books | A-3 Utility Adjustments | Adjusted Utility Balance | Supporting Schedule(s) |
|----------|-----------------------------------|--------------------------|-------------------------|--------------------------|------------------------|
| 1 | | | | | |
| 2 | Utility Plant in Service | \$ 410,162 | \$ 14,988 (A) | \$ 425,150 | A-3, A-5 |
| 3 | | | | | |
| 4 | Utility Land & Land Rights | 6,106 | - | 6,106 | A-5 |
| 5 | | | | | |
| 6 | Less: Non-Used & Useful Plant | - | - | - | A-7 |
| 7 | | | | | |
| 8 | Construction Work in Progress | | | - | A-18 |
| 9 | | | | | |
| 10 | Less: Accumulated Depreciation | (80,431) | (6,533) (B) | (86,964) | A-3, A-9 |
| 11 | | | | | |
| 12 | Less: CIAC | (138,847) | | (138,847) | A-12 |
| 13 | | | | | |
| 14 | Accumulated Amortization of CIAC | 58,324 | | 58,324 | A-14 |
| 15 | | | | | |
| 16 | Acquisition Adjustments | | | - | - |
| 17 | | | | | |
| 18 | Accum. Amort. of Acq. Adjustments | | | - | - |
| 19 | | | | | |
| 20 | Advances For Construction | | | - | A-16 |
| 21 | | | | | |
| 22 | Working Capital Allowance | - | 98,602 (C) | 98,602 | A-3, A-17 |
| 23 | | | | | |
| 24 | Total Rate Base | \$ 255,314 | \$ 107,057 | \$ 362,371 | |

EXHIBIT NO. 5

Schedule of Water Rate Base

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Seminole County
 Docket No.: 060253 - WS
 Schedule Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: A-1
 Page 1 of 1
 Preparer: Steven M. Lubertozi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

| Line No. | (1) Description | (2) Average Amount Per Books | (3) A-3 Utility Adjustments | (4) Adjusted Utility Balance | (5) Supporting Schedule(s) |
|----------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------------------|
| 1 | Utility Plant in Service | \$ 3,362,863 | \$ 239,017 (A) | \$ 3,601,880 | A-3, A-5 |
| 2 | | | | | |
| 3 | Utility Land & Land Rights | 16,511 | | 16,511 | A-5 |
| 4 | | | | | |
| 5 | Less: Non-Used & Useful Plant | - | - | - | A-7 |
| 6 | | | | | |
| 7 | Construction Work in Progress | 358,579 | (358,579) (B) | - | A-3, A-5 |
| 8 | | | | | |
| 9 | Less: Accumulated Depreciation | (1,180,749) | 4,243 (C) | (1,176,506) | A-3, A-9 |
| 10 | | | | | |
| 11 | Less: CIAC | (801,335) | | (801,335) | A-12 |
| 12 | | | | | |
| 13 | Accumulated Amortization of CIAC | 588,929 | | 588,929 | A-14 |
| 14 | | | | | |
| 15 | Acquisition Adjustments | | | | - |
| 16 | | | | | |
| 17 | Accum. Amort. of Acq. Adjustments | | | | - |
| 18 | | | | | |
| 19 | Advances For Construction | | | | A-16 |
| 20 | | | | | |
| 21 | Working Capital Allowance | - | 626,429 (D) | 626,429 | A-3, A-17 |
| 22 | | | | | |
| 23 | Total Rate Base | \$ 2,344,798 | \$ 511,110 | \$ 2,855,908 | |

EXHIBIT NO. 6

Schedule of Wastewater Rate Base

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Marion County
 Docket No.: 060253-WS
 Schedule Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: A-2
 Page 1 of 1
 Preparer: Steven M. Lubertozi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

| Line No. | (1) Description | (2) Average Amount Per Books | (3) A-3 Utility Adjustments | (4) Adjusted Utility Balance | (5) Supporting Schedule(s) |
|----------|-------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------------------|
| 1 | Utility Plant in Service | \$ 165,388 | \$ 3,180 (A) | \$ 168,568 | A-6, A-3 |
| 2 | | | | | |
| 3 | Utility Land & Land Rights | 10,800 | - | 10,800 | A-6 |
| 4 | | | | | |
| 5 | Less: Non-Used & Useful Plant (net) | - | (26,707) (B) | (26,707) | A-7, A-3 |
| 6 | | | | | |
| 7 | Construction Work in Progress | - | - | - | - |
| 8 | | | | | |
| 9 | Less: Accumulated Depreciation | (44,567) | (106) (D) | (44,673) | A-10, A-3 |
| 10 | | | | | |
| 11 | Less: CIAC | (1,938) | - | (1,938) | A-12 |
| 12 | | | | | |
| 13 | Accumulated Amortization of CIAC | 174 | - | 174 | A-14 |
| 14 | | | | | |
| 15 | Acquisition Adjustments | - | - | - | - |
| 16 | | | | | |
| 17 | Accum. Amort. of Acq. Adjustments | - | - | - | - |
| 18 | | | | | |
| 19 | Advances For Construction | - | - | - | A-16 |
| 20 | | | | | |
| 21 | Working Capital Allowance | - | 35,879 (E) | 35,879 | A-17 |
| 22 | | | | | |
| 23 | Total Rate Base | \$ 129,857 | \$ 12,246 | \$ 142,103 | |

EXHIBIT NO. 7

Schedule of Wastewater Rate Base

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Pasco County
 Docket No.: 060253 - WS
 Schedule Year Ended: 12/31/05
 Interim Final
 Historic Projected

Schedule: A-2
 Page 1 of 1
 Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

| Line No. | (1) Description | (2) Average Amount Per Books | (3) A-3 Utility Adjustments | (4) Adjusted Utility Balance | (5) Supporting Schedule(s) |
|----------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------------------|
| 1 | Utility Plant In Service | \$ 1,190,321 | \$ 199,580 (A) | \$ 1,389,901 | A-3, A-6 |
| 2 | | | | | |
| 3 | Utility Land & Land Rights | 10,500 | (9,000) (A) | 1,500 | A-3, A-6 |
| 4 | | | | | |
| 5 | Less: Non-Used & Useful Plant | - | - | - | A-7 |
| 6 | | | | | |
| 7 | Construction Work in Progress | 9,875 | (9,875) (B) | - | A-3 |
| 8 | | | | | |
| 9 | Less: Accumulated Depreciation | (318,807) | 405 (C) | (318,402) | A-3, A-10 |
| 10 | | | | | |
| 11 | Less: CIAC | (587,255) | | (587,255) | A-12 |
| 12 | | | | | |
| 13 | Accumulated Amortization of CIAC | 310,227 | | 310,227 | A-14 |
| 14 | | | | | |
| 15 | Acquisition Adjustments | | | | - |
| 16 | | | | | |
| 17 | Accum. Amort. of Acq. Adjustments | | | | - |
| 18 | | | | | |
| 19 | Advances For Construction | | | | A-16 |
| 20 | | | | | |
| 21 | Working Capital Allowance | - | 411,684 (D) | 411,684 | A-17 |
| 22 | | | | | |
| 23 | Total Rate Base | \$ 614,861 | \$ 592,794 | \$ 1,207,655 | |

EXHIBIT NO. 8

Schedule of Wastewater Rate Base

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Seminole County
 Docket No.: 060253 - WS
 Schedule Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: A-2
 Page 1 of 1
 Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

| Line No. | (1) Description | (2) Average Amount Per Books | (3) A-3 Utility Adjustments | (4) Adjusted Utility Balance | (5) Supporting Schedule(s) |
|----------|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|----------------------------------|
| 1 | Utility Plant in Service | \$ 2,935,831 | \$ 60,612 (A) | \$ 2,996,443 | A-3, A-6 |
| 2 | | | | | |
| 3 | Utility Land & Land Rights | 178,845 | | 178,845 | A-6 |
| 4 | | | | | |
| 5 | Less: Non-Used & Useful Plant | | - | - | A-7 |
| 6 | | | | | |
| 7 | Construction Work in Progress | 35,817 | (35,817) (B) | - | A-3 |
| 8 | | | | | |
| 9 | Less: Accumulated Depreciation | (719,373) | 4,151 (C) | (715,222) | A-3, A-10 |
| 10 | | | | | |
| 11 | Less: CIAC | (657,001) | | (657,001) | A-12 |
| 12 | | | | | |
| 13 | Accumulated Amortization of CIAC | 447,854 | | 447,854 | A-14 |
| 14 | | | | | |
| 15 | Acquisition Adjustments | | | | - |
| 16 | | | | | |
| 17 | Accum. Amort. of Acq. Adjustments | | | | - |
| 18 | | | | | |
| 19 | Advances For Construction | | | | A-16 |
| 20 | | | | | |
| 21 | Working Capital Allowance | - | 602,775 (D) | 602,775 | A-3, A-17 |
| 22 | | | | | |
| 23 | Total Rate Base | \$ 2,221,973 | \$ 631,721 | \$ 2,853,694 | |

EXHIBIT NO. 9

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Utilites, Inc. of Florida - Marion County
 Docket No.: 060253-WS
 Test Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] or Projected []

Schedule: B-1
 Page 1 of 1
 Preparer: Steven M. Lubertozi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

| Line No. | (1) Description | (2) Balance Per Books | (3) Utility Test Year Adjustments | (4) Utility Adjusted Test Year | (5) Requested Revenue Adjustment | (6) Requested Annual Revenues | (7) Supporting Schedule(s) |
|----------|----------------------------------|--------------------------|--------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|-------------------------------|
| 1 | OPERATING REVENUES | \$ 164,769 | \$ 281 (A) | \$ 165,050 | \$ 14,135 (A) | \$ 179,185 | B-4, B-3 |
| 2 | | | | | | | |
| 3 | Operation & Maintenance | 88,937 | - | 88,937 | 8,153 (B) | 97,090 | B-5, B-3 |
| 4 | Depreciation, net of CIAC Amort. | 23,638 | - | 23,638 | 374 (C) | 24,012 | B-13, B-3 |
| 5 | | | | | | | |
| 6 | Amortization | - | - | - | - | - | |
| 7 | | | | | | | |
| 8 | Taxes Other Than Income | 13,561 | 13 (D) | 13,574 | 1,740 (D) | 15,314 | B-15, B-3 |
| 9 | | | | | | | |
| 10 | Provision for Income Taxes | | 9,025 (E) | 9,025 | 1,456 (E) | 10,481 | C-1, B-3 |
| 11 | | | | | | | |
| 12 | OPERATING EXPENSES | 126,136 | 9,038 | 135,174 | 11,723 | 146,897 | |
| 13 | | | | | | | |
| 14 | NET OPERATING INCOME | \$ 38,633 | \$ (8,757) | \$ 29,876 | \$ 2,412 | \$ 32,288 | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | RATE BASE | \$ 344,196 | \$ 92,666 | \$ 436,862 | | \$ 436,862 | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 | RATE OF RETURN | 11.22 % | | 6.84 % | | 7.39 % | |

EXHIBIT NO. 10

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Orange County
 Docket No.: 060253 - WS
 Test Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] or Projected []

Schedule: B-1
 Page 1 of 1
 Preparer: Steven M. Lubertozi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

| Line No. | (1) Description | (2) Balance Per Books | (3) Utility Test Year Adjustments | (4) Utility Adjusted Test Year | (5) Requested Revenue Adjustment | (6) Requested Annual Revenues | (7) Supporting Schedule(s) |
|----------|----------------------------------|--------------------------|--------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|-------------------------------|
| 1 | OPERATING REVENUES | \$ 97,411 | \$ 89 (A) | \$ 97,500 | \$ 24,055 (A) | \$ 121,555 | B-4, B3 |
| 2 | | | | | | | |
| 3 | Operation & Maintenance | 79,687 | - | 79,687 | 4,113 (B) | 83,800 | B-5, B-3 |
| 4 | Depreciation, net of CIAC Amort. | 6,859 | - | 6,859 | - | 6,859 | B-13, B-3 |
| 5 | | | | | | | |
| 6 | Amortization | - | - | - | - | - | |
| 7 | | | | | | | |
| 8 | Taxes Other Than Income | 8,516 | 4 (C) | 8,520 | 1,352 (C) | 9,872 | B-15, B-3 |
| 9 | | | | | | | |
| 10 | Provision for Income Taxes | - | (1,887) | (1,887) | 6,995 (D) | 5,108 | C-1, B-3 |
| 11 | | | | | | | |
| 12 | OPERATING EXPENSES | 95,062 | (1,883) | 93,179 | 12,460 | 105,640 | |
| 13 | | | | | | | |
| 14 | NET OPERATING INCOME | \$ 2,349 | \$ 1,972 | \$ 4,321 | \$ 11,595 | \$ 15,916 | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | RATE BASE | \$ 95,235 | \$ 107,107 | \$ 202,342 | | \$ 202,342 | |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 | RATE OF RETURN | 2.47 % | | 2.14 % | | 7.87 % | |

EXHIBIT NO. 11

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Pasco County
 Docket No.: 060253 - WS
 Test Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] or Projected []

Schedule: B-1
 Page 1 of 1
 Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

| Line No. | (1) Description | (2) Balance Per Books | (3) Utility Test Year Adjustments | (4) Utility Adjusted Test Year | (5) Requested Revenue Adjustment | (6) Requested Annual Revenues | (7) Supporting Schedule(s) |
|----------|----------------------------------|--------------------------|--------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|-------------------------------|
| 1 | OPERATING REVENUES | \$ 585,359 | \$ 1,273 (A) | \$ 586,632 | \$ 380,684 (A) | \$ 967,316 | B-4, B-3 |
| 2 | | | | | | | |
| 3 | Operation & Maintenance | 431,404 | | 431,404 | 62,987 (B) | 494,391 | B-5, B-3 |
| 4 | | | | | | | |
| 5 | Depreciation, net of CIAC Amort. | 114,095 | | 114,095 | 6,235 (C) | 120,330 | B-13, B-3 |
| 6 | | | | | | | |
| 7 | Amortization | | | - | | - | |
| 8 | | | | | | | |
| 9 | Taxes Other Than Income | 67,205 | 57 (D) | 67,262 | 22,104 (D) | 89,366 | B-15, B-3 |
| 10 | | | | | | | |
| 11 | Provision for Income Taxes | - | (44,131) (E) | (44,131) | 108,885 (E) | 64,754 | C-1, B-3 |
| 12 | | | | | | | |
| 13 | OPERATING EXPENSES | 612,704 | (44,074) | 568,630 | 200,211 | 768,841 | |
| 14 | | | | | | | |
| 15 | NET OPERATING INCOME | \$ (27,345) | \$ 45,347 | \$ 18,002 | \$ 180,473 | \$ 198,475 | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | RATE BASE | \$ 2,038,797 | \$ 540,004 | \$ 2,578,801 | | \$ 2,578,801 | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 | RATE OF RETURN | - | % | 0.70 | % | 7.70 | % |

EXHIBIT NO. 12

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Pinellas County
 Docket No.: 060253 - WS
 Test Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] or Projected []

Schedule: B-1
 Page 1 of 1
 Preparer: Steven M. Lubertozi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

| Line No. | (1) Description | (2) Balance Per Books | (3) Utility Test Year Adjustments | (4) Utility Adjusted Test Year | (5) Requested Revenue Adjustment | (6) Requested Annual Revenues | (7) Supporting Schedule(s) |
|----------|----------------------------------|--------------------------|--------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|-------------------------------|
| 1 | OPERATING REVENUES | \$ 76,741 | \$ 247 (A) | \$ 76,988 | \$ 58,842 (A) | \$ 135,830 | B-4, B-3 |
| 2 | | | | | | | |
| 3 | Operation & Maintenance | 66,430 | | 66,430 | 8,908 (B) | 75,337 | B-5, B-3 |
| 4 | | | | | | | |
| 5 | Depreciation, net of CIAC Amort. | 13,135 | | 13,135 | 173 (C) | 13,308 | B-13, B-3 |
| 6 | | | | | | | |
| 7 | Amortization | | | 0 | | - | |
| 8 | | | | | | | |
| 9 | Taxes Other Than Income | 6,466 | 365 (D) | 6,831 | \$ 3,346 (D) | 10,177 | B-15, B-3 |
| 10 | | | | | | | |
| 11 | Provision for Income Taxes | - | (8,375) (E) | (8,375) | 17,467 (E) | 9,092 | C-1, B-3 |
| 12 | | | | | | | |
| 13 | OPERATING EXPENSES | 86,030 | (8,010) | 78,020 | 29,894 | 107,914 | |
| 14 | | | | | | | |
| 15 | NET OPERATING INCOME | \$ (9,289) | \$ 8,257 | \$ (1,032) | \$ 28,948 | \$ 27,917 | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | RATE BASE | \$ 255,314 | | \$ 362,371 | | \$ 362,371 | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 | RATE OF RETURN | -- | % | -- | % | 7.70 | % |

EXHIBIT NO. 13

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Seminole County
 Docket No.: 060253 - WS
 Test Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] or Projected []

Schedule: B-1
 Page 1 of 1
 Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

| Line No. | (1) Description | (2) Balance Per Books | (3) Utility Test Year Adjustments | (4) Utility Adjusted Test Year | (5) Requested Revenue Adjustment | (6) Requested Annual Revenues | (7) Supporting Schedule(s) |
|----------|----------------------------------|--------------------------|--------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|-------------------------------|
| 1 | OPERATING REVENUES | \$ 679,867 | \$ 1,477 (A) | \$ 681,344 | \$ 278,779 (A) | \$ 960,123 | B-3, B-4, E-13 |
| 2 | | | | | | | |
| 3 | Operation & Maintenance | 437,533 | | 437,533 | 42,441 (B) | 479,974 | B-5, B-3 |
| 4 | | | | | | | |
| 5 | Depreciation, net of CIAC Amort. | 112,389 | | 112,389 | 5,643 (C) | 118,032 | B-13, B-3 |
| 6 | | | | | | | |
| 7 | Amortization | - | - | - | - | - | |
| 8 | | | | | | | |
| 9 | Taxes Other Than Income | 50,530 | 1,006 (D) | 51,535 | \$ 18,702 (D) | 70,237 | B-15, B-3 |
| 10 | | | | | | | |
| 11 | Provision for Income Taxes | - | (8,058) (E) | (8,058) | 79,773 (E) | 71,715 | C-1, B-3 |
| 12 | | | | | | | |
| 13 | OPERATING EXPENSES | 600,452 | (7,052) | 593,400 | 146,559 | 739,958 | |
| 14 | | | | | | | |
| 15 | NET OPERATING INCOME | \$ 79,415 | \$ 8,530 | \$ 87,945 | \$ 132,220 | \$ 220,165 | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | RATE BASE | \$ 2,344,798 | \$ 511,110 | \$ 2,855,908 | | \$ 2,855,908 | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 | RATE OF RETURN | 3.39 % | | 3.08 % | | 7.71 % | |

EXHIBIT NO. 14

Schedule of Wastewater Net Operating Income

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Marion County
 Docket No.: 060253-WS
 Test Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] or Projected []

Schedule: B-2
 Page 1 of 1
 Preparer: Steven M. Lubertozi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

| Line No. | (1) Description | (2) Balance Per Books | (3) Utility Test Year Adjustments | (4) Utility Adjusted Test Year | (5) Requested Revenue Adjustment | (6) Requested Annual Revenues | (7) Supporting Schedule(s) |
|----------|----------------------------------|--------------------------|--------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|-------------------------------|
| 1 | OPERATING REVENUES | \$ 45,037 | \$ 90 (A) | \$ 45,127 | \$ (1,466) (A) | \$ 43,661 | B-4, B-3 |
| 2 | | | | | | | |
| 3 | Operation & Maintenance | 26,918 | - | 26,918 | 1,662 (B) | 28,580 | B-6, B-3 |
| 4 | Depreciation, net of CIAC Amort. | (510) | (818) (C) | (1,328) | 106 (C) | (1,222) | B-14, B-3 |
| 5 | | | | | | | |
| 6 | Amortization | - | - | - | - | - | |
| 7 | | | | | | | |
| 8 | Taxes Other Than Income | 2,806 | (463) (D) | 2,343 | 48 (D) | 2,391 | B-15, B-3 |
| 9 | | | | | | | |
| 10 | Provision for Income Taxes | | 4,645 (E) | 4,645 | (1,234) (E) | 3,411 | C-1, B-3 |
| 11 | | | | | | | |
| 12 | OPERATING EXPENSES | 29,214 | 3,364 | 32,578 | 582 | 33,160 | |
| 13 | | | | | | | |
| 14 | NET OPERATING INCOME | \$ 15,823 | \$ (3,274) | \$ 12,549 | \$ (2,048) | \$ 10,501 | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | RATE BASE | \$ 129,857 | \$ 12,246 | \$ 142,103 | | \$ 142,103 | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 | RATE OF RETURN | 12.19 % | | 8.83 % | | 7.39 % | |

EXHIBIT NO. 15

Schedule of Wastewater Net Operating Income

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Pasco County
 Docket No.: 060253 - WS
 Test Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] or Projected []

Schedule: B-2
 Page 1 of 1
 Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

| Line No. | (1) Description | (2) Balance Per Books | (3) Utility Test Year Adjustments | (4) Utility Adjusted Test Year | (5) Requested Revenue Adjustment | (6) Requested Annual Revenues | (7) Supporting Schedule(s) |
|----------|----------------------------------|--------------------------|--------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|-------------------------------|
| 1 | OPERATING REVENUES | \$ 378,336 | \$ 752 (A) | \$ 379,088 | \$ 153,740 (A) | \$ 532,828 | B-4, B-3 |
| 2 | | | | | | | |
| 3 | Operation & Maintenance | 305,477 | | 305,477 | 17,432 (B) | 322,909 | B-6, B-3 |
| 4 | Depreciation, net of CIAC Amort. | 37,758 | | 37,758 | 5,234 (C) | 42,992 | B-14, B-3 |
| 5 | | | | | | | |
| 6 | Amortization | | | - | | - | |
| 7 | | | | | | | |
| 8 | Taxes Other Than Income | 32,594 | 34 (D) | 32,627 | 11,011 (D) | 43,638 | B-15, B-3 |
| 9 | | | | | | | |
| 10 | Provision for Income Taxes | - | (14,850) (E) | (14,850) | 45,179 (E) | 30,329 | C-1, B-3 |
| 11 | | | | | | | |
| 12 | OPERATING EXPENSES | 375,828 | (14,816) | 361,012 | 78,856 | 439,868 | |
| 13 | | | | | | | |
| 14 | NET OPERATING INCOME | \$ 2,507 | \$ 15,568 | \$ 18,076 | \$ 74,884 | \$ 92,960 | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | RATE BASE | \$ 614,861 | \$ 592,794 | \$ 1,207,655 | | \$ 1,207,655 | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 | RATE OF RETURN | 0.41 % | | 1.50 % | | 7.70 % | |

EXHIBIT NO. 16

Schedule of Wastewater Net Operating Income

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Seminole County
 Docket No.: 060253 - WS
 Test Year Ended: 12/31/05
 Interim [] Final [X]
 Historic [X] or Projected []

Schedule: B-2
 Page 1 of 1
 Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

| Line No. | (1) Description | (2) Balance Per Books | (3) Utility Test Year Adjustments | (4) Utility Adjusted Test Year | (5) Requested Revenue Adjustment | (6) Requested Annual Revenues | (7) Supporting Schedule(s) |
|----------|----------------------------------|--------------------------|--------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|-------------------------------|
| 1 | OPERATING REVENUES | \$ 589,169 | \$ 1,332 (A) | \$ 590,501 | \$ 300,660 (A) | \$ 891,161 | B-3, B-4, E-13 |
| 2 | | | | | | | |
| 3 | Operation & Maintenance | 453,627 | - | 453,627 | 22,156 (B) | 475,783 | B-6, B-3 |
| 4 | | | | | | | |
| 5 | Depreciation, net of CIAC Amort. | 66,750 | - | 66,750 | 3,548 (C) | 70,298 | B-14, B-3 |
| 6 | | | | | | | |
| 7 | Amortization | - | - | 0 | 0 | - | |
| 8 | | | | | | | |
| 9 | Taxes Other Than Income | 37,154 | 561 (D) | 37,715 | 15,718 (D) | 53,433 | B-15, B-3 |
| 10 | | | | | | | |
| 11 | Provision for Income Taxes | - | (25,893) (E) | (25,893) | 97,552 (E) | 71,659 | C-1, B-3 |
| 12 | | | | | | | |
| 13 | OPERATING EXPENSES | 557,531 | (25,332) | 532,199 | 138,974 | 671,173 | |
| 14 | | | | | | | |
| 15 | NET OPERATING INCOME | \$ 31,638 | \$ 26,664 | \$ 58,303 | \$ 161,686 | \$ 219,988 | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | RATE BASE | \$ 2,221,973 | \$ 631,721 | \$ 2,853,694 | | \$ 2,853,694 | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 | RATE OF RETURN | 1.42 % | | 2.04 % | | 7.71 % | |

EXHIBIT NO. 17

Schedule of Requested Cost of Capital
13-Month Average Balance

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Marion County
Docket No.: 060253-WS
Schedule Year Ended: 12/31/05
Interim Final
Historical Projected

Schedule D-1
Page 1 of 1
Preparer: Kirsten E. Weeks

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

| Line No. | (1) Class of Capital | (2) Reconciled to Requested Rate Base AYE 12/31/05 | (3) Ratio | (4) Cost Rate | (5) Weighted Cost |
|----------|---------------------------------|---|----------------|------------------|----------------------|
| 1 | Long Term Debt | 284,200 | 49.09% | 6.65% | 3.26% |
| 2 | Short Term Debt | 9,641 | 1.67% | 5.01% | 0.08% |
| 3 | Preferred Stock | - | 0.00% | 0.00% | 0.00% |
| 4 | Common Equity | 195,568 | 33.78% | 11.78% | 3.98% |
| 5 | Customer Deposits | 6,448 | 1.11% | 6.00% | 0.07% |
| 6 | Tax Credits - Zero Cost | 7,566 | 1.31% | 0.00% | 0.00% |
| 7 | Tax Credits - Weighted Cost | - | 0.00% | 0.00% | 0.00% |
| 8 | Accumulated Deferred Income Tax | 75,542 | 13.05% | 0.00% | 0.00% |
| 9 | Other (Explain) | - | 0.00% | 0.00% | 0.00% |
| 10 | | | | | |
| 11 | Total | <u>578,965</u> | <u>100.00%</u> | | <u>7.39%</u> |
| 12 | | | | | |
| 13 | | | | | |

Notes:

- 15 1. Long term debt, short term debt, preferred stock, and common equity are actual for Utilities, Inc. of Florida's parent company, Utilities,
- 16 Inc.
- 17 2. Tax Credits and Accumulated Deferred Income Taxes are actual for Utilities, Inc. of Florida, allocated among the counties based on
- 18 gross plant.
- 19 3. Customer Deposits are actual for the County.
- 20 4. The cost of equity is based on the leverage formula in effect pursuant to Order No. PSC-050006. Since the equity ratio is less than
- 21 40.00%, an 11.78% cost rate has been used.

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

EXHIBIT NO. 18

Schedule of Requested Cost of Capital
13-Month Average Balance

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Orange County
Docket No.: 060253 - WS
Schedule Year Ended: 12/31/05
Interim Final
Historical Projected

Schedule D-1
Page 1 of 1

Preparer: Kirsten E. Weeks

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

| Line No. | (1) Class of Capital | (2) Reconciled to Requested Rate Base AYE 12/31/05 | (3) Ratio | (4) Cost Rate | (5) Weighted Cost |
|----------|---------------------------------|---|----------------|------------------|----------------------|
| 1 | Long Term Debt | 104,266 | 51.53% | 6.65% | 3.43% |
| 2 | Short Term Debt | 3,537 | 1.75% | 5.01% | 0.09% |
| 3 | Preferred Stock | - | 0.00% | 0.00% | 0.00% |
| 4 | Common Equity | 71,749 | 35.46% | 11.78% | 4.18% |
| 5 | Customer Deposits | 5,814 | 2.87% | 6.00% | 0.17% |
| 6 | Tax Credits - Zero Cost | 1,545 | 0.76% | 0.00% | 0.00% |
| 7 | Tax Credits - Weighted Cost | - | 0.00% | 0.00% | 0.00% |
| 8 | Accumulated Deferred Income Tax | 15,430 | 7.63% | 0.00% | 0.00% |
| 9 | Other (Explain) | - | 0.00% | 0.00% | 0.00% |
| 10 | | | | | |
| 11 | Total | <u>202,342</u> | <u>100.00%</u> | | <u>7.87%</u> |

14 Notes:

- 15 1. Long term debt, short term debt, preferred stock, and common equity are actual for Utilities, Inc. of Florida's parent company, Utilities,
- 16 Inc.
- 17 2. Tax Credits and Accumulated Deferred Income Taxes are actual for Utilities, Inc. of Florida, allocated among the counties based on
- 18 gross plant.
- 19 3. Customer Deposits are actual for the County.
- 20 4. The cost of equity is based on the leverage formula in effect pursuant to Order No. PSC-050006. Since the equity ratio is less than
- 21 40.00%, an 11.78% cost rate has been used.

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

EXHIBIT NO. 19

Schedule of Requested Cost of Capital
13-Month Average Balance

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Pasco County
Docket No.: 060253 - WS
Schedule Year Ended: 12/31/05
Interim [] Final [x]
Historical [x] Projected []

Schedule D-1
Page 1 of 1

Preparer: Kirsten E. Weeks

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

| Line No. | (1) Class of Capital | (2) Reconciled to Requested Rate Base AYE 12/31/05 | (3) Ratio | (4) Cost Rate | (5) Weighted Cost |
|----------|---------------------------------|---|----------------|------------------|----------------------|
| 1 | Long Term Debt | 1,941,243 | 51.27% | 6.65% | 3.41% |
| 2 | Short Term Debt | 65,856 | 1.74% | 5.01% | 0.09% |
| 3 | Preferred Stock | - | 0.00% | 0.00% | 0.00% |
| 4 | Common Equity | 1,335,837 | 35.28% | 11.78% | 4.16% |
| 5 | Customer Deposits | 23,850 | 0.63% | 6.00% | 0.04% |
| 6 | Tax Credits - Zero Cost | 38,207 | 1.01% | 0.00% | 0.00% |
| 7 | Tax Credits - Weighted Cost | - | 0.00% | 0.00% | 0.00% |
| 8 | Accumulated Deferred Income Tax | 381,463 | 10.07% | 0.00% | 0.00% |
| 9 | Other (Explain) | - | 0.00% | 0.00% | 0.00% |
| 10 | | | | | |
| 11 | Total | <u>3,786,456</u> | <u>100.00%</u> | | <u>7.70%</u> |
| 12 | | | | | |
| 13 | | | | | |

Notes:

- 15 1. Long term debt, short term debt, preferred stock, and common equity are actual for Utilities, Inc. of Florida's parent company, Utilities, Inc.
- 16
- 17 2. Tax Credits and Accumulated Deferred Income Taxes are actual for Utilities, Inc. of Florida, allocated among the counties based on gross
- 18 plant.
- 19 3. Customer Deposits are actual for the County.
- 20 4. The cost of equity is based on the leverage formula in effect pursuant to Order No. PSC-050006. Since the equity ratio is less than
- 21 40.00%, an 11.78% cost rate has been used.

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

EXHIBIT NO. 20

Schedule of Requested Cost of Capital
13-Month Average Balance

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Pinellas County
Docket No.: 060253 - WS
Schedule Year Ended: 12/31/05
Interim Final
Historical Projected

Schedule D-1
Page 1 of 1

Preparer: Kirsten E. Weeks

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

| Line No. | (1) Class of Capital | (2) Reconciled to Requested Rate Base AYE 12/31/05 | (3) Ratio | (4) Cost Rate | (5) Weighted Cost |
|----------|---------------------------------|---|----------------|------------------|----------------------|
| 1 | Long Term Debt | 185,292 | 51.13% | 6.65% | 3.40% |
| 2 | Short Term Debt | 6,286 | 1.73% | 5.01% | 0.09% |
| 3 | Preferred Stock | - | 0.00% | 0.00% | 0.00% |
| 4 | Common Equity | 127,506 | 35.20% | 11.78% | 4.15% |
| 5 | Customer Deposits | 3,560 | 0.98% | 6.00% | 0.06% |
| 6 | Tax Credits - Zero Cost | 3,617 | 1.00% | 0.00% | 0.00% |
| 7 | Tax Credits - Weighted Cost | - | 0.00% | 0.00% | 0.00% |
| 8 | Accumulated Deferred Income Tax | 36,110 | 9.96% | 0.00% | 0.00% |
| 9 | Other (Explain) | - | 0.00% | 0.00% | 0.00% |
| 10 | | | | | |
| 11 | Total | <u>362,371</u> | <u>100.00%</u> | | <u>7.70%</u> |
| 12 | | | | | |
| 13 | | | | | |

Notes:

- 15 1. Long term debt, short term debt, preferred stock, and common equity are actual for Utilities, Inc. of Florida's parent company,
- 16 Utilities, Inc.
- 17 2. Tax Credits and Accumulated Deferred Income Taxes are actual for Utilities, Inc. of Florida, allocated among the counties based on
- 18 gross plant.
- 19 3. Customer Deposits are actual for the County.
- 20 4. The cost of equity is based on the leverage formula in effect pursuant to Order No. PSC-050006. Since the equity ratio is less than
- 21 40.00%, an 11.78% cost rate has been used.

Supporting Schedules: D-2

Recap Schedules: A-1, A-2

EXHIBIT NO. 21

Schedule of Requested Cost of Capital
13-Month Average Balance

Florida Public Service Commission

Company: Utilities, Inc. of Florida - Seminole County
Docket No.: 060253 - WS
Schedule Year Ended: 12/31/05
Interim [] Final [x]
Historical [x] Projected []

Schedule D-1
Page 1 of 1
Preparer: Kirsten E. Weeks

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

| Line No. | (1) Class of Capital | (2) Reconciled to Requested Rate Base AYE 12/31/05 | (3) Ratio | (4) Cost Rate | (5) Weighted Cost |
|----------|---------------------------------|---|----------------|------------------|----------------------|
| 1 | Long Term Debt | 2,929,478 | 51.31% | 6.65% | 3.41% |
| 2 | Short Term Debt | 99,381 | 1.74% | 5.01% | 0.09% |
| 3 | Preferred Stock | - | 0.00% | 0.00% | 0.00% |
| 4 | Common Equity | 2,015,876 | 35.31% | 11.78% | 4.16% |
| 5 | Customer Deposits | 45,500 | 0.80% | 6.00% | 0.05% |
| 6 | Tax Credits - Zero Cost | 56,388 | 0.99% | 0.00% | 0.00% |
| 7 | Tax Credits - Weighted Cost | - | 0.00% | 0.00% | 0.00% |
| 8 | Accumulated Deferred Income Tax | 562,979 | 9.86% | 0.00% | 0.00% |
| 9 | Other (Explain) | - | 0.00% | 0.00% | 0.00% |
| 10 | | | | | |
| 11 | Total | <u>5,709,602</u> | <u>100.00%</u> | | <u>7.71%</u> |

Notes:

1. Long term debt, short term debt, preferred stock, and common equity are actual for Utilities, Inc. of Florida's parent company, Utilities, Inc.
2. Tax Credits and Accumulated Deferred Income Taxes are actual for Utilities, Inc. of Florida, allocated among the counties based on gross plant.
3. Customer Deposits are actual for the County.
4. The cost of equity is based on the leverage formula in effect pursuant to Order No. PSC-050006. Since the equity ratio is less than 40.00%, an 11.78% cost rate has been used.

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