

State of Florida



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: November 17, 2009
TO: Shannon Hudson, Regulatory Analyst IV, Division of Economic Regulation
FROM: Dale N. Mailhot, Director, Office of Auditing and Performance Analysis *DM*
RE: Docket No.: 090415-SU
Company Name: West Lakeland Wastewater, Inc.
Company Code: SU836
Audit Purpose: A1b: Staff Assisted Rate Case
Audit Control No: 09-260-2-1

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 a response to the Office of the Commission Clerk. There are no confidential work papers associated with this audit.

DNM/ch

Attachment: Audit Report

cc: (With Attachment)
Division of Regulatory Compliance (Mailhot, File Folder)
Office of Commission Clerk
Office of the General Counsel

(Without Attachment)
Division of Regulatory Compliance (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

DOCUMENT NUMBER-DATE

11396 NOV 17 8

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**FLORIDA PUBLIC SERVICE COMMISSION
OFFICE OF AUDITING AND PERFORMANCE ANALYSIS**

Bureau of Auditing

Tampa District Office

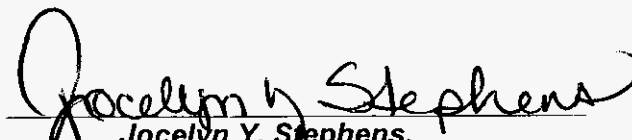
WEST LAKELAND WASTEWATER, INC.

STAFF ASSISTED RATE CASE

HISTORICAL TEST YEAR ENDED SEPTEMBER 30, 2009

**DOCKET NO. 090415-SU
AUDIT CONTROL NO. 09-260-2-1**


Ron Mavrides, Audit Manager


*Jocelyn Y. Stephens,
Interim District Supervisor*

DOCUMENT NUMBER DATE

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FPSC-COMMISSION CLERK

**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
AUDITOR'S REPORT**

October 26, 2009

TO: FLORIDA PUBLIC SERVICE COMMISSION

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 September 17, 2009. We have applied these procedures to the attached schedules prepared by the audit staff in support of West Lakeland Wastewater, Inc.'s request for a Staff Assisted Rate Case in Docket No. 090415-SU.

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

OBJECTIVES AND PROCEDURES

GENERAL

Utility Books and Records

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

Procedures: We reviewed the utility's accounting system. Audit Finding No. 1 discusses our findings on the utility's accounting system.

RATE BASE

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 USOA. To verify that the proper retirements of UPIS were made when a replacement item was put in service.

Procedures: We determined the UPIS balance that was established in Docket No. 990937-SU, the utility's last staff assisted rate case.¹ We determined that no general ledger or annual reports were prepared since 2006 and that prior to 2006 accounting records were incomplete. Plant additions and retirements could not be substantiated with source documents subsequent to 1999. Audit Finding No. 2 discusses our findings and recommended UPIS balance at September 30, 2009.

Land

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

Procedures: We verified that the Utility was sold at auction on March 20, 2001, subsequent to the last rate case, for \$197,500. On May 23, 2006, all of the property, including the spray fields and retention ponds, excepting "parcel II", containing the actual plant, were sold to a developer for \$680,000. A developer agreement and an easement and use agreement exist between the Utility and the developer. Audit Finding No. 3 discusses these agreements.

¹ See Order No. PSC-00-1163-PAA-SU, issued June 26, 2000, Docket No. 990937-SU.

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

Objective: To determine that additions to CIAC are properly recorded in compliance with Commission rules and the NARUC USOA. To verify and insure that all donated property is properly accounted for and recorded as CIAC.

Procedures: We determined the utility's CIAC balance that was established in Docket No.990937-SU. No other records of CIAC were provided. The balances from the last rate case were used as a base for the beginning CIAC balance. Audit Finding No. 4 discusses our findings and recommended CIAC balance as of September 30, 2009.

Accumulated Depreciation

Objective: To determine that accruals to accumulated depreciation are properly recorded in compliance with Commission Rules and the NARUC USOA. To verify that depreciation expense accruals are calculated using the Commission's authorized rates and that retirements are properly recorded.

Procedures: We determined the utility's accumulated depreciation balance that was established in Docket No. 990937-SU. We compiled accumulated depreciation accruals for the period June 30, 1999 through September 30, 2009 to determine the utility's accumulated depreciation balance based upon the staff calculated UPIS balance at September 30, 2009. No information on additions or retirements was provided. Audit Finding No. 2 discusses our findings and recommended balance for accumulated depreciation as of September 30, 2009.

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 USOA.

Procedures: We determined the utility's accumulated amortization of CIAC balance that was established in Docket No. 990937-SU. We compiled accumulated amortization of CIAC accruals for the period June 30, 1999 through September 30, 2009 to determine the utility's accumulated amortization of CIAC balance based upon the staff calculated balance for CIAC at September 30, 2009. Audit Finding No. 4 discusses our findings and recommended balance for accumulated amortization of CIAC as of September 30, 2009.

Working Capital Allowance

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

Procedures: We calculated the utility's working capital allowance as of September 30, 2009 using one-eighth of operation and maintenance expense as required by Commission Rule.² Based on this, the working capital allowance was determined to be \$11,605. See Audit Finding No. 6 for further discussion.

² See Rule 25-30.433 (2), Florida Administrative Code.

NET OPERATING INCOME

Revenues

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

Procedures: No records of revenues were provided. We determined revenues for the 12-month period ending September 30, 2009, by obtaining water volume meter readings from the City of Lakeland, and applying the applicable tariff rates to each customer's meter reading. Audit Finding No. 5 discusses our findings for revenues.

Operation and Maintenance Expense

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

Procedures: We could only obtain three months of utility invoices for most expenses. These we annualized to approximate a test year. We did obtain a full year of invoices for the operator, purchased power, chemicals, and testing services. We reviewed all utility invoices for proper amount, period, classification, NARUC account and recurring nature. Audit Finding No. 6 discusses our findings and recommended operation and maintenance expense balance for the 12-month period ending September 30, 2009.

Taxes-Other-Than-Income (TOTI)

Objective: To determine what TOTI tax expense should be for the 12-month period ending September 30, 2009.

Procedures: We calculated the regulatory assessment fee based on the revenues arrived at in this audit. We also obtained the 2009 real estate and tangible property tax bill from the tax collectors office, the local business tax payable to Polk County, and the county tax charged on water. We calculated the tax for FICA, FUTA, and SUTA. Audit Finding No. 7 details these taxes.

Depreciation Expense

Objective: To determine depreciation expense according to Commission Rules and that it accurately represents the depreciation of utility plant in service assets and the amortization of utility contributions-in-aid-of-construction assets from ongoing utility operations, based upon UPIS and CIAC balances calculated by staff.

Procedures: We calculated depreciation expense and amortization of CIAC expense balances using the UPIS and CIAC balances determined by staff. Audit Finding No. 2 discusses our findings and recommended depreciation and amortization of CIAC expense balances for the 12-month period ending September 30, 2009.

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.

Procedures. The utility has one \$24,000 non-interest bearing loan from Polk County. There are no customer deposits. Audit Finding No. 8 discusses our findings and details the loan data as of September 30, 2009.

AUDIT FINDING NO. 1

SUBJECT: UTILITY BOOKS AND RECORDS

AUDIT ANALYSIS: The utility has no current books or records. The only general ledgers provided by the receiver were for 2003, 2005, and 2006. No annual report has been filed since 2006. There was no evidence of any plant additions or retirements since the last rate case. There were only invoices, canceled checks, and on-line bank statements for the three months that the receiver has operated the plant.

CONCLUSION: The utility should be ordered to maintain accounting books and records in accordance with the NARUC USOA.

AUDIT FINDING NO. 2

SUBJECT: UTILITY PLANT IN SERVICE, ACCUMULATED DEPRECIATION, AND DEPRECIATION EXPENSE

AUDIT ANALYSIS: The Utility provided no evidence of any plant additions or retirements since the 1999 rate case. The long-term plant operator (15 years) stated that there were no plant additions that he remembered, except for a 5,000 gallon tank added years before. We therefore based the plant balances on the plant schedules from Order No. PSC-00-1163-SU, Docket No. 990937-SU.

We calculated annual depreciation expense and compiled accumulated depreciation accruals since the last rate case proceeding in 1999 through the end of the test year to determine the utility's accumulated depreciation balance as of September 30, 2009. We depreciated the plant balances using the depreciation rates prescribed in Commission Rules.³ Based on our calculations, the utility's UPIS and accumulated depreciation balances are \$234,456 and (\$222,666), respectively, as of September 30, 2009.

Depreciation expense for the 12-month period ending September 30, 2009 is \$2,586.

The following schedule details the plant, accumulated depreciation, and depreciation expense.

³ See Rule 25-30.140 (1), Florida Administrative Code.

Acct. No.	Account Description	Plant in Service	Accumulated Depreciation	Depreciation Expense
351.00	Organization	\$0	\$0	\$0
352.00	Franchises	0	0	0
354.00	Structures & Improvements	916	(916)	0
355.00	Power Generating Equipment	0	0	0
360.00	Collection - Sewers forced	6,548	(6,548)	0
361.00	Collection - Sewers gravity	97,141	(89,231)	1,914
362.00	Special Collecting Structures	0	0	0
363.00	Services to customers	16,503	(16,280)	472
364.00	Flow Measuring Devices	1,403	(1,403)	0
365.00	Flow Measuring Installations	952	(952)	0
370.00	Receiving Wells	31,696	(31,696)	0
380.00	Treatment & Disposal Equipment	73,307	(73,307)	0
381.00	Plant Sewers	0	0	0
382.00	Outfall Sewer Lines	5,990	(2,333)	200
389.00	Other Plant & Miscellaneous Equipment	0	0	0
390.00	Office Furniture & Equipment	0	0	0
391.00	Transportation Equipment	0	0	0
393.00	Tools, Shop, & Garage Equipment	0	0	0
395.00	Power Operated Equipment	0	0	0
398.00	Other Tangible Plant	0	0	0
	Totals	<u>\$234,456</u>	<u>(\$222,666)</u>	<u>\$2,586</u>

EFFECT ON THE FILING: The Utility's UPIS and accumulated depreciation balances are \$234,456 and (\$222,666), respectively, and test year depreciation expense is \$2,586 as of September 30, 2009.

EFFECT ON THE GENERAL LEDGER: Record UPIS of \$234,456 and accumulated depreciation of (\$222,666). Record depreciation expense of \$2,586.

AUDIT FINDING NO. 3

SUBJECT: LAND AND LAND RIGHTS

AUDIT ANALYSIS: Subsequent to Order No. PSC-00-1163-SU, Docket No. 990937-SU, the utility was sold at auction in 2001 for \$197,500. The new owners sold the spray fields and the holding ponds (parcel V, VI, & VII) to Transworld, LLC, for \$680,000 in 2006, which intends to develop the property in the future. The Utility has an easement and use agreement allowing it to use the spray fields and holding ponds until it receives a 90-day notice from Transworld, LLC. A developer's agreement with Transworld requires Transworld to then provide a storage tank for effluent disposal in a drip system. This easement was signed by both parties but not recorded by the Polk County clerk's office.

EFFECT ON THE FILING: Land and land rights should be \$356.

EFFECT ON THE GENERAL LEDGER: Record land and land rights at \$356.

AUDIT FINDING NO. 4

**SUBJECT: CONTRIBUTIONS IN AID OF CONSTRUCTION
AND ACCUMULATED AMORTIZATION OF CIAC**

AUDIT ANALYSIS: Order No. PSC-00-1163-PAA-SU, Docket No. 990937-SU established a CIAC balance of \$163,400 and an accumulated amortization of CIAC of \$75,265. The utility provided no other information. Based on our findings discussed below, the utility's CIAC and accumulated amortization of CIAC balances are \$163,400 and \$121,221, respectively, as of September 30, 2009.

We compiled accumulated amortization of CIAC accruals for the period June 30, 1999 through September 30, 2009 to determine the utility's accumulated amortization of CIAC balance as of September 30, 2009. We amortized the existing balances at the annual composite depreciation rate as prescribed in Commission rules.⁴

Additionally, we calculated a balance of \$4,084 for amortization expense for the 12-month period ending September 30, 2009.

EFFECT ON THE FILING: The utility's CIAC and accumulated amortization of CIAC balances are (\$163,400) and \$121,221, respectively, and the test year amortization expense is \$4,084 as of September 30, 2009.

EFFECT ON THE GENERAL LEDGER: Record CIAC and accumulated amortization of CIAC as of September 30, 2009 at (\$163,400) and \$121,221. Record amortization expense of \$4,084.

⁴ See Rule 25-30.140 (9), Florida Administrative Code.

AUDIT FINDING NO. 5

SUBJECT: REVENUES

AUDIT ANALYSIS: The utility provided 1" inch meter general service to 2 customers, and 5/8 X 3/4" inch meter residential service to 312 customers.

- The utility has one general service customer that is served by a one inch meter.
- The utility has a clubhouse, operated by an informal group of residents, which is serviced by a one inch general service meter.
- The utility has one pump (company usage) that is serviced by a 1" inch general service meter.

All other customers are services with 5/8 X 3/4" inch residential meters.

We calculated the utility's wastewater revenues to be \$93,054.29 for the 12-month period ending September 30, 2009, based on the following.

<u>Customer Base</u>	<u>Revenue Amount</u>
Residential	\$ 91,717
General Service	1,584
Less: Company Usage (Pump Station)	(247)
Total Revenues	<u>\$ 93,054</u>

EFFECT ON THE FILING: The utility's wastewater revenues are \$93,054 for the 12-month period ending September 30, 2009.

EFFECT ON THE GENERAL LEDGER: Record wastewater revenues of \$93,054.

West Lakeland Wastewater, Inc. – Residential Service

<u>Gallons Range</u>	<u>Actual Gallons</u>	<u>Customer Bills</u>	<u>Tariff Rates</u>	<u>Total Revenues</u>
Base		3,744	\$ 13.39	\$ 50,132
Usage				
0	0	608	\$3.26/Gal	-
1 - 1000	496	496	\$3.26/Gal	1,617
1001 - 2000	1442	721	\$3.26/Gal	4,701
2001 - 3000	1740	580	\$3.26/Gal	5,672
3001 - 4000	1736	434	\$3.26/Gal	5,659
4001 - 5000	1335	267	\$3.26/Gal	4,352
5001 - 6000	1056	176	\$3.26/Gal	3,443
6001 - 7000	763	109	\$3.26/Gal	2,487
7001 - 8000	688	86	\$3.26/Gal	2,243
8001 - 9000	585	65	\$3.26/Gal	1,907
9001 - 10000	460	46	\$3.26/Gal	1,500
+ 10000	2455	156	\$3.26/Gal	8,003
		<u>3,744</u>		<u>\$ 91,717</u>

West Lakeland Wastewater, Inc. – General Service

<u>Gallons Range</u>	<u>Customer Bills</u>	<u>Tariff Rates</u>	<u>Water Usage</u>	<u>Total Revenues</u>
Base	36	18.29		658
Usage				
0	8	\$3.89/Gal	-	-
1 - 1000	7	\$3.89/Gal	7	27
1001 - 2000	0	\$3.89/Gal	0	-
2001 - 3000	0	\$3.89/Gal	0	-
3001 - 4000	1	\$3.89/Gal	4	16
4001 - 5000	2	\$3.89/Gal	10	39
5001 - 6000	3	\$3.89/Gal	18	70
6001 - 7000	1	\$3.89/Gal	7	27
7001 - 8000	3	\$3.89/Gal	24	93
8001 - 9000	2	\$3.89/Gal	18	70
9001 - 10000	1	\$3.89/Gal	10	39
+ 10000	8	\$3.89/Gal	140	545
	<u>36</u>			<u>1,584</u>

AUDIT FINDING NO. 6

SUBJECT: OPERATION AND MAINTENANCE EXPENSE

AUDIT ANALYSIS: We determined the operation and maintenance expense for the 12-month period ended September 30, 2009 to be \$92,841.

We determined this balance by annualizing 3 months of paid invoices for some accounts, and using a full year of paid invoices and data that we received from the vendors providing other services.

The amounts we arrived at for Salaries and Wages – Officers, and Contractual Services – Professional were judgmental, as we were provided with little information for these accounts and no information for the latter.

We compiled the account balances using the utility's transaction activities and information obtained from vendors shown below.

Account No. 703. Salaries and Wages - Officers

The receiver provided a breakdown of his job, responsibilities, and work hours. We determined that a wage rate of \$26 dollars an hour, without pension or benefits, would be a fair market rate, and calculated an annual salary of \$29,848.

Account No. 711 Sludge Removal Expense

The utility produces about 2000 gallons of sludge a month. A third party estimate for sludge removal was 18 cents a gallon. We calculated \$4,320 for sludge removal.

Account No. 715 Purchased Power

We acquired the actual power bills for the utility from the City of Lakeland. They included the bills for 3 pump stations and one lift station. The bills for the lift station were applied to account 715, and amounted to \$10,721. The bills for the lift station were for the water used, and were applied to purchased power.

Account No. 718 Chemicals

We acquired a schedule of the actual chemicals purchased for the 12-month test year ended September 30, 2009 from the vendor. Total chemicals expense is \$2,604.

Account No. 720 Materials and Supplies

The City of Lakeland provided the actual bills of purchased water. This amounted to \$317.

Account No. 731 Contractual Services -- Professional

No evidence or history for legal/accounting services was provided for account 731. Using data from 3 other class "C" wastewater utilities, we calculated an average cost that was obtained from 2008 annual reports, and adjusted them by the CPI-U for the period to arrive at an approximation for the cost of professional services in 2009. We obtained an expense of \$2,827 for contractual services - professional.

Account No. 735 Contractual Services - Testing

The plant operator, who also performs testing, provided us with the invoices for the 12-month period test year. \$1,139 was calculated for contractual services – testing.

Account No. 736 Contractual Services - Other

We obtained from the plant operator all the invoices for the 12-month period ending September 30, 2009. We also obtained evidence of services provided for mowing the retention pond, mowing the sewer plant, and hiring a part-time meter reader for the 3-month period the receiver has managed the plant. We annualized these services for the test year and allocated \$23,688 for contractual services – other.

Account No. 750 Transportation Expenses

We determined that the receiver should make at least one visit to the plant a month, given that there is also an operator and part-time helper who regularly visit the plant. A round-trip to the plant from the home office is 112 miles. At 55 cents a mile, 12 trips a year, we calculated a yearly expense of \$739 for transportation expense.

Account No. 755 Insurance Expenses

No history of insurance expenses was provided. We did obtain from 2 insurance companies estimates for liability insurance. We averaged them and obtained a balance of \$6,670 for insurance expense.

Account No. 765 Regulatory Commission Expenses

We obtained the invoices for permit renewals. We calculated \$2,541 for regulatory commission expense.

Account No. 775 Miscellaneous Expenses

We obtained various invoices and canceled checks for miscellaneous expenses incurred during the 3 month period the receiver has operated the plant. We annualized them and applied \$5,733 to miscellaneous expense.

Account No. 921 Administrative and General Expenses

We calculated annual postage expense (A/C 921.1) based upon the cost of billing 312 customers 31 cents for 12 months. This charge totaled \$1,277. The 31 cents postage fee was based upon the purchase of stamped postcards from the United States Postal Service. We calculated office supplies (A/C 921.2) by annualizing 3 months of actual invoices. This charge totaled \$417.

The utility's operating and maintenance expenses by NARUC sub-account are displayed on the following schedule.

O&M Expenses per Audit

Account No.	Account Description	Expense Amount
703	Salaries and Wages - Officers	\$ 29,848
711	Sludge Removal Expense	4,320
715	Purchased Power	10,721
718	Chemicals	2,604
720	Materials and Supplies	317
731	Contractual Services - Professional	2,827
735	Contractual Services - Testing	1,139
736	Contractual Services - Other	23,688
750	Transportation Expenses	739
755	Insurance Expenses	6,670
765	Regulatory Commission Expense	2,541
775	Miscellaneous Expenses	5,733
921	Administrative and General Expenses	
921.1	Postage	1,277
921.2	Office Supplies	417
	Difference due to Rounding	(1)
		<u>\$ 92,841</u>
		<u><u>\$ 11,605</u></u>

All amounts have been rounded.

The utility's working capital allowance for rate base purposes is \$11,605 which is calculated as one-eighth of the utility's operating and maintenance expense balance for the test year, per Commission rule.

EFFECT ON THE FILING: The utility's operation and maintenance expense balance is \$92,841 for the 12-month period ending September 30, 2009. Working capital is calculated to be \$11,605.

EFFECT ON THE GENERAL LEDGER: Record O&M expenses of \$92,841.

AUDIT FINDING NO. 7

SUBJECT: TAXES-OTHER-THAN-INCOME

AUDIT ANALYSIS:

The utility paid real estate and tangible taxes to Polk County as well as a local business tax. A Regulatory Assessment Fee was paid to the Florida Public Service Commission. We calculated payroll taxes based upon salary expense determined during the audit.

The following schedule details the TOTI.

<u>Description</u>	<u>Amount</u>
Tangible Tax	\$ 803
Real Estate Tax	3
Regulatory Assessment Fees	4,187
Local Business Tax	55
FICA	2,283
FUTA	1,851
SUTA	806
	<u>\$9,988</u>

EFFECT ON THE FILING: The TOTI expense should be \$9,988.

EFFECT ON THE GENERAL LEDGER: Record TOTI expenses of \$9,988.

AUDIT FINDING NO. 8

SUBJECT: CAPITAL STRUCTURE

AUDIT ANALYSIS:

Order No. PSC-00-1163-PAA-SU, Docket No. 990937-SU, provided for the collection of customer deposits. However, the existing annual reports make no mention of customer deposits, and the receiver did not acquire and does not hold any customer deposits.

There is a \$24,000 non-interest bearing bridge loan from Polk County for emergency repair. This loan was made to Mike Smallridge on behalf of West Lakeland "in order to make the emergency repairs until such time as the appropriate rate increase structure is approved by the court". The proceeds are to be disbursed as follows:

- 1) \$8,000 upon execution of agreement by both parties. (August 19, 2009)
- 2) Weekly disbursement thereafter (up to \$24,000) upon appropriate cost documentation, including but not limited to proofs of payment, invoices and executed construction contracts with a properly licensed contractor for the purpose of making the necessary emergency repairs to the utility. The cost documentation shall be submitted to the Environmental Services Department Director.

The terms of the loan require a minimum loan payment of \$2,000 per month until the entire balance of the loan is paid in full, with the first payment due on February 18, 2010.

CONCLUSION: At the end of the test year, \$8,219 had been requested from the county. Of this amount, \$5,739 had previously been paid by the utility. The amount disbursed by Polk County totaled \$8,000.

On October 19, 2009 the utility submitted an additional request for funds totaling \$14,348 of which \$2,970 had previously been paid by the utility. The amount paid by Polk County totaled \$4,893.

Total funds requested from the county amounted to \$22,567. Total emergency funds paid by Polk County totaled \$12,893.

EXHIBIT I

**WASTEWATER RATE BASE
YEAR END BALANCES AT SEPTEMBER 30, 2009
DOCKET NO. 090415-SU**

UTILITY PLANT IN SERVICE	\$ 234,456
LAND AND LAND RIGHTS	356
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(163,400)
AMORTIZATION OF CIAC	121,221
ACCUMULATED DEPRECIATION	(222,666)
WORKING CAPITAL ALLOWANCE	11,605
NET RATE BASE	<u>\$ (18,428)</u>

(A) All amounts are rounded to the nearest whole dollar.

EXHIBIT II

WEST LAKELAND WASTEWATER, INC
NET OPERATING INCOME
12-MONTHS ENDED SEPTEMBER 30, 2009
DOCKET NO. 090415-SU

REVENUES	\$ 93,054
OPERATION AND MAINTENANCE EXPENSE	\$ 92,841
DEPRECIATION EXPENSE	\$ 2,586
CIAC AMORTIZATION EXPENSE	\$ (4,084)
TAXES OTHER THAN INCOME TAX EXPENSE	<u>\$ 9,988</u>
OPERATING EXPENSE	<u>\$ (101,331)</u>
NET OPERATING INCOME	<u><u>\$ (8,277)</u></u>