



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: December 17, 2009

TO: Jared Deason, Regulatory Analyst IV, Division of Economic Regulation

FROM: Dale N. Mailhot, Director, Office of Auditing and Performance Analysis *DM*

RE: Docket No.: 090392-WS
 Company Name: Utilities, Inc. of Pennbrooke
 Company Code: WS861
 Audit Purpose: Rate Case
 Audit Control No: 09-281-4-2

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 Commission Clerk. There are confidential work papers associated with this audit.

DNM/ip
Attachment: Audit Report

cc: (With Attachment)
 Office of Auditing and Performance Analysis (Mailhot, File Folder)
 Office of Commission Clerk
 Office of the General Counsel

(Without Attachment)
 Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

RECEIVED-FPSC
 09 DEC 18 PM 3:19
 COMMISSION
 CLERK

DOCUMENT NUMBER-DATE
 12079 DEC 18 08
 FPSC-COMMISSION CLERK



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

Miami District Office

UTILITIES, INC. OF PENNBROOKE

RATE CASE

AS OF DECEMBER 31, 2008

DOCKET NO. 090392-WS
AUDIT CONTROL NO. 09-281-4-2

Bety Maitre

Bety Maitre, Audit Manager

Gabriela Leon

Gabriela Leon, Audit Staff

Iliana Piedra

Iliana Piedra, Audit Staff

Yen Ngo

Yen Ngo, Audit Staff

Kathy Welch

Kathy Welch, District Audit Supervisor

DOCUMENT NUMBER-DATE

12079 DEC 18 8

FPSC-COMMISSION CLERK

TABLE OF CONTENTS

AUDITOR'S REPORT	PAGE
I. PURPOSE	1
II. OBJECTIVES AND PROCEDURES.....	2
III. AUDIT FINDINGS	
1. PLANT SAMPLE	6
2. RETIREMENT	8
3. UNSUPPORTED PLANT PROFORMA.....	9
4. ERROR IN PROFORMA ADJUSTMENT TO CHANGE ERC'S	10
5. ERRORS IN COMMON PLANT ALLOCATION & DEPRECIATION RATES.....	12
6. SAMPLE ERRORS IN NORTHBROOK PLANT.....	14
7. PAYROLL INCREASES	15
8. 401K COSTS.....	16
9. EMPLOYEE NOT REPLACED.....	17
10. HEADQUARTERS SAMPLE.....	18
11. OPERATING AND MAINTENANCE SAMPLE.....	21
12. ACCUMULATED AMORTIZATION OF CIAC.....	23
IV. EXHIBITS	
1. RATE BASE	26
2. NET OPERATING INCOME.....	28
3. COST OF CAPITAL.....	29

DOCUMENT NUMBER-DATE
12079 DEC 18 8
FPSC-COMMISSION CLERK

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

December 11, 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. We have applied these procedures to the attached schedules which were prepared by Utilities, Inc. of Pennbrooke in support of its filing for rate relief in Docket No. 090392-WS.

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

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, 2007 and 2008 and verified that adjustments required in Order No. PSC-070534-AS-WS were recorded.

Utility-Plant-in-Service

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

Procedures: We sampled plant additions for the period January 1, 2006 through December 31, 2008 for compliance with the stated objectives above. We verified whether the utility properly recorded retirements to plant 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. We tested the allocations of plant allocated from both the Illinois and Florida headquarters and tested the additions made since the 2007 headquarters audit.

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 that there has been no change to utility land since its last rate proceeding by searching the county's public records.

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 plant in service.

Procedures: We sampled CIAC additions for the period January 1, 2006 through December 31, 2008 for compliance with the stated objectives above. We reviewed developer agreements for unrecorded CIAC. We traced utility CIAC schedules to the general ledger and the utility's authorized tariff rates. We toured the utility's authorized service territory to look for new developments that may have included contributed property.

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 plant schedules. We verified that the utility used Commission authorized rates to depreciate its plant 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 plant was removed or replaced. We recalculated a sample of accumulated depreciation account balances from January 1, 2006 to December 31, 2008. We tested the allocations of accumulated depreciation allocated from both the Illinois and Florida headquarters and tested the additions made since the 2007 headquarters audit.

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 that 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 from January 1, 2006 to December 31, 2008.

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 calculation.

NET OPERATING INCOME

General

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

Procedures: We reconciled the individual components of net operating income to the utility's general ledger for the 12-month period ended December 31, 2008.

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 utility's general ledger and we reconciled the billing summaries to the utility's revenue reports. We recalculated bills to make sure they were billed in accordance with the tariff.

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 based on auditor judgment. We reviewed the sample for the proper utility system, classification, NARUC account, amount, period and recurring nature. We examined invoices and supporting documentation to determine if the above objectives are met. We reviewed the allocations of both Illinois and Florida headquarters expenses and sampled the expenses charged through the allocations.

Taxes-Other-Than-Income (TOTI)

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

Procedures: We obtained the regulatory assessment fee (RAF) 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.

Depreciation Expense

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

Procedures: We recalculated a sample of 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.

CAPITAL STRUCTURE

General

Objective: To determine 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 parent company general ledger as of December 31, 2008. We verified debt to the notes and short term debt to bank statements.

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.

AUDIT FINDING NO. 1

SUBJECT: PLANT SAMPLE

AUDIT ANALYSIS: A sample of entries was selected from the Pennbrooke ledger to be traced to supporting documentation. The following invoices were requested as part of our audit samples and should be removed along with the associated depreciation. The entries are being removed because the utility was unable to provide sufficient support; the entries should have been expensed; or the entries are associated with an affiliated company.

UTILITIES INC OF PENNBROOKE
 PLANT SAMPLE
 TEST YEAR ENDED DECEMBER 31, 2008

NARUC	YEAR	JDE	DESCRIPTION	AMOUNT	DESCRIPTION	REASONS	Depreciation			
							Rate	Annual	Years	Total
304	2008	260.1050	NOV 2008 - RECLASS OVS	\$ 3,720	PO Never paid and should not be included Electric Work - Repair	PO never paid	3.13%	\$ 116	0.5	\$ 58
311	2006	260.1100	R14863*08189*THOMPSO	\$ 1,045	Cutler Hammer Starter and return to service	Expense	5.56%	\$ 58	2.5	\$ 145
311	2008	260.1105	LOCKE WELL & PUMP CO	\$ 1,050	Service to transport spare motor from Golden Hills to Pennbrooke, install, check out electrical panel, change out fuses and take 25hp motor to shop for repair	Expense	5.00%	\$ 53	0.5	\$ 26
311	2008	260.1110	LOCKE WELL & PUMP CO	\$ 575	Service to p/up 25hp motor, change out and take to 30hp spare back to shop	Expense	5.00%	\$ 29	0.5	\$ 14
330	2008	260.1120	McPhee, Allison Stevenson Water	\$ 271	CL 2 line project	Expense	2.70%	\$ 7	0.5	\$ 4
				\$ 6,661				\$ 263		\$ 248
354	2006	260.1295	22932*17626*ECO-2000	\$ 575	Furnish labor and materials to repair control panel box at Lift station #6, including new motor starter and new phase monitor	Expense	4.00%	\$ 23	2.5	\$ 58
354	2007	260.1295	61752*00585*W W GRAI	\$ 91	2 Circuit Breakers for L/S 1	Expense	4.00%	\$ 4	1.5	\$ 5
360	2008	260.1345	Gosnell, Scotty Ray	\$ 76	SG 260101 BLD001 6 maintenance project	Expense	2.63%	\$ 2	0.5	\$ 1
380	2006	260.1400	32307*00831*LOCKE WE	\$ 768	Service to take Gouids pump apart and install new shaft seal and shaft sleeve	Expense	5.56%	\$ 43	2.5	\$ 107
380	2008	260.1400	ECO-2000 INC Waste water	\$ 1,800	Furnish labor and Materials to repair tank	Expense	5.56%	\$ 100	0.5	\$ 50
				\$ 3,310				\$ 171		\$ 221
			Total	\$ 9,971				\$ 434		\$ 468

EFFECT ON THE GENERAL LEDGER: The following entries should be posted to the general ledger.

NARUC	DESCRIPTION	DEBIT	CREDIT
304	STRUCT & IMPRV SRC SUPPLY		\$ 3,720
311	ELECTRIC PUMP EQUIP SRC PUMP		\$ 1,045
311	ELECTRIC PUMP EQUIP WTP		\$ 1,050
311	ELECTRIC PUMP EQUIP TRANS DIST		\$ 575
330	DIST RESV & STANDPIPES		\$ 271
354	STRUCT/IMPRV PUMP PLT LS		\$ 666
360	SEWER FORCE MAIN/SRVC LINES		\$ 76
380	TREAT/DISP EQUIP TRT PLT		\$ 2,568
403	STRUCT & IMPRV SRC SUPPLY DEP. EXP.		\$ 116
403	ELECTRIC PUMP EQUIP SRC PUMP DEP. EXP.		\$ 58
403	ELECTRIC PUMP EQUIP WTP DEP. EXP.		\$ 53
403	ELECTRIC PUMP EQUIP TRANS DIST DEP. EXP.		\$ 29
403	DIST RESV & STANDPIPES DEP. EXP.		\$ 7
403	SEWER FORCE MAIN/SRVC LINES DEP. EXP.		\$ 2
403	TREAT/DISP EQUIP TRT PLT DEP. EXP.		\$ 143
403	STRUCT/IMPRV PUMP PLT LS DEP. EXP.		\$ 27
108	STRUCT & IMPRV SRC SUPPLY ACC. DEP.	\$ 58	
108	ELECTRIC PUMP EQUIP SRC PUMP ACC. DEP.	\$ 145	
108	ELECTRIC PUMP EQUIP WTP ACC. DEP.	\$ 26	
108	ELECTRIC PUMP EQUIP TRANS DIST ACC. DEP.	\$ 14	
108	DIST RESV & STANDPIPES ACC. DEP.	\$ 4	
108	SEWER FORCE MAIN/SRVC LINES ACC. DEP.	\$ 1	
108	TREAT/DISP EQUIP TRT PLT ACC. DEP.	\$ 157	
108	STRUCT/IMPRV PUMP PLT LS ACC. DEP.	\$ 63	
620	WATER-MAINT REPAIRS	\$ 3,425	
620	WATER-ELEC EQUIPT REPAIR	\$ 1,045	
675	WATER-OTHER MAINT EXP	\$ 271	
720	SEWER-MAINT REPAIRS	\$ 1,343	
775	SEWER-OTHER MAINT EXP	\$ 167	
215	RETAINED EARNINGS	\$ 3,687	
	TOTAL	\$ 10,406	\$ 10,406

EFFECT ON THE FILING: Average Water Plant should be reduced by \$3,053 and Average Water Accumulated Depreciation by \$124. Water Depreciation expense should be decreased by \$263.

Average Wastewater plant should be reduced by \$2,372. Average Wastewater Accumulated Depreciation should be reduced by \$135.50. Wastewater depreciation expense should be decreased by \$171.

AUDIT FINDING NO. 2

SUBJECT: RETIREMENT

AUDIT ANALYSIS: The plant sample was reviewed to ensure all retirement entries were made. \$37,448 of additions sampled was found to have no corresponding retirements. The following schedule shows the retirement amounts calculated for each transaction entry and the associated depreciation to be removed.

UTILITIES INC OF PENNBROOKE
 RETIREMENT
 TEST YEAR ENDED DECEMBER 31, 2008

NARU YEAR	JDE	DESCRIPTION	AMOUNT	RETIREMENT		Depreciation	
				PERCENT	AMOUNT	Rate	Annual
320	2006	260.1115 37427*00831*LOCKE WE	\$ 479	75%	\$ 359	4.55%	\$ 16
320	2007	260.1115 39404*00831*LOCKE WE	\$ 479	75%	\$ 359	4.55%	\$ 16
320	2007	260.1115 45861*00586*W W GRAI	\$ 118	75%	\$ 88	4.55%	\$ 4
		WATER	\$ 1,075		\$ 806		\$ 37
366	2006	260.1525 7384*08189*THOMPSON	\$ 530	75%	\$ 398	2.50%	\$ 10
367	2006	260.1530 37158*06808*UTILITY	\$ 739	75%	\$ 554	5.00%	\$ 28
371	2008	260.1385 BARNEY'S PUMPS INC.	\$ 1,589	75%	\$ 1,192	5.56%	\$ 66
380	2008	260.1400 ITT WATER & WASTEWA1	\$ 1,473	75%	\$ 1,105	5.56%	\$ 61
		WASTEWATER	\$ 4,330		\$ 3,248		\$ 165
		TOTAL	\$ 5,406		\$ 4,054		\$ 202

EFFECT ON GENERAL LEDGER: The following entries are needed for the general ledger

UTILITIES INC OF PENNBROOKE
 RETIREMENT
 TEST YEAR ENDED DECEMBER 31, 2008

NARUC	DESCRIPTION	RETIREMENT	
		DEBIT	CREDIT
320	WATER TREATMENT EQPT		\$ 806
371	PUMPING EQUIPMENT RECLAIM WTP		\$ 1,192
380	TREAT/DISP EQUIP TRT PLT		\$ 1,105
366	REUSE SERVICES		\$ 398
367	REUSE MTR/INSTALLATIONS		\$ 554
108	WATER TREATMENT EQPT	\$ 806	
106	PUMPING EQUIPMENT RECLAIM WTP	\$ 1,192	
108	TREAT/DISP EQUIP TRT PLT	\$ 1,105	
108	REUSE SERVICES	\$ 398	
108	REUSE MTR/INSTALLATIONS	\$ 554	
403	WATER TREATMENT EQPT		\$ 37
403	PUMPING EQUIPMENT RECLAIM WTP		\$ 66
403	TREAT/DISP EQUIP TRT PLT		\$ 61
403	REUSE SERVICES		\$ 10
403	REUSE MTR/INSTALLATIONS		\$ 28
215	RETAINED EARNINGS	202	
	TOTAL	\$ 4,256	\$ 4,256

EFFECT ON FILING: Average Water Plant and Water Accumulated Depreciation should be reduced by \$808. Water Depreciation expense should be reduced by \$37.

Average Wastewater Plant and Wastewater Accumulated Depreciation should be reduced by \$2,100. Wastewater depreciation expense should be reduced by \$165.

AUDIT FINDING NO. 3

SUBJECT: UNSUPPORTED PROFORMA PLANT

AUDIT ANALYSIS: The utility included Pro Forma plant additions of \$389,184.

Pro Froma Description	Amount		Total
	Water	Wastewater	
PIS - 307.2 Replace Well No. 1	\$408,750.00		\$408,750.00
PIS - 311.3 Replace Pumping Equip @ Well No. 1	\$27,250.00		\$27,250.00
PIS - 307.2 Retire Well No. 1	(\$43,730.00)		(\$43,730.00)
PIS - 311.3 Retire Pumping Equip @ Well No. 1	(\$19,085.72)		(\$19,085.72)
PIS - 320.3 WTP Electrical Improvements	\$10,000.00		\$10,000.00
PIS - 320.3 Retire WTP Electrical Components	(\$2,000.00)		(\$2,000.00)
PIS - 354.3 Lift Station Upgrade		\$10,000.00	\$10,000.00
PIS - 354.3 Retire Lift Station Components	\$0.00	(\$2,000.00)	(\$2,000.00)
Total Adjustment	\$381,184.28	\$8,000.00	\$389,184.28

The utility supplied proposals for the Well Replacement which supports the cost as listed. However the utility failed to provide any supporting documentation for the electrical improvements and lift station repair.

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

EFFECT ON FILING: This finding is included for informational purposes only.

AUDIT FINDING NO. 4

SUBJECT: ERROR IN PROFORMA ADJUSTMENT TO CHANGE ERC'S

AUDIT ANALYSIS: The utility's new accounting system automatically allocates each account in Division 102-Northbrooke Headquarters, Division 802-Florida Regional Costs, and Division 855-Florida State costs each month using the monthly input ERC's for the applicable region. In 2009, the utility sold some of its systems which changed the ERC allocations. The utility personnel then took the costs for these divisions and re-allocated them using the new ERC calculations and planned to include the increase over what was in the ledger in 2008 in the proforma adjustments in the filing. However, in computing this adjustment, instead of using what was actually booked for rate base items, they used the yearly activity which only consisted of the additions for the year. Therefore, they increased rate base in the adjustments for more than the entire beginning balance of the plant allocated times the new ERC's. The following schedule shows the differences between what the utility used in its proforma calculation and what was actually in the ledger.

Obj Acct	Description	12/31/2007	12/31/2008	Simple Average	Avg. Per Co.	Restated Using Correct Ledger	Proforma Made By Company	Difference
1045	LAND & LAND RIGHTS GEN PLT	846.00	867.62	856.81	909.00	52.19	486.00	(433.81)
1175	OFFICE STRUCT & IMPRV	24,218.00	53,678.49	38,948.25	52,409.00	13,460.76	40,297.00	(26,836.25)
1180	OFFICE FURN & EQPT	11,531.00	17,876.27	14,703.64	17,937.00	3,233.37	12,175.00	(8,941.64)
1190	TOOL SHOP & MISC EQPT		7,039.12	3,519.56	8,314.00	4,794.44	8,317.00	(3,522.56)
1195	LAB EQUIPMENT				106.00	106.00	106.00	0.00
1205	COMMUNICATION EQPT	3,211.00	3,300.63	3,255.82	5,904.00	2,648.19	4,300.00	(1,651.82)
1320	POWER GEN EQUIP					0.00	8.00	(8.00)
1460	OFFICE FURN & EQPT					0.00	2.00	(2.00)
1470	TOOL SHOP & MISC EQPT		12.79	6.40		(6.40)		(6.40)
1580	MAINFRAME COMPUTER WTR	4,405.00	5,868.15	5,136.58	2,424.00	(2,712.58)	224.00	(2,936.58)
1585	MINI COMPUTERS WTR	9,200.00	25,272.79	17,236.40	18,152.00	915.61	13,514.00	(12,598.40)
1590	COMP SYS COST WTR	6,528.00	206,294.24	106,411.12	102,823.00	(3,588.12)	100,135.00	(103,723.12)
1595	MICRO SYS COST WTR	3,892.00	5,682.81	4,787.41	4,647.00	(140.41)	2,702.00	(2,842.41)
	TOTAL PLANT IN SERVICE	63,831.00	325,892.91	194,861.96	213,625.00	18,763.05	182,266.00	(163,502.96)
1970	ACC DEPR-OFFICE STRUCTURE	(10,942.00)	(18,040.25)	(14,491.13)	(18,077.00)	(3,585.88)	(12,572.00)	8,986.13
1975	ACC DEPR-OFFICE FURN/EQPT	(9,621.00)	(13,317.75)	(11,469.38)	(13,541.00)	(2,071.63)	(8,711.00)	6,639.38
1985	ACC DEPR-TOOL SHOP & MISC		(4,986.25)	(2,493.13)	(5,619.00)	(3,125.88)	(5,602.00)	2,476.13
1990	ACC DEPR-LAB EQUIP.				(83.00)	(83.00)	(83.00)	0.00
2000	ACC DEPR-COMMUNICATION EQP	(3,220.00)	(3,350.11)	(3,285.06)	(2,438.00)	847.06	(827.00)	1,674.06
2001	ACC DEPR-COMMUNICATION EQP				(3,455.00)	(3,455.00)	(3,455.00)	0.00
2230	ACC DEPR-TOOL SHOP & MISC		(0.87)	(0.44)		0.44		0.44
2320	ACC DEPR-MAINFRAME COMP WTR	(4,227.00)	(5,790.84)	(5,008.92)	(2,266.00)	2,742.92	172.00	2,570.92
2325	ACC DEPR-MINI COMP WTR	(7,138.00)	(17,958.49)	(12,548.25)	(12,300.00)	248.25	(8,634.00)	8,882.25
2330	COMP SYS AMORTIZATION WTR	(6,397.00)	(30,613.72)	(18,505.36)	(7,051.00)	11,454.36	(2,842.00)	14,296.36
2335	MICRO SYS AMORTIZATION WTR	(1,990.00)	(3,894.69)	(2,942.35)	(2,246.00)	696.35	(1,201.00)	1,897.35
	TOTAL ACCUMULATED DEPRECIATION	(43,535.00)	(97,952.97)	(70,743.99)	(67,076.00)	3,667.99	(43,755.00)	47,422.99
		20,296.00	227,939.94	124,117.97	146,549.00	22,431.03	138,511.00	(116,079.97)

The utility adjustment made to plant in service should be reduced by \$163,502.96 and the adjustment to accumulated depreciation should be reduced by \$47,422.99.

EFFECT ON THE GENERAL LEDGER: The utility only made the adjustment to the filing and therefore, no adjustment is necessary to the ledger.

EFFECT ON THE FILING: Plant in service should be reduced by \$163,502.96 (\$88,292 water and \$75,211 wastewater) and accumulated depreciation should be

reduced by \$47,422.99 (\$25,608 water and \$21,815 wastewater). Fifty-four percent of these costs were allocated to water and forty-six percent to wastewater.

AUDIT FINDING NO. 5

SUBJECT: ERRORS IN COMMON PLANT ALLOCATION AND DEPRECIATION RATES

AUDIT ANALYSIS: In 2008, the utility installed new general ledger software (Project Phoenix) and new billing software (CC & B). The actual ledger balance for software was \$21,617,487. The utility used \$21,364,569 in its workpapers to prepare the adjustment made to the filing. In the allocations from headquarters that were adjusted in both the rate base and net operating income proformas, the utility included an incorrect balance for the new software installed in 2008.

In addition, the utility does not use depreciation rates from Rule 25-30.140, F.A.C. to depreciate the headquarters assets. The rule requires computers to be depreciated at six years. It does not make a separate requirement for software. The utility depreciated its mainframe over five years, its mini computers over three years, and some of the software over three years. The Project Phoenix and CC & B software was depreciated at eight years. This is a major software addition that probably will not be redone for many years and probably has a longer life than eight years. In the calculations that follow, we did not change the rate from eight to six years. A longer life is probably more appropriate for this asset than a shorter one. The utility also depreciated office furniture over 10 years instead of 15 and telephones at 15 years instead of 10. Staff recomputed depreciation since the last rate case. If the assets were fully depreciated by December 31, 2007, no change was made. The comparison of staff's computations using the rule compared to the utility computations follow.

	Asset at 12/31/2007	Asset at 12/31/2008	Simple Average	Simple Avg Per Company	Difference	13-Month Average	13-Mth Avg Per Company	Difference
MAINFRAME 5 YEARS	187,705	194,181	190,943	190943	(0)	191,690	191,690.00	0
A/D MAINFRAME	(137,313)	(169,137)	(153,225)	(175,286)	22,061	(153,100)	(179,098.00)	25,998
MAINFRAME DEP. EXP		32,004		21,021	10,983			
MINI COMP. 3 YEARS	623,523	694,225	658,874	658874	(0)	653,155	653,155.00	(0)
A/D MINI COMPUTERS	(305,020)	(376,399)	(340,709)	(445,452)	104,743	(339,350)	(445,211.00)	105,861
MINI COMP. DEP. EXP.		71,379		132018	(60,639)			-
SOFTWARE 8 YEARS	20,152	21,617,487	10,818,820	10,692,360	126,460	17,049,758	16,858,827.00	190,931
A/D SOFTWARE	(12,075)	(1,364,427)	(688,251)	(\$680,347)	(7,904)	(376,751)	(372,495.00)	(4,256)
DEP. EXP. SOFTWARE		1,352,352		1336545	15,807			
SOFTWARE 3 YEARS	400,339	460,943	430,641	430641	(0)	446,083	446,083.00	(0)
A/D SOFTWARE	(75,680)	(142,236)	(108,958)	(184,000)	75,042	(107,792)	(182,873.00)	75,081
DEP. EXP. SOFTWARE		66,556		133,112	(66,556)			
A/D OFFICE FURNITURE			(1,090,017)	(1,119,272)	29,255	(1,090,017)	(1,119,212.00)	29,194.64
DEP. EXP. OFFICE FURN.			23,052.00	30,393.93	(7,341.93)			
A/D TELEPHONES			(113,035.94)	(107,937.00)	(5,098.94)	(113,035.94)	(107,937.00)	(5,098.94)
DEP. EXP. TELEPHONES			4,084.00	2,740.00	1,344.00			

	SIMPLE	13-MONTH PENNBROOKE	
DIFFERENCE N PLANT	126,459	190,930	1,209.71
DIFFERENCE N ACC. DEP.	218,098	226,779	2,086.32
DIFFERENCE N DEPRECIATION EXPENSE		(106,402)	(960.47)
PERCENT PENNBROOKE		0.96%	

EFFECT ON THE GENERAL LEDGER: The ledger is not effected because the depreciation calculations by the company are done only for the filing.

EFFECT ON THE FILING: Plant should be increased by \$1,210 for software in Pennbrooke. If the depreciation rates are changed because of the rule, Accumulated Depreciation should be reduced (debited) by \$2,086 for Pennbrooke and depreciation expense should be reduced by \$960. Fifty-four percent of these costs were allocated to water and forty-six percent to wastewater.

AUDIT FINDING NO. 6

SUBJECT: SAMPLE ERRORS FOR NORTHBROOK PLANT

AUDIT ANALYSIS: Two problems were found with the sample taken of the plant additions for the Northbrook plant which are allocated to each division.

ACT.	DATE	PAYEE	AMOUNT	SIMPLE AVERAGE	13-MONTH AVERAGE	DEPRECIATION EXPENSE	ACC. DEP.	SIMPLE AVERAGE	13-MONTH AVERAGE
102.1175	2/08	REN. CONC.	(1,060.00)	(530.00)	(896.92)	(97.17)	97.17	48.58	82.22
102.159	3/08	COMP SYST	(85,146.39)	(42,573.20)	(65,497.22)	(8,869.42)	8,869.42	4,434.71	6,822.63
			<u>(86,206.39)</u>	<u>(43,103.20)</u>	<u>(66,394.15)</u>	<u>(8,966.58)</u>	<u>8,966.58</u>	<u>4,483.29</u>	<u>6,904.85</u>
PENNBROOKE		0.96%		(412.33)		(85.77)		42.89	

EFFECT ON THE GENERAL LEDGER: Division 102-Northbrook plant should be reduced for the \$86,206. The allocations and depreciation are calculated for the filing only and should not be adjusted.

EFFECT ON THE FILING: Plant should be reduced by \$412 for Pennbrooke. Accumulated Depreciation should be reduced (debited) by \$43 for and depreciation expense should be reduced by \$86. Fifty-four percent of these costs were allocated to water and forty-six percent to wastewater.

AUDIT FINDING NO. 7

SUBJECT: PAYROLL INCREASES

AUDIT ANALYSIS: The utility used 2009 salaries to prepare the filing. It added a 2.25% salary increase for September 2009 of \$4,847 and a 3.5% salary increase for April 2010 of \$7,683, totaling \$12,530. These amounts are included in salary expenses in the filing. Fifty-four percent of these costs were allocated to water (\$6,766.20) and forty-six percent to wastewater (\$5,764).

EFFECT ON GENERAL LEDGER: This finding is included for informational purposes only.

EFFECT ON THE FILING: This finding is included for informational purposes only.

AUDIT FINDING NO. 8

SUBJECT: 401K COSTS

AUDIT ANALYSIS: The utility added 4% of total projected salaries to expenses for 401K costs. The actual contributions made to the 401K plan amounted to 2.73% of total Utilities, Inc. salaries. Total salaries projected for Pennbrooke were \$227,209. The amount of 401K included in the filing was \$9,065. The salaries times 2.73% equals \$6,203. The difference between the actual rate contributed and the filing of \$2,862 should be removed from expenses. Fifty-four percent of these costs were allocated to water (\$1,545) and forty-six percent to wastewater (\$1,317).

EFFECT ON THE GENERAL LEDGER: This finding does not effect the ledger since the utility adjusted salaries and benefits for the filing only.

EFFECT ON THE FILING: Expenses should be reduced by \$2,862, \$1,545 for water and \$1,317 for wastewater.

AUDIT FINDING NO. 9

SUBJECT: EMPLOYEE NOT REPLACED

AUDIT ANALYSIS: Salaries and benefits include a billing specialist who is no longer at the company and will not be replaced. The salary was allocated to Pennbrooke at .9566%. The total salary included was \$615 with \$78 in benefits. Fifty-four percent of these costs were allocated to water (\$374) and forty-six percent to wastewater (\$319).

EFFECT ON THE GENERAL LEDGER: The salaries were calculated for the proforma and therefore, this finding has no effect on the ledger.

EFFECT ON THE FILING: Expenses should be reduced by \$374 for water and \$319 for wastewater.

AUDIT FINDING NO. 10

SUBJECT: HEADQUARTERS SAMPLES

AUDIT ANALYSIS: A sample of entries charged from the Northbrook Division 102 and the Altamonte Springs Division 855 were selected to be traced to supporting documentation. The utility implemented a new ledger and accounting system this year. They were unable to obtain supporting documentation for many of the entries. In addition, some of the entries should have been capitalized or removed because they *would not be re-occurring* during the time period the rates would be implemented. A schedule of the entries and the reasons for their removal are on the following page. The allocation rates used in the adjustments to the filing were used.

EFFECT ON THE GENERAL LEDGER: There is no effect since these entries are to expense and they do not get carried forward to future audits.

EFFECT ON THE FILING: Expenses for Pennbrooke should be reduced by \$9,376 for water and \$7,951 for wastewater.

ACCOUNT	PAYEE	DATE	DESCRIPTION	ADJUSTMENT	WATER ALLOC. RATE	VASTEW ALLOC. RATE	WATER ALLOC. AMOUNT	WASTEW. ALLOC. AMOUNT
DIVISION 102								
102100.5735	DEC 2008 RECLASS ASSETS	12/31/2008	not provided	(149,720.15)	0.52%	0.44%	(778.54)	(658.77)
			53 hours at \$155 for Oracle installation -Should					
102100.5735	ASHWOOD COMPUTER CO INC	3/7/2008	be capital project Phoenix	(8,215.00)	0.52%	0.44%	(42.72)	(36.15)
102104.5735	IP SOFT	5/6/2008	PO was never vouchered. Remove	(425,475.60)	0.52%	0.44%	(2,212.47)	(1,872.09)
102100.5745	WRO - MICROSOFT LISC	12/31/2008	not provided	(139,400.56)	0.52%	0.44%	(724.88)	(613.36)
102100.5745	002*AP.INVD*03*75	11/30/2008	not provided	(4,418.82)	0.52%	0.44%	(22.98)	(19.44)
102100.5745	002*AP.INVD*03*75	9/30/2008	not provided	(4,418.82)	0.52%	0.44%	(22.98)	(19.44)
102100.5745	Summarized Depreciation Transa	5/31/2008	not provided	(8,964.95)	0.52%	0.44%	(46.62)	(39.45)
			Deployment solutions foundations training aug.					
102104.5820	ARLINGTON COMPUTER PRODUCTS,	7/28/2008	4-8 Not Recurring	(2,395.00)	0.52%	0.44%	(12.45)	(10.54)
102101.6005	FINANCE STUDY 08/08	9/21/2008	not provided	(3,750.00)	0.52%	0.44%	(19.50)	(16.50)
102100.6010	WSC SE6.A WSC WORKPAPERS	11/30/2008	not provided	(42,541.65)	0.52%	0.44%	(221.22)	(187.18)
			2007 audit of Utilities Inc. of Georgia. Should					
102100.6010	PRICEWATERHOUSECOOPERS LLP	6/17/2008	be charged directly	(18,500.00)	0.52%	0.44%	(96.20)	(81.40)
102100.6015	MV PREPAID TO EXP	11/30/2008	not provided	(125,857.00)	0.52%	0.44%	(654.46)	(553.77)
102100.6025	ACCRUE 2008 LEGAL FEES	12/31/2008	not provided	(7,273.41)	0.52%	0.44%	(37.82)	(32.00)
			Consent orders Mid County and Labrador.					
102106.6025	SQUIRE, SANDERS & DEMPSEY LLP	8/20/2008	Should be charged directly	(2,890.78)	0.52%	0.44%	(15.03)	(12.72)
			Consent orders Mid County and Labrador.					
102106.6025	LAW OFFICE OF DAVID BEERS P.A.	8/20/2008	Should be charged directly	(1,330.64)	0.52%	0.44%	(6.92)	(5.85)
			Consent orders Mid County and Labrador.					
102106.6025	SQUIRE, SANDERS & DEMPSEY LLP	8/20/2008	Should be charged directly	(6,068.50)	0.52%	0.44%	(31.56)	(26.70)
			Consent orders Mid County and Labrador.					
102106.6025	SQUIRE, SANDERS & DEMPSEY LLP	3/18/2008	Should be charged directly	(2,271.83)	0.52%	0.44%	(11.81)	(10.00)
			Consultant fee final implementation project					
102100.6050	DELGADO, DANIEL	4/4/2008	Phoenix Should be capital.	(5,000.00)	0.52%	0.44%	(26.00)	(22.00)
			Assistance on PWC audit before hired full time.					
102100.6050	Haynes Jr, John S	1/17/2008	-since salary is annualized, non-recurring	(7,200.00)	0.52%	0.44%	(37.44)	(31.68)
			Assistance on PWC audit before hired full time.					
102101.6050	Haynes Jr, John S	5/2/2008	-since salary is annualized, non-recurring	(11,700.00)	0.52%	0.44%	(60.84)	(51.48)

ACCOUNT	PAYEE	DATE	DESCRIPTION	ADJUSTMENT	WATER ALLOC. RATE	VASTEW ALLOC. RATE	WATER ALLOC. AMOUNT	WASTEWE. ALLOC. AMOUNT
DIVISION 102								
			Financial model services through Jan. 08.					
102101.6050	MALCOLM PIRNIE, INC	3/25/2008	Developed a model that helps in strategic planning and forecasting Not Recurring per co. Carolina Water Service General Rep . Should be	(49,956.21)	0.52%	0.44%	(259.77)	(219.81)
102102.6070	HUNTON & WILLIAMS	12/31/2008	charged directly.	(4,724.91)	0.52%	0.44%	(24.57)	(20.79)
102100.6185	CITICARD PAYMENTS 09/17/08	11/30/2008	not provided Two coach air tickets from Chicago to New York- for CEO and wife for meeting with Highstar.	(8,282.58)	0.52%	0.44%	(43.07)	(36.44)
102100.6190	Schumacher, Lawrence N	3/7/2008	Remove wife's ticket. Amortization of finders fee of 61,200 over 1 year.	(1,235.00)	0.52%	0.44%	(6.42)	(5.43)
102100.6355	FINDERS FEE-SLOBODAN MARTINOV	12/31/2008	Did not provide invoice-Don't know who for? Amortization of finders fee of 61,200 over 1 year.	(5,111.94)	0.52%	0.44%	(26.58)	(22.49)
102100.6355	FINDERS FEE-SLOBODAN MARTINOV	11/30/2008	Did not provide invoice-Don't know who for?	(5,111.95)	0.52%	0.44%	(26.58)	(22.49)
102100.6355	RELOCATION	10/31/2008	Asked for more info 11/24/09-Never Received	(25,000.00)	0.52%	0.44%	(130.00)	(110.00)
102100.6355	RELOCATION-J.HOY / J.JOHNSON	10/31/2008	Asked for more info 11/24/09-Never Received	(5,253.56)	0.52%	0.44%	(27.32)	(23.12)
102100.6355	RELOCATION-J.HOY / J.JOHNSON	7/31/2008	Asked for more info 11/24/09-Never Received	(5,253.56)	0.52%	0.44%	(27.32)	(23.12)
102100.6355	FINDERS FEE-T.ISAACS/ O.HASSAN	6/30/2008	Asked for more info 11/24/09-Never Received	(19,472.00)	0.52%	0.44%	(101.25)	(85.68)
102100.6355	JUNE DEFERRED ASSET WRITEOFF	6/30/2008	Asked for more info 11/24/09-Never Received	(12,062.27)	0.52%	0.44%	(62.72)	(53.07)
102100.6355	WSC DEFERRED EMPLOYMENT FEES	6/30/2008	Asked for more info 11/24/09-Never Received	(54,980.00)	0.52%	0.44%	(285.90)	(241.91)
102100.6355	WSC DEFERRED EMPLOYMENT FEES	6/30/2008	Asked for more info 11/24/09-Never Received	(19,500.00)	0.52%	0.44%	(101.40)	(85.80)
102100.6355	RELOCATION-J.HOY / J.JOHNSON	6/30/2008	Asked for more info 11/24/09-Never Received	(42,063.06)	0.52%	0.44%	(218.73)	(185.08)
102100.6355	JUNE REVERSE WSC DEFERRED	6/30/2008	Asked for more info 11/24/09-Never Received	36,094.33	0.52%	0.44%	187.69	158.82
102100.6355	WSC DEFERRED EMPLOYMENT FEES	6/30/2008	Asked for more info 11/24/09-Never Received	(60,244.00)	0.52%	0.44%	(313.27)	(265.07)
102100.6380	SYLVESTER ASSOCIATES	10/2/2008	no invoice provided	(4,400.00)	0.52%	0.44%	(22.88)	(19.36)
102100.6580	WATER PLANT-CONVERTED ASSET	6/30/2008	Asked what this was for?	(3,394.63)	0.52%	0.44%	(17.65)	(14.94)
				<u>(1,267,344.05)</u>			<u>(6,590.19)</u>	<u>(5,576.31)</u>
DIVISION 855								
855100.5880	TRICOMM BUSINESS PRODUCTS INC	11/20/2008	not provided	(1,279.07)	1.56%	1.33%	(19.95)	(17.01)
855100.5900	SE90 BU 252109 SEPT RECLASS	9/30/2008	not provided	(2,546.85)	1.56%	1.33%	(39.73)	(33.87)
855100.5900	SE 90 BU 252109 JUNE RECLASS	6/30/2008	not provided	(10,384.50)	1.56%	1.33%	(162.00)	(138.11)
855100.5945	SE 90 BU 252109 YTD RECLASS	12/31/2008	not provided	(17,047.87)	1.56%	1.33%	(265.95)	(226.74)
855100.5945	SE 90 BU 252109 JUNE RECLASS	6/30/2008	not provided	(124,749.67)	1.56%	1.33%	(1,946.09)	(1,659.17)
855100.5965	SE 90 BU 252104 JUNE RECLASS	6/30/2008	not provided	(3,436.39)	1.56%	1.33%	(53.61)	(45.70)
855100.5970	SE 90 BU 252104 JUNE RECLASS	6/30/2008	not provided	(7,050.00)	1.56%	1.33%	(109.98)	(93.77)
855100.6360	SE 90 BU 252104 OCT RECLASS	10/31/2008	not provided	(9,360.87)	2.01%	1.71%	(188.15)	(160.07)
				<u>(175,855.22)</u>			<u>(2,785.47)</u>	<u>(2,374.45)</u>
							<u>(9,375.65)</u>	<u>(7,950.76)</u>

AUDIT FINDING NO. 11

SUBJECT: OPERATING AND MAINTENANCE SAMPLE

AUDIT ANALYSIS: A sample of operating and maintenance entries booked was selected for testing. The following entries were not provided by the company, recorded in the wrong period, or related to an associated company and therefore should be removed.

UTILITIES INC OF PENNBROOK
 OPERATING AND MAINTENANCE EXPENSES
 TEST YEAR ENDED DECEMBER 31, 2008

NARUC	UTILITY ACCOUNT	TRANSACTION DESCRIPTION	DOC	AMOUNT	REASON
615 /71 5	260 101 .5470. 10	CITY OF LEE SBURG	367 62	\$ 2,810	Not Provided
615 /71 5				\$ 2,810	
618 /71 8	260 100 .5490	THE DUMONT COMPANY INC	626 0	\$ 5,115	Not Provided
618 /71 8	260 101 .5485	MOMAR INC	627 24	\$ 197	Affiliate
618 /71 8	260 101 .5485	MOMAR INC	697 83	\$ 246	Affiliate
618 /71 8	260 101 .5490	MOMAR INC	117 439	\$ 108	Affiliate
618 /71 8				\$ 5,665	
620 /72 0	260 100 .6285	SUN STATE METER & SUPPLY, INC	105 636	\$ 115	Affiliate
620 /72 0	260 100 .6285	IT FLY GT	619 35	\$ 120	Affiliate
620 /72 0	260 101 .6325	PARALEE COMPANY, INC	270 84	\$ 1,201	Capitalized with Retirement entry - install and calibrate new chart recorder
620 /72 0				\$ 1,435	
633 /73 3	260 100 .6025	Pen nbrooke-602 5	256 415	\$ 556	Not Provided
633 /73 3	260 101 .6025	Pen nbrooke-602 5	256 415	\$ 473	Not Provided
633 /73 3				\$ 1,030	
670 /77 0	260 100 .5510	CC&B BADDEBT BATCH 4752 5	259 295	\$ 253	Not Provided
670 /77 0	260 100 .5510	ADJUST	247 861	\$ 23	Not Provided
670 /77 0				\$ 276	
675 /77 5	260 100 .6310	HOMEDEPOT CREDIT SERVICES	685 94	\$ 234	Not Provided
675 /77 5	260 101 .6345	HOMEDEPOT CREDIT SERVICES	559 16	\$ 244	Not Provided
675 /77 5	260 102 .5945	VERIZON BUSINESS	468 00	\$ 312	Actual bills not supplied, only the JE
675 /77 5	260 102 .5945	MCI	288 06	\$ 224	Actual bills not supplied, only the JE
675 /77 5	260 102 .5960	C & A SYSTEMS INC	928 76	\$ 442	Capitalized with retirement entry - Replaced analog single band w/ digital dual band antennas
675 /77 5				\$ 1,457	
TOTAL				\$ 12,672	

EFFECT ON GENERAL LEDGER: The following entries should be made to the general ledger:

**UTILITIES INC OF PENNBROOKE
OPERATING AND MAINTENANCE EXPENSES
TEST YEAR ENDED DECEMBER 31, 2008**

NARUC	UTILITY ACCOUNT	TRANACTION DESCRIPTION	DEBIT	CREDIT
618/718	260100.5490	OTHER TREATMENT CHEMICALS		\$ 5,115
670/770	260100.5510	UNCOLLECTABLE ACCRUAL		\$ 276
633/733	260100.6025	LEGAL FEES		\$ 556
620/720	260100.6285	WATER - MAIN SUPPLIES		\$ 234
675/775	260100.6310	WATER - OTHER SUPPLIES		\$ 234
618/718	260101.5485	ODOR CONTROL CHEMICALS		\$ 442
618/718	260101.5490	OTHER TREATMENT CHEMICALS		\$ 108
633/733	260101.6025	LEGAL FEES		\$ 473
620/720	260101.6325	SEWER - MAINT REPAIR		\$ 1,201
675/775	260101.6345	SEWER - OTHER MAINT EXP		\$ 244
675/775	260102.5945	OFFICE TELECOM		\$ 536
675/775	260102.5960	OFFICE ALARM SYS PHONE EXP		\$ 442
615/715	260101.5470.10	ELECTRIC POWER		\$ 2,810
346/396	260.100.1205	COMMUNICATION EQPT	\$ 442	
344/394	260.101.1295	LABORATORY EQUIPMENT	\$ 1,201	
215	260.100.4999	RETAINED EARNINGS	\$ 10,243	
146	215.0000	A/R Affiliate	\$ 786	
		Total	\$ 12,672	\$ 12,672

EFFECT ON FILING: Operating and maintenance expenses should be reduced by a total of \$12,672. Plant should be increased by \$442 and \$1,201 for water and wastewater, respectively. Average plant should be increased by \$221 for water and \$600 for wastewater.

AUDIT FINDING NO. 12

SUBJECT: ACCUMULATED AMORTIZATION OF CIAC

AUDIT ANALYSIS: According to the last Audit, Docket No. 060261-WS the Utility was supposed to distribute Contributions in Aid of Construction (CIAC) based on the Utility's Water and Wastewater Transmission and Distribution account balances. In addition, the Company had to book an adjustment for the corresponding computation of Accumulated Amortization of CIAC.

The distribution of CIAC and Accumulated Amortization of CIAC to various accounts was not made to the general ledger. The Utility incorrectly made the Accumulated Amortization of CIAC adjustment to the CIAC accounts.

The filing was corrected through an adjustment on Schedule A-3.

EFFECT ON THE GENERAL LEDGER: The following entry needs to be made to the books.

ACCOUNT	DESCRIPTION	Debit	Credit
260.3340	CIAC Transmission and Distribution Mains		\$ (751,306.00)
260.3345	CIAC Service Lines		\$ (176,446.00)
260.3360	CIAC Hydrants		\$ (70,705.00)
260.3430	CIAC Other		\$ (89,435.15)
260.3435	CIAC Water Tap	\$ 842,934.00	
260.3520	CIAC Structures & Impr. Wastewater	\$ 1,799,805.00	
260.3550	CIAC Force Mains		\$ (274,931.29)
260.3555	CIAC Gravity Mains		\$ (1,179,329.80)
260.3557	CIAC Manholes		\$ (4,805.00)
260.3560	CIAC Services to Customers		\$ (149,764.00)
260.3705	CIAC Sewer Tap		\$ -
260.3885	Accumulated Amortization of CIAC T & D	\$ 224,450.34	
260.3890	Accumulated Amortization of CIAC Service Lines	\$ 57,101.56	
260.3905	Accumulated Amortization of CIAC Hydrants	\$ 20,382.32	
260.3975	Accumulated Amortization of CIAC Other		\$ (320,500.19)
260.3980	Accumulated Amortization of CIAC Water Tap	\$ 34,850.24	
260.4005	Accumulated Amortization of CIAC Meter Fee	\$ 12.49	
260.4070	General Plant		\$ (467,539.33)
260.4100	Force Mains	\$ 74,576.01	
260.4105	Gravity	\$ 362,638.63	

EXHIBITS

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Utilities, Inc. of Pennbrooke
 Docket No.: 090392-WS
 Test Year Ended: December 31, 2008
 Interim [] Final [X]
 Historic [X] or Projected []

Schedule: B-1
 Page 1 of 1
 Preparer: F. Seidman

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	\$ 391,699	\$ (36,277) (A)	\$ 355,422	\$ 265,505 (G)	\$ 620,927	B-4, B-3, E-2
2	Operation & Maintenance	331,885	(22,189) (B)	309,696	31,052 (H)	340,748	B-5, B-3
3	Depreciation, net of CIAC Amort.	54,404	21,619 (C)	76,024	-	76,024	B-13, B-3
4	Amortization of Deferred Maint.	-	12,000 (D)	12,000	-	12,000	B-3
5	Taxes Other Than Income	45,721	(2,163) (E)	43,559	11,948 (I)	55,506	B-15, B-3
6	Provision for Income Taxes	(32,463)	32,463 (F)	-	34,573 (J)	34,573	C-1, B-3
7	OPERATING EXPENSES	399,548	41,730	441,278	77,573	518,851	
8	NET OPERATING INCOME	\$ (7,849)	\$ (78,008)	\$ (85,856)	\$ 187,932	\$ 102,076	
9	RATE BASE	\$ 1,311,398		\$ 1,252,472		\$ 1,252,472	
10	RATE OF RETURN	-	%	(6.85)	%	8.15	%

26

Schedule of Wastewater Net Operating Income

Florida Public Service Commission

Company: Utilities, Inc. of Pennbrooke
 Docket No.: 090392-WS
 Test Year Ended: December 31, 2008
 Interim [] Final [X]
 Historic [X] or Projected []

Schedule: B-2
 Page 1 of 1
 Preparer: F. Seidman

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	\$ 417,902	\$ (38,311) (A)	\$ 379,591	\$ 209,874 (G)	\$ 589,465	B-4, B-3, E-2
2	Operation & Maintenance	330,973	(18,887) (B)	312,086	26,430 (H)	338,517	B-6, B-3
3	Depreciation, net of CIAC Amort.	54,860	15,955 (C)	70,816	-	70,816	B-14, B-3
4	Amortization		- (D)	0	-	-	B-3
5	Taxes Other Than Income	38,918	1,627 (E)	40,545	9,444 (I)	49,989	B-15, B-3
6	Provision for Income Taxes	(27,633)	27,633 (F)	-	32,928 (J)	32,928	C-1, B-3
7	OPERATING EXPENSES	397,119	26,328	423,446	68,803	492,249	
8	NET OPERATING INCOME	\$ 20,783	\$ (64,639)	\$ (43,856)	\$ 141,072	\$ 97,216	
9	RATE BASE	\$ 1,002,010		\$ 1,192,840		\$ 1,192,840	
10	RATE OF RETURN	2.07 %		(3.68) %		8.15 %	

27

Schedule of Requested Cost of Capital
Simple Average

Florida Public Service Commission

Company: Utilities, Inc. of Pensbrooke
Docket No.: 090392-WS
Test Year Ended: December 31, 2008
Schedule Year Ended: December 31, 2008
Historic [X] or Projected []

Schedule: D-1 (Final)
Page 1 of 1
Preparer: F. Seidman
Utility [] Parent [X]

Explanation: Provide a schedule which calculates the requested Cost of Capital on a beginning and end of year average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.		(1) Reconciled To Requested Rate Base	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	1,146,796	46.90 %	6.65 %	3.12 %
2	Short-Term Debt	207,936	8.50 %	5.23 %	0.44 %
3	Preferred Stock	-			
4	Customer Deposits	5,233	0.21 %	6.00 %	0.01 %
5	Common Equity	1,006,981	41.18 %	11.13 %	4.58 %
6	Tax Credits - Zero Cost	-			
7	Accumulated Deferred Income Tax	78,365	3.20 %	0.00 %	%
8	Other (Explain)	-			
9	Total	<u>2,445,312</u>	<u>100.00 %</u>		<u>8.15 %</u>

Note: Cost of Equity based on Order Nos. PSC-09-0430-PAA-WS: $8.58\% + 1.087/\text{Equity Ratio}$,
where $\text{Equity ratio} = \text{Equity}/(\text{Equity} + \text{Preferred} + \text{Long \& Short Term Debt}) = 42.64 \%$

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