

State of Florida



RECEIVED-FPSC

08 SEP 11 PM 12:42

COMMISSION
CLERK

Public Service Commission

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

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

DATE: September 10, 2008
TO: Jan B. Kyle, Regulatory Analyst IV, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance *D*
RE: Docket No. 070694-WS; Company Name: Wedgefield Utilities, Inc.; Audit Purpose: Rate Case; Company Code: WS759; Audit Control No.:08-100-2-1

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 Office of Commission Clerk. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Compliance (Salak, Mailhot, Harvey, District Offices, File Folder)
Office of Commission Clerk (2)
General Counsel
Office of Public Counsel

Mr. Patrick C. Flynn
Wedgefield Utilities, Inc.
200 Weathersfield Avenue
Altamonte Springs, FL 32714-4027

Mr. Martin S. Friedman
Rose Law Firm
Sanlando Center, Suite 2118
2180 West State Rd. 434
Longwood, FL 32779

DOCUMENT NUMBER-DATE

08483 SEP 11 8

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

**DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING**

TAMPA DISTRICT OFFICE

WEDGEFIELD UTILITIES INC.


FILE AND SUSPEND RATE CASE AUDIT

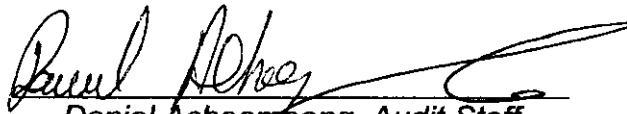
HISTORICAL YEAR ENDED JUNE 30, 2007

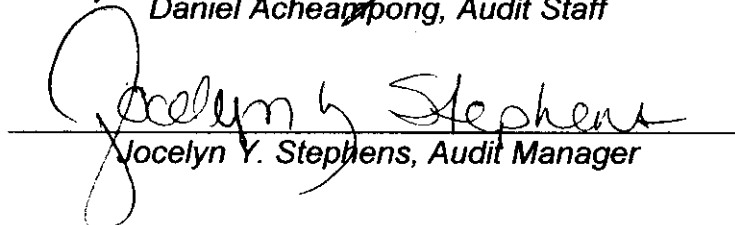
DOCKET NO. 070694-WS

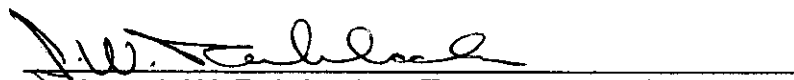
AUDIT CONTROL NO. 08-100-2-1


Ronald Mavrides, Audit Staff


Simon Ojada, Audit Staff


Daniel Acheampong, Audit Staff


Jocelyn Y. Stephens, Audit Manager


Joseph W. Rohrbacher, Tampa District Supervisor

DOCUMENT NUMBER-DATE

08483 SEP 11 80

PROS-COMMISSIONER CLERK

TABLE OF CONTENTS

AUDITOR'S REPORT

I) PURPOSE.....	1
II) OBJECTIVES AND PROCEDURES.....	2
III) AUDIT FINDINGS	
1. UNDOCUMENTED PLANT ADDITIONS.....	6
2. CAPITALIZED EXPENSES.....	7
3. RATE BASE ALLOCATED FROM WATER SERVICE CORP	8
4. INSURANCE EXPENSE.....	9
5. ALLOCATION METHODOLOGY USED BY WATER SERVICE CORP.....	10
6. RELATED PARTY ALLOCATION TO RATE BASE.....	12
IV) EXHIBITS	
SCHEDULE OF RATE BASE (WATER).....	14
SCHEDULE OF NET OPERATING INCOME (WATER).....	15
COST OF CAPITAL SCHEDULE (UTILITIES INC).....	16
COST OF CAPITAL SCHEDULE (WEDGEFIELD WATER).....	17

**DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT**

AUGUST 18, 2008

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated May 2, 2008. We have applied these procedures to the attached schedules prepared by Wedgefield Utilities Inc. in support of its filing for rate relief in Docket No. 070694-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.

DOCUMENT NUMBER - DATE

08483 SEP 11 08

FLORIDA DIVISION OF EPR

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 June 30, 2007. Determined that the company made adjustments to its general ledger to record auditor adjustments as calculated in the 1999 Rate Case performed in Docket 991437-WU, and included in Order No, PSC 00-1528-PAA-WU.

Utility-Plant-in-Service (UPIS)

Objective: To determine that property exists, is being used in utility operations 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 selected plant additions to be sampled for the period July 1, 1999 through June 30, 2007 for compliance with the objectives stated above. We verified that the utility properly recorded retirements to UPIS when a capital item was removed or replaced. We toured the utility plant sites to observe whether selected plant additions were in existence. We requested supporting documentation for selected construction project additions. Audit Finding No. 1 provides information for plant additions on which the company was not able to provide supporting documentation. Audit Finding No. 2 provides information on additions to plant which should be recorded as Operation and Maintenance expense.

Land and Land Rights

Objective: To determine that land is recorded at original cost, is being used in utility operations and is owned by the utility, or that the utility has a long-term written agreement for use of the land.

Procedures: Verified that the company still retained ownership of land which was documented in the prior rate proceeding before the Commission (Docket 991437-WU). Determined that no additions to Land were made subsequent to the 1999 Rate proceedings.

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

Objective: To determine that additions to CIAC are properly stated and are reflective of service availability charges authorized in the utility's approved Commission tariff. To verify that all donated property is properly accounted for and recorded as CIAC and UPIS.

Procedures: We began the analysis of CIAC using the ending balance, per audit workpapers, prepared by staff in the 1999 Rate Proceedings (Docket 991437-WU). We traced all cash contributions to company records for the period July 1, 1999 through June 30, 2007. We determined that cash contributions were billed and recorded in compliance with authorized tariff rates. We scanned cash books provided, for pertinent cash payments not recorded as CIAC and reviewed developer agreements for contributed plant amounts. We verified that additions to CIAC, received from the developers, had corresponding amounts recorded to Plant. We toured the utility's authorized service territory but determined no new development.

Accumulated Depreciation

Objective: To determine that the company's accumulated depreciation balances are properly stated and are in compliance with Commission Rules and the NARUC Uniform System of Accounts. To verify that annual accruals are using Commission authorized depreciation rates and that retirements are properly computed.

Procedures: We requested that the company provide its schedules for the calculation of depreciation expense and accumulated depreciation for the years 1999 through 2007. For this period, the Company provided water plant depreciation schedules, allocation schedules of depreciation from Water Service Corp and transportation schedules. We reviewed the company's calculation of accumulated depreciation and determined that correct depreciation rates were being charged. We recalculated accumulated depreciation for the period July 1999 through June 2007 based upon staff adjustment to plant balances and the posting of prior audit plant adjustments. A comparison between staff calculation and company computation resulted in a 1.8% difference. Due to the immateriality of this amount, no adjustment is being proposed.

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 the 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 established the beginning balance of accumulated amortization using the balance from the prior Commission Order PSC-00-1528-PAA-WU (Docket 991437-WU). We then calculated annual additions to Accumulated Amortization – CIAC using average CIAC balances multiplied by the composite depreciation rate. Lastly, we compared our computation to the Company's computation in MFR Sch. A-13. We noted a difference of \$ 19,286 or 4.7% between staff computation and company computation. This difference is attributable to the fact that the company used the applicable depreciation rates for those accounts in which CIAC was recorded.

Working Capital

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

Procedures: We verified the company's calculation of the Working Capital Allowance which was calculated using the Balance Sheet Method.

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 June 30, 2007.

Revenues

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

Procedures: We reconciled revenue balances in the MFR to the general ledger. We compiled billing summaries for the test year and traced the total to the filing. Tested customer bills for Commission approved tariff rates. Traced revenues from the Regulatory Assessment Fee Form to revenues recorded in the general ledger.

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 reconciled O&M expense balances in the MFR to the utility general ledger. We reviewed a sample of utility invoices for proper amount, period, classification, NARUC account and recurring nature.

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 reconciled TOTI expense balances to the general ledger. We reviewed all utility tax invoices for proper amount, period, classification, NARUC account and recurring nature.

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 depreciation expense and CIAC amortization expense using plant and CIAC balances as determined by staff and applying Commission approved rates and composite depreciation rates respectively. As described above, we have accepted the company's calculation for depreciation and amortization expense.

CAPITAL STRUCTURE

General

Objective: To determine the components of the utility's capital structure and that 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 traced Accumulated Deferred Income Taxes and Customer Deposits to the General Ledger of Wedgefield Utilities, Inc. Verified that the capital structure of Wedgefield reconciles to the water rate base. We also requested and received copies of long-term debt instruments of Utilities, Inc (UI). The outstanding long term debt instrument was agreed to the amount recorded in the filing and the filing balance agreed to the amount recorded in the UI general ledger. We recalculated the cost rate for Long and Short Term debt. We verified that the cost rates for common equity and customer deposits follow Commission guidelines.

Additionally, we traced the Common Equity of UI as recorded in the filing to each component as recorded in the the consolidated general ledger and the unaudited financial statements of UI for the period ended June 30, 2007.

AUDIT FINDING NO. 1

SUBJECT: UNDOCUMENTED PLANT ADDITIONS

AUDIT ANALYSIS:

We performed an analysis of plant additions for the period July 1, 1999 through June 30, 2007. As part of the analysis, we used the general ledger transaction details to judgmentally select items for testing. Our sample included all line item transactions greater than \$2,000. We scheduled selected items by account number and year and submitted our request to the company.

Of the \$6,705,916 requested for the period July 1 1999 through June 30, 2007, the company did not provide plant documentation totaling \$4,565,780

EFFECT ON GENERAL LEDGER:

If further documentation is not submitted to the analyst, the general ledger should be adjusted to remove the \$4,565,780 in plant additions. A related adjustment should also be made to Accumulated Depreciation and Depreciation Expense.

EFFECT ON FILING:

Unless further documentation is submitted to the analyst, we have determined that an adjustment should be made to remove the undocumented amounts from rate base consideration for the current rate proceedings for Wedgefield Utilities, Inc. Rate Base – Water Plant should be reduced by \$4,565,780. A related adjustment should also be made to Accumulated Depreciation and Depreciation Expense.

AUDIT FINDING NO. 2

SUBJECT: CAPITALIZED EXPENSES

AUDIT ANALYSIS:

We performed an analysis of plant additions for the period July 1, 1999 through June 30, 2007. As part of the analysis, we used the general ledger transaction detail to judgmentally select items for testing. Our sample included all line item transactions greater than \$2,000. We scheduled selected items by account number and year and requested that the company provide supporting documentation for review. As a result of the data received by the end of audit fieldwork, we determined that the company capitalized Operation and Maintenance expenses totaling \$219,690

EFFECT ON GENERAL LEDGER:

Retained Earnings	\$210,575	
O & M Expenses	\$9,115	
Plant		\$219,690

EFFECT ON FILING:

Water Plant should be reduced by \$210,575 with a related adjustment to Accumulated Depreciation and Depreciation Expense. Test Year O & M Expenses should be increased by \$9,115.

AUDIT FINDING NO. 3

SUBJECT: RATE BASE ALLOCATED FROM WATER SERVICE CORP

AUDIT ANALYSIS:

We analyzed the net asset additions of Water Service Corporation (WSC) for the 18-month period since our last allocation audit. This included all additions for the period January 1, 2006 to June 30, 2007. We determined that the net WSC additions (assets less accumulated depreciation and amortization) totaled \$1,288,798, a change of 78%. We then determined that the majority of the increase resulted from the following accounts:

Mainframe Computer	(A/C 3406010)	\$268,194
Mini Computer	(A/C 3406020)	\$478,611
Comp System Cost	(A/C 3406110)	\$536,347
Micro System Cost	(A/C 3406120)	\$207,477
Office Furniture & Equipment	(A/C 3406091)	\$119,915

We further analyzed the effect of these WSC net asset allocations to the Florida utilities. We determined that the amounts allocated to Florida utilities increased by \$381,834 from December 31, 2005 to June 30, 2007 – a percentage increase of 85.11%. Also, at December 2005, Florida received 27.24% of total net asset allocated from WSC. At June 30 2007, Florida received 50.42% of total net assets allocated from WSC.

We requested that the company provide detail general ledger pages, invoices and documentation of any loadings and journal entries for the period January 1, 2006 – June 30, 2007 as recorded on the books of WSC. The company provided depreciation schedules, for office furniture, mainframe computers and deferred software charges for each quarter of the requested period. However, the company did not provide the supporting documentation we requested. We will follow up on this in our pending audit of allocations.

EFFECT UPON GENERAL LEDGER

Cannot be determined.

EFFECT UPON FILING

Cannot be determined.

AUDIT FINDING NO. 4

SUBJECT: INSURANCE EXPENSE

AUDIT ANALYSIS:

An analysis was performed on the Insurance expense allocated from Water Service Corporation (WSC) to Wedgefield and all other related utilities, for the period July 1, 2006 through June 30 2007. We determined that insurance expense consists of different types of insurance: Property – General; Excess Liability; Workman's Compensation; Auto Insurance; and Other Insurance.

WSC	Property General	Excess Liability	Workman's Comp	Auto Insurance	Other Insurance	Total
9/30/2006	147,463	93,003	91,418	65,656	120,750	518,290
12/31/2006	80,123	151,900	95,890	89,880	73,566	491,359
3/31/2007	80,123	215,605	145,313	95,049	29,931	566,021
6/30/2007	80,123	171,562	116,250	75,943	108,150	552,028
	<u>387,832</u>	<u>632,070</u>	<u>448,871</u>	<u>326,528</u>	<u>332,397</u>	<u>2,127,698</u>
	18%	30%	21%	15%	16%	100%

Insurance Expense was allocated based upon distribution Code 11 which is the weighted average of Codes 7 through 10. (See Audit Finding No. 5)

The general ledger includes insurance allocation to Wedgefield in the amount of \$13,122. The allocation percentages calculate to an expense of \$20,199. In order to document the cost recorded in the general ledger and reconcile this difference, we asked that the company provide all supporting documentation for each type of insurance expense incurred. The company did not respond to this request before we completed our field work.

EFFECT ON GENERAL LEDGER

Cannot be determined.

EFFECT ON FILING

Cannot be determined.

AUDIT FINDING NO. 5

SUBJECT: ALLOCATION METHODOLOGY USED BY WATER SERVICE CORP

AUDIT ANALYSIS:

Code 1 - Percentages are calculated using ERCs from a selected utility divided by total ERCs from all utilities under the umbrella. Code 1 does not include ERC's for Illinois and Indiana.

Code 2 – Percentages are calculated using ERCs from a selected utility in either Indiana and Illinois only divided by total ERCs from Indiana and Illinois combined. During the test period, this percentage was zero.

Code 3 – Percentages are calculated using ERCs from a selected utility in Illinois divided by total ERCs in Illinois only

Code 4 – Percentages are calculated using Total Invoices/Bills from a selected utility divided by Total Invoices/Bills from all utilities under the umbrella.

Code 5 – Weighted Average of Code 1, 2 and 4 calculated by the percentage sum of:

- a) the number of employees (from WSC) classified as Administrative/Accounting divided by total employees (from WSC) times the percentage from Code 1 for the selected company
- b) the number of employees (from WSC) classified as Customer Service divided by total employees (from WSC) times the percentage from Code 2 for the selected company
- c) the number of employees (from WSC) classified as IT (computer services) divided by total employees (from WSC) times the percentage from Code 4
- d) sum of a) + b) + c) equals Code 5

Code 6 – Percentage derived by the Sum of Allocated Salaries for a select company:

WSC GL balance for Salaries – System (AC 6019000) times Codes 1-3
+ WSC GL balance for Salaries – Accounting (AC 6019001) times Codes 1-3
+ WSC GL balance for Salaries – Administrative (AC 6019002) times Codes 1-3
+ WSC GL balance for Salaries – Executive (AC 6019003) times Codes 1-3
+ WSC GL balance for Salaries – Payroll (AC 6019004) times Codes 1-3
+ WSC GL balance for Salaries – IT (AC 6019005) times Codes 4
+ WSC GL balance for Salaries – Op Leadership (AC 6019006) times Codes 1-3
+ WSC GL balance for Salaries – Regulatory (AC 9019007) times Codes 1-3
+ WSC GL balance for Salaries – Customer Service (AC 6019008) times Codes 1-3

Divided by Sum of Total Salaries (see above accounts) from WSC GL
Equals Code 6

Code 7 – General Property (based on elevated tanks and the summary of property values)

a) Using the Insurance Bill to UIF, and allocating an amount based upon:

Total ERCs from Wedgefield divided by total ERCs from :

Tierra Verde, Lake Placid, Eastlake, Pebble Creek,
Alafaya, UI of Longwood, Wedgefield, Cypress
Lakes, UI of Eagle Ridge, Mid County, Lake Utility,
UIF, Miles Grant, Sanlando, Sandalhaven, Bayside,
South Gate, Labrador and Sandy Creek

+

b) Using the Insurance bill from Northbrook times Code 5

c) Total of (a) + (b) above divided by total of General Property Insurance Costs from all states + Elevated & Standpipe Tanks = Code 7 Percentage.

Code 8 – Excess Liability (based on miles of sewer mains, gallons of water sold, and operations payroll. Miles of sewer mains determined by multiplying the number of customers by 40ft divided by 5,280 ft)

a) Number of miles of sewer mains at WF divided by total miles of sewer mains at all utilities

+

b) % of gallons sold at WF (Water customers @ end of quarter times 200 times 354) divided by total gallons sold at all utilities

+

c) Operator payroll at WF divided by total operator payroll for all utilities

=

Code 8

Code 9 – Workman's Comp (based upon operator's payroll)

Code 10 – Auto Insurance (based upon number of vehicles)

Code 9 – Other Insurance (based upon operator's payroll)

Code 11 – Weighted average equals: Codes 7 times dollars percentage for General Property Insurance + Code 8 times dollar percentage for Excess Liability insurance + Code 9 times dollar percentage for Workman's Comp. insurance + Code 10 times dollar percentage for Auto insurance) + Code 9 times dollars percentage for Other Insurance

AUDIT FINDING NO. 6

SUBJECT: RELATED PARTY ALLOCATION TO RATE BASE

AUDIT ANALYSIS:

We analyzed the related party allocations for Plant and Accumulated Depreciation for the test year ended June 30, 2007.

Staff determined that the company posted quarterly allocations of general plant, based upon Equivalent Residential Connections (ERCs) from its related parties.

We performed an analysis of the quarterly plant allocations by reviewing the allocation manuals provided by the company. We recalculated the plant allocations using the quarterly weighted average of the plant allocation percentages times the total plant for each quarter. We also noted that all related party plant allocations are classified as general plant on the books of Wedgefield. Additionally, the company records all related party allocations to its water accounts and subsequently allocates a portion to wastewater based upon the ERCs.

During the analysis, we determined that the company's allocation in the manuals agree with staff calculated amounts. However, the allocation reported on the filing differs from staff calculated amount.

Using the staff computed amount, we recommend an adjustment to rate base for Plant and Accumulated Depreciation as follows: Reduce plant by \$124,564. Reduce Accumulated Depreciation by \$34,444. A related adjustment should also be made to Depreciation Expense.

<u>Related Party Allocations</u>	<u>Plant in</u>
<u>Per Company:</u>	<u>Service</u>
Adjusted WSC Average Allocation	\$ 61,182
UIF Average Allocation	49,774
Transportation Allocation	(30,784)
Allocation of General Plant to Sewer	(39,787)
ProForma Adjustment	<u>106,486</u>
Total Related Party Allocation Per Co.	\$ 146,871
Less:	
<u>Staff Computation</u> of Related Party Allocation	<u>22,307</u>
Staff Adjustment	\$ 124,871

<u>Related Party Allocations</u>	<u>Accumulated Depreciation</u>
Per Company:	
Adjusted WSC Average Allocation	\$ 33,239
UIF Average Allocation	16,669
Transportation Allocation	24,144
Allocation of General Plant to Sewer	(36,751)
ProForma Adjustment	<u>10,353</u>
Total Related Party Allocation Per Co.	\$ 47,654
Less:	
<u>Staff Computation</u> of Related Party Allocation	13,210
Staff Adjustment	\$ 34,444

EFFECT ON GENERAL LEDGER:

Because this amount would change quarterly, an adjustment is not being recommended.

EFFECT ON FILING:

Rate Base – Plant should be reduced by \$124,564 and Rate Base – Accumulated Depreciation should be reduced by \$34,444.

Schedule of Water Rate Base

Florida Public Service Commission

Company: Wedgefield Utilities, Inc.
 Docket No.: 070694-WS
 Schedule Year Ended: June 30, 2007
 Interim Final
 Historic Projected

Schedule: A-1
 Page 1 of 1
 Preparer: John Hoy

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	Utility Test Year Adjustments	Utility Adjusted Test Year	(3) Utility Pro Forma Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedules
1	Utility Plant in Service	3,755,562	(108,986)	3,646,576	3,325,166 (A)	6,971,742	A-3, A-5
2							
3	Utility Land & Land Rights	4,718	(1,982)	2,736	(1,982) (A)	754	A-3, A-5
4							
5	Less: Non-Used & Useful Plant	-		-	(87,095) (B)	(87,095)	A-7
6							
7	Construction Work In Progress	91,996	(91,996)	-	(C)	-	A-3
8							
9	Less: Accumulated Depreciation	(1,513,093)	33,599	(1,479,494)	(8,364) (D)	(1,487,858)	A-3, A-9
10							
11	Less: CIAC	(1,390,449)		(1,390,449)		(1,390,449)	A-12
12							
13	Accumulated Amortization of CIAC	390,278		390,278		390,278	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		159,980	159,980	- (E)	159,980	A-17
22							
23	Total Rate Base	\$ 1,339,012	\$ (9,385)	\$ 1,329,627	\$ 3,227,725	\$ 4,557,352	

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Wedgefield Utilities, Inc.
 Docket No.: 070694-WS
 Test Year Ended: June 30, 2007
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: B-1
 Page 1 of 1
 Preparer: John Hoy

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	\$ 746,325	\$ 15,003 (A)	\$ 761,328	\$ 446,607 (A)	\$ 1,207,935	B-4, B-3
2							
3	Operation & Maintenance	543,807	(228,784)	315,023	129,018 (B)	444,041	B-5, B-3
4	Depreciation, net of CIAC Amort.	98,040	(12,512)	85,528	19,718 (C)	105,246	B-13, B-3
5							
6	Amortization						
7							
8	Taxes Other Than Income	200,421	(126,520) (D)	73,901	17,634 (D)	91,535	B-15, B-3
9							
10	Provision for income Taxes	46,818	37,280 (E)	84,098	59,236 (E)	143,334	C-1, B-3
11							
12	OPERATING EXPENSES	889,086	(330,536)	558,550	225,606	784,156	
13							
14	NET OPERATING INCOME	\$ (142,761)	\$ 345,539	\$ 202,778	\$ 221,001	\$ 423,779	
15							
16							
17	RATE BASE	\$ 1,339,012	\$ (9,385)	\$ 1,329,627	\$ 3,227,725	\$ 4,557,352	
18							
19							
20	RATE OF RETURN	-	%	15.25	%	9.30	%
21							

Reconciliation of Capital Structure to Requested Rate Base,
13 Month Average

Florida Public Service Commission

Company - Wedgefield Utilities, Inc.
Docket No.: 070694-WS
Schedule Year Ended: 6/30/07
Interim [] Final [x]
Historical [x] Projected []

Schedule D-2 - REVISED
Page 1 of 1

Preparer: Michelle Rochow

Explanation: Provide a reconciliation of 13 month average structure to requested rate base. Explain all adjustments. Submit an additional schedule if a year-end basis is used.

Line No.	Class of Capital	(1)	(2)	(3)	(4)	(5) Reconciliation Adjustments		(6)	(7)
		Balance 6/30/07	Balance 6/30/06	13 Month Average	Pro Rata	Pro Rata Percentage	Reconciled to Requested Rate Base AYE 6/30/07		
1	Long Term Debt	180,000,000	97,275,530	173,636,578	(170,870,643)	56.98%	2,765,935		
2	Short Term Debt	-	66,317,000	5,439,769	(5,352,879)	1.79%	86,891		
3	Preferred Stock	-	-	-	-	0.00%	-		
4	Common Equity	158,486,069	93,830,258	125,643,139	(123,641,744)	41.23%	2,001,395		
5	Customer Deposits	21,880	29,040	24,954	-	n/a	24,954		
6	Tax Credits - Zero Cost	-	-	-	-	n/a	-		
7	Tax Credits - Weighted Cost	-	-	-	-	0.00%	-		
8	Accumulated Deferred Income Taxes	(309,569)	(329,898)	(321,823)	-	n/a	(321,823)		
9	Other (Explain)	-	-	-	-	0.00%	-		
10	Total	<u>338,198,380</u>	<u>257,121,920</u>	<u>304,422,618</u>	<u>(299,865,266)</u>	<u>100.00%</u>	<u>4,557,352</u>		

Note: Long term debt, short term debt, preferred stock, and common equity are actual for Wedgefield Utilities, Inc.'s parent company, Utilities, Inc.

Supporting Schedules: A-19, C-7, C-8, D-3, D-4, D-5, D-7
Recap Schedules: D-1

Schedule of Requested Cost of Capital
13 Month Average

Florida Public Service Commission

Company - Wedgefield Utilities, Inc.
Docket No.: 070694-WS
Schedule Year Ended: 6/30/07
Interim [] Final [x]
Historical [x] Projected []

Schedule D-1
Page 1 of 1

Preparer: Michelle Rochow

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

Line No.	(1) Class of Capital	(2) Reconciled to Requested Rate Base AYE 6/30/07	(3) Ratio	(4) Cost Rate	(5) Weighted Cost
1	Long Term Debt	2,765,935	60.69%	6.63%	4.03%
2	Short Term Debt	86,891	1.91%	1.54%	0.03%
3	Preferred Stock	-	0.00%	0.00%	0.00%
4	Common Equity	2,001,395	43.92%	11.86%	5.21%
5	Customer Deposits	24,954	0.55%	6.00%	0.03%
6	Tax Credits - Zero Cost	-	0.00%	0.00%	0.00%
7	Tax Credits - Weighted Cost	-	0.00%	0.00%	0.00%
8	Accumulated Deferred Income Tax	(321,823)	-7.06%	0.00%	0.00%
9	Other (Explain)	-	0.00%	0.00%	0.00%
10	Total	<u>4,557,352</u>	<u>100.00%</u>		<u>9.30%</u>

Note: The cost of equity is based on the leverage formula in effect pursuant to Order No. PSC-07-0472-PAA-WS.
Therefore, the actual cost rate has been used.

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