

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: March 4, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 140220-WU
Company Name: Sunrise Utilities, LLC
Company Code: WU870
Audit Purpose: Staff-Assisted Rate Case
Audit Control No: 14-350-4-1

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 Commission Clerk. There is no confidential work papers associated with this audit.

LMD/cp

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

Auditor's Report

Sunrise Utilities, LLC
Staff-Assisted Rate Case

12 Months Ended December 31, 2014

Docket No. 140220-WU
Audit Control No. 14-350-4-1
February 27, 2015

A blue ink signature of Jeffery A. Small, written over a horizontal line.

Jeffery A. Small
Audit Manager

A blue ink signature of Yen N. Ngo, written over a horizontal line.

Yen N. Ngo
Audit Staff

A blue ink signature of Iliana H. Piedra, written over a horizontal line.

Iliana H. Piedra
Reviewer

Table of Contents

Purpose	1
Objectives and Procedures.....	2
Audit Findings	
1: Utility Books and Records.....	6
2: Utility Plant in Service and Accumulated Depreciation.....	7
3: Land and Land Rights.....	10
4: Contributions-in-Aid-of-Construction and Accumulated Amortization of CIAC	11
5: Capital Structure	12
6: Operating Revenue	13
7: Operations and Maintenance Expense.....	15
8: Taxes Other than Income.....	23
9: Other Information	24
Exhibits	
1: Rate Base	25
2: Capital Structure	26
3: Net Operating Income	27

Purpose

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 Accounting and Finance in its audit service request dated December 12, 2014. We have applied these procedures to the attached schedules prepared by the audit staff in support of Sunrise Utilities, LLC's request for a Staff-Assisted Rate Case in Docket No.140220-WU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

Background

Sunrise Utilities, LLC (Utility) is a Class C utility serving approximately 246 water customers in Polk County. Rate base was last established as of September 30, 2011 by Order No. PSC-12-0533-PAA-WU, issued October 9, 2012. On November 19, 2014, the utility executed a payment plan with the Commission to pay \$13,665 in outstanding regulatory assessment fees. The remaining balance due was approximately \$12,614 as of December 31, 2014.

The test year for the instant proceeding is the historical twelve months ended December 31, 2014.

The Utility has filed a concurrent staff assisted rate case application for its sister operation, Alturas Utilities, LLC, (Alturas) in Docket No. 140219-WU.

NARUC refers to the National Association of Regulatory Utility Commissioners.

USOA refers to the NARUC Uniform System of Accounts as adopted by Rule 25-30.115, Uniform System of Accounts for Water and Wastewater Utilities, Florida Administrative Code (F.A.C.).

The Utility files an 1120 U.S. Corporate Tax Return.

General

Objective: The objective was to determine whether the Utility maintains its books and records in conformity with NARUC USOA.

Procedure: We reviewed the Utility's accounting system by examining the records provided for this proceeding. Finding 1 discusses our findings on the Utility's accounting system.

Rate Base

Utility Plant in Service

Objectives: The objectives were to determine whether Utility Plant in Service (UPIS): 1) Consists of property that exists and is owned by the Utility, 2) Additions are recorded at original cost, 3) Retirements are made when a replacement asset was put in service, and 4) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

Procedures: We determined the beginning balances for UPIS as of September 30, 2011, established in Order No. PSC-12-0533-PAA-WU. We scheduled water UPIS activity from October 1, 2011 to December 31, 2014. We traced asset additions to supporting documentation. We determined the year end and simple average UPIS balance as of December 31, 2014. Our recommended adjustment to UPIS is discussed in Finding 2.

Land & Land Rights

Objectives: The objectives were to determine whether utility land was: 1) Recorded at original cost, 2) Owned or secured under a long-term lease agreement, and that 3) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

Procedures: We determined the beginning balances for Land as of September 30, 2011, established in Order No. PSC-12-0533-PAA-WU. We reviewed the Utility's annual reports and searched the Polk County records and determined that no additions were made. We determined the year end and simple average Land balance as of December 31, 2014. Our recommended average land balance and additional information concerning the Utility's land ownership is discussed in Finding 3.

Accumulated Depreciation

Objectives: : The objectives were to determine whether Accumulated Depreciation: 1) Accruals are properly calculated and recorded based on Rule 25-30.140 Depreciation, F.A.C., 2) Retirements are recorded when an asset was replaced, and 3) Adjustments required in the Utility's last rate proceeding were recorded to its books and records.

Procedures: We determined the beginning balances for Accumulated Depreciation as of September 30, 2011, established in Order No. PSC-12-0533-PAA-WU. We calculated Accumulated Depreciation using the depreciation rates established by Rule 25-30.140, Depreciation, F.A.C., as of December 31, 2014. We determined the year end and simple average Accumulated Depreciation balance as of December 31, 2014. Our recommended adjustment to accumulated depreciation is discussed in Finding 2.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether Contributions-in-Aid-of-Construction (CIAC): 1) Consist of cash or property contributions that exist and are owned by the Utility, 2) Additions are recorded using Commission approved tariffs, 3) Retirements are recorded when a contributed asset was replaced, and 4) Adjustments required in the Utility's last rate proceeding were recorded to its books and records.

Procedures: We determined the beginning balances for CIAC as of September 30, 2011, established in Order No. PSC-12-0533-PAA-WU. We reviewed the Utility's annual reports and determined that no additional customer connections were added. We determined the year end and simple average CIAC balance as of December 31, 2014. Our recommended adjustment to CIAC is discussed in Finding 4.

Accumulated Amortization of CIAC

Objectives: The objectives were to determine whether Accumulated Amortization of CIAC: 1) Accruals are properly calculated and recorded based on Rule 25-30.140 Depreciation, F.A.C., 2) Retirements are recorded when a contributed asset was replaced, and 3) Adjustments required in the Utility's last rate proceeding were recorded to its books and records.

Procedures: We determined the beginning balances for Accumulated Amortization of CIAC as of September 30, 2011, established in Order No. PSC-12-0533-PAA-WU. We calculated CIAC amortization using the amortization rates established by Rule 25-30.140, (9c) Depreciation, F.A.C., as of December 31, 2014. We determined the year end and simple average Accumulated Amortization of CIAC balance as of December 31, 2014. Our recommended adjustment to accumulated amortization of CIAC is discussed in Finding 4.

Acquisition Adjustment

Objectives: The objective was to determine whether an acquisition adjustment has been approved in a prior Commission proceeding and if so, that it is recorded and amortized pursuant to Rule 25-30.0371, Acquisition Adjustments, F.A.C.

Procedures: We reviewed utility records and Commission documents to determine if an acquisition adjustment was recorded or approved. Nothing was found, so no further work was performed.

Working Capital

Objectives: The objective was to determine the working capital adjustment to be included in rate base per Rule 25-30.433, Rate Proceedings, F.A.C.

Procedures: We calculated the working capital adjustment for the test year using one-eighth of Operation and Maintenance (O&M) Expense as required by Rule. Our recommended Working Capital adjustment is discussed in Finding 7.

Capital Structure

Objectives: The objectives were to determine the: 1) Components of the Utility's capital structure, 2) Cost rate for each class of capital, 3) Overall weighted cost of capital, and that 4) Components are properly recorded in compliance with the NARUC USOA.

Procedures: We reviewed the Utility's annual reports and determined that the Utility's Capital Structure is composed of common equity. We determined the year end and simple average Capital Structure balance and its weighted average cost as of December 31, 2014. No exceptions were noted. Our recommended average Capital Structure and its weighted average cost are discussed in Finding 5.

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether Revenues are: 1) Representative of the Utility's operations for the test year, 2) Calculated using Commission approved tariff rates, and 3) Recorded in compliance with NARUC USOA.

Procedures: We determined individual customer consumption for the test year using the Utility's monthly billing registers. We normalized the number of bills by adjusting for customers moving in or out to reflect 12 months of bills for each service address with the data obtained from the billing registers. We calculated test year Revenues based on billing

determinates and compared our calculated revenue amount to the revenues reflected in the billing register. We determined whether the Utility is charging its authorized tariff rates. We estimated Miscellaneous Revenues based on the service fees paid to connect or disconnect customers during the test year using the authorized miscellaneous service tariff rate. Our recommended amount for Revenues for the test year is discussed in Finding 6.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance Expense (O&M) is: 1) Representative of the Utility's ongoing operations for the test year, 2) Recorded in the appropriate period for the correct amount, 3) Required for the provision of utility services, and 4) Recorded in compliance with the NARUC USOA.

Procedures: We reviewed all invoices for the Utility's O&M Expense for the test year. We ensured all expenses were correctly classified, and verified that they were recurring in nature. We verified each expense against the invoice and supporting documentation. Our recommended amount for O&M Expense for the test year is discussed in Finding 7.

Depreciation & CIAC Amortization Expense

Objectives: The objectives were to determine whether Depreciation and CIAC Amortization Expense is properly calculated and recorded in compliance with the NARUC USOA.

Procedures: We calculated the Utility's Depreciation and CIAC Amortization Expense for the test year ended December 31, 2014, using the rates established by Rule 25-30.140, Depreciation, F.A.C. Our recommended amounts for Depreciation and CIAC Amortization Expense are discussed in Finding 2 and 4.

Taxes Other than Income

Objectives: The objectives were to determine whether Taxes Other Than Income Expense (TOTI) is: 1) Representative of the Utility's ongoing operations for the test year, 2) Recorded in the appropriate period for the correct amount, 3) Required for the provision of utility services, and 4) Recorded in compliance with the NARUC USOA.

Procedures: We compiled the Utility's TOTI Expense for the test year using the supporting documentation provided. We included property taxes and Regulatory Assessment Fees (RAF) for the test year and confirmed their utility classification. We recalculated RAFs based on test year Revenues. Our recommended amount for TOTI Expense for the test year is discussed in Finding 8.

Audit Findings

Finding 1: Utility Books and Records

Audit Analysis: The Utility's accounting system consists of a billing software program that is used to record monthly revenues and generate customer bills. All other accounting activities are compiled at the end of each calendar year by the Utility's owners and their Certified Public Accounting (CPA) firm to prepare the Utility's Annual Report and its Federal Tax Return.

The test year for the instant proceeding was calendar year 2014, therefore, no formalized balance sheet or income statement that reflects the Utility's results from operations in 2014 were provided. The 2014 Annual Report was not compiled before the end of field work.

The Utility provided a schedule of actual/estimated revenues and expenses for 2014 based on known information during the test year. We requested the Utility's bank statements and canceled checks for 2014. The canceled checks were all that was provided.

We used the Utility's 2011 through 2013 Annual reports, 2013 Federal Tax Return and other supporting documents to compile the Utility's Rate Base, Capital Structure and Net Operating Income for the twelve month period ended December 31, 2014.

We recommend that the Utility be reminded of its obligation to maintain its books in accordance with the NARUC USOA and that it be required to adopt an accounting system that records its operations in a consistent and timely manner

Effect on the General Ledger: None

Effect on the Filing: None

Finding 2: Utility Plant in Service and Accumulated Depreciation

Audit Analysis: No Utility Plant in Service and Accumulated Depreciation balances for 2014 were available per our discussion in Finding 1.

Order No. PSC-12-0533-PAA-WU established balances of \$108,867 and \$58,020 for UPIS and accumulated depreciation, respectively, as of September 30, 2011. Our review of the Utility’s 2011, 2012 and 2013 Annual Reports indicates that the Utility never adjusted its books as required.

A comparison of UPIS additions that we found and the UPIS additions reflected in the Annual Reports is displayed below.

Net Additions	Per Utility	Audit	Per Audit
	Annual Report	Adjustments	
2011	\$0	\$0	\$0
2012	\$0	\$1,321	\$1,321
2013	\$10,830	(\$10,418)	\$412
Total	\$10,830	(\$9,097)	\$1,733

The Utility provided support for \$6,172 of the \$10,830 in plant additions listed above, of which \$4,439 was for water meter replacements. Order No. PSC-12-0533-PAA-WU approved and established a proforma recurring expense of \$1,359 for a 10 year meter replacement program. We included the \$1,359 as a recurring operating expense in Finding 7. Because the cost for replacing meters is already being recovered as described above we have removed all Utility additions for meter replacements. The detail for the remaining \$1,733 (\$6,172-\$4,439) of additions is displayed below.

NARUC	Description of Addition	2012	2013	Total
304	Replaced Fence	\$970		\$970
309	2' - Master flow meter	\$351	\$107	\$458
311	Replaced well cover	\$0	\$305	\$305
Total UPIS Additions		\$1,321	\$412	\$1,733

Order No. PSC-12-0533-PAA-WU approved and included \$6,755 of proforma plant additions, without retirements, that was requested by the Utility in its last rate proceeding. On November 23, 2013, the Utility filed documents, with the Commission, that supports an actual cost of \$1,733 for three of the five approved projects. The two projects that were not completed account for \$5,113 of the \$6,755 in proforma plant additions approved. Commission staff reviewed and approved the Utility’s filed documents and administratively closed the docket in that proceeding.

Our review of the Utility’s Annual Reports indicates that depreciation accruals have been inconsistently recorded, if at all, since 2011. Therefore, we recalculated accumulated depreciation accruals from October 1, 2011 through the end of the test year using the Class C rates in Rule 25-30.140, Depreciation, F.A.C. We calculated depreciation expense to be \$4,559 for the test year.

Effect on the General Ledger: The Utility's UPIS should be reduced by \$13,765 as of December 31, 2014. Our balance, of \$110,600, is the total of the Ordered ending balance of \$108,867 plus audit additions of \$1,733. Accumulated depreciation should be increased by \$3,134 as of December 31, 2014. Our balance of \$72,083 consists of the Ordered ending balance of \$58,020 plus accumulated accruals of \$14,063. Our adjustments reconcile UPIS and accumulated depreciation balances to the prior order and include plant additions and depreciation accruals since that last rate proceeding. The specific account adjustments are detailed in Tables 2-1 and 2-2 that follow.

Effect on the Filing: Average UPIS and Accumulated Depreciation are \$110,600 and \$69,804 respectively, for the test year. Depreciation Expense is \$4,559 for the test year.

Table 2-1

Utility Plant in Service		Per Utility		Per Audit	Average
NARUC	AccountDescription	@12/31/2013	Adjustments	@12/31/2014	Test Year
301.00	Organization	\$769	(\$19)	\$750	\$750
304.00	Structures & Improvements	\$6,330	(\$191)	\$6,139	\$6,139
307.00	Wells & Springs	\$18,294	(\$1,322)	\$16,972	\$16,972
309.00	Supply Mains	\$534	\$458	\$992	\$992
310.00	Power Generation Equipment	\$15,591	(\$521)	\$15,070	\$15,070
311.00	Pumping Equipment	\$19,217	(\$1,611)	\$17,606	\$17,606
320.00	Water Treatment Equipment	\$4,293	(\$238)	\$4,055	\$4,055
330.00	Distribution Reservoirs & Standpipes	\$25,947	(\$4,462)	\$21,485	\$21,485
331.00	Transmission & Distribution Mains	\$12,966	(\$573)	\$12,393	\$12,393
334.00	Meters & Meter Installations	\$16,484	(\$4,227)	\$12,257	\$12,257
340.00	Office Furniture & Equipment	\$1,554	(\$1,060)	\$494	\$494
348.00	Other Tangible Plant	\$2,388	\$0	\$2,388	\$2,388
Total Utility Plant in Service		\$124,367	(\$13,765)	\$110,600	\$110,600

Table 2-2

		Per Utility		Per Audit	Average
NARUC	AccountDescription	@12/31/2013	Adjustments	@12/31/2014	Test Year
301.00	Organization	\$0	\$285	\$285	\$276
304.00	Structures & Improvements	\$3,950	\$253	\$4,203	\$4,089
307.00	Wells & Springs	\$14,119	\$557	\$14,676	\$14,362
309.00	Supply Mains	\$42	\$53	\$95	\$79
310.00	Power Generation Equipment	\$6,263	\$841	\$7,104	\$6,661
311.00	Pumping Equipment	\$3,669	\$921	\$4,590	\$4,073
320.00	Water Treatment Equipment	\$4,875	(\$820)	\$4,055	\$4,055
330.00	Distribution Reservoirs & Standpipes	\$15,339	\$564	\$15,903	\$15,577
331.00	Transmission & Distribution Mains	\$7,949	\$304	\$8,253	\$8,090
334.00	Meters & Meter Installations	\$9,811	\$597	\$10,408	\$10,048
340.00	Office Furniture & Equipment	\$125	(\$2)	\$123	\$107
348.00	Other Tangible Plant	\$2,806	(\$418)	\$2,388	\$2,388
Total Accumulated Depreciation		\$68,952	\$3,134	\$72,083	\$69,804

Per information disclosed in Finding 1 the Utility did not have general ledger balances from 2014. We included the 2013 Annual Reports balances for comparison purposes. Small differences are due to rounding.

Finding 3: Land and Land Rights

Audit Analysis: No utility land balance for 2014 was available per our discussion in Finding 1. Our review of the Utility's 2013 Annual Report reflects a land balance of \$0.

Order No. PSC-12-0533-PAA-WU reaffirmed a land balance of \$553 for the Utility that was established at transfer in Order No. PSC-05-0308-PAA-WU, issued March 21, 2005.

The Utility's balance for Land and Land Rights is \$533 for this proceeding.

Rule 25-30.433 (10), Rate Case Proceedings, F.A.C., requires a utility to own the land upon which the utility treatment facilities are located, or possess the right to the continued use of the land, such as a 99-year lease.

On February 10, 2004, the Utility's former owner, Keen Sales, Rental and Utilities, Inc. executed a Warranty Deed (Original Records {OR} - Book 05678 Pages 1513 to 5114) that transferred the real properties containing the Alturas and Sunrise systems to Sunrise Utilities, LLC.

On November 8, 2004, the same former owner executed a Corrective Warranty Deed (OR Book 06028 - Pages 1080 to 1081) that transferred the real properties containing the Alturas and Sunrise systems to Alturas Utilities, LLC.

Based on our review of the Polk County Clerk of the Court records above, the land occupied by the Utility's water plant is now owned by Alturas Utilities, LLC, the Utility's sister operation.

The Utility should be required to correct the land ownership issue disclosed above.

Effect on the General Ledger: Increase Land by \$553.

Effect on the Filing: Increase average Land by \$553 for the test year.

Finding 4: Contributions-in-Aid-of-Construction and Accumulated Amortization of CIAC

Audit Analysis: No Utility CIAC and Accumulated Amortization of CIAC balances for 2014 were available per our discussion in Finding 1.

Order No. PSC-12-0533-PAA-WU established balances of \$12,393 and \$10,395 for CIAC and accumulated amortization of CIAC, respectively, as of September 30, 2011. Our review of the Utility’s 2011, 2012 and 2013 Annual Reports reveals that the Utility never adjusted its books as required.

There were no new customer connections or any other activity discovered that would alter the existing CIAC balance established above. The year end and simple average CIAC balance is \$12,393, as of December 31, 2014.

We calculated CIAC amortization using the amortization rates established by Rule 25-30.140, (9c) Depreciation, F.A.C., as of December 31, 2014. The year end and simple average Accumulated Amortization of CIAC balance is \$12,068 and \$11,813, respectively, as of December 31, 2014.

Account Description	10/1/2011	2012	2013	2014	Test Year Average
Contribution in Aid of Construction (CIAC)	(\$12,393)	(\$12,393)	(\$12,393)	(\$12,393)	(\$12,393)
Amortization Rate	4.55%	4.12%	4.12%	4.12%	
Annual CIAC Amortization	\$141	\$511	\$511	\$511	
Beginning Accumulated Amortization of (CIAC)	\$10,395	\$10,536	\$11,047	\$11,557	
Accruals	\$141	\$511	\$511	\$511	
Accumulated Amortization of (CIAC)	\$10,536	\$11,047	\$11,557	\$12,068	\$11,813

2011 CIAC Amortization amount = ((CIAC x Rate) /12 months) x 3 months.

Effect on the General Ledger: Increase CIAC and Accumulated Amortization of CIAC by \$7,225 (\$12,393-\$5,168) and \$6,900 (\$12,068 -\$5,168), respectively, as of December 31, 2014.

Effect on the Filing: Average CIAC and Accumulated Amortization of CIAC are \$12,393 and \$11,813, respectively, for the test year. CIAC amortization expense is \$511 for the test year.

The current CIAC balance of \$12,393 will be fully amortized by August 2015, based on a monthly accrual amount of approximately \$43 per month (\$511/12 months).

Finding 5: Capital Structure

Audit Analysis: No Utility capital structure balance for 2014 was available per our discussion in Finding 1.

The Utility is authorized to collect a customer deposit of \$52 per its tariff

The Utility's equity balance could not be determined from its 2013 Annual Report. Based on our review of the Annual Reports we did determine that the Utility's capital structure is composed entirely of owners' equity because no debt or customers deposits were displayed or disclosed.

The Utility's 2013 Federal Tax Return, Schedule L, Balance Sheet per Books, does not include an equity balance or any asset or liability balances as well.

It would be assumed that the owner does have an equity stake in the Utility which should be treated as common equity based on prior Commission policy.

We believe that the owners' common equity is equal to the net rate base as determined in Finding 2.

Effect on the General Ledger: None

Effect on the Filing: The Utility's average capital structure balance is \$48,981 when reconciled to the average rate base balance displayed in Exhibit 1. The cost rate for common equity and the weighted average cost for the Utility's capital structure is 8.74 percent as authorized in Order No. PSC-14-0272-WS, issued May 29, 2014.

Finding 6: Operating Revenue

Audit Analysis: No utility revenue amount for 2014 was available per our discussion in Finding 1. The Utility provided a schedule that reflects estimated revenues of \$69,411 for the test year. The Utility provided twelve monthly billing registers (BR) for 2014 that indicate customer billings of \$69,416 based on approximately 14.132 million gallons of water sold.

A review of the Utility’s authorized tariffs indicates that the Utility’s current rates became effective on July 1, 2014. These rates incorporated a Phase II Rate Case increase that was approved in Order No. PSC-12-0533-PAA-WU.

Our review of the Utility’s billing registers indicates that they did not increase the rates as required and continue to charge the tariff rates that became effective on December 1, 2012. See Finding 8 for further details.

We calculated the following 2014 estimated Revenues and corresponding difference from the Utility’s billed amount using the customer usage information recorded in the monthly billing register and the tariff information discussed above.

Utility BR	Audit Calculation	Over(Under) Amount	Recalculation using actual consumption and:
\$69,416	\$69,778	(\$362)	Tariff rates effective 12/01/12
\$69,416	\$71,062	(\$1,646)	Tariff rates effective 12/01/12 & 07/01/14
\$69,416	\$72,298	(\$2,882)	Tariff rates effective 07/01/14

Based on our calculation, we estimate that the Utility undercharged its customers by \$1,284 (\$71,062 - \$69,778) during the last six months of 2014 because of not increasing its rates in July 2014 as required by the Phase II rate increase. Since it appears that the Utility already under billed its customers by \$362 during 2014 based on our recalculation of actual customer usage and the rates in effect before the Phase II rate increase the apparent rate increase oversight is magnified to \$1,646 for the test year in our calculation.

We calculated annualized revenues of \$72,298 for the test year using actual customer usage information and the Phase II rate increase in tariff rates effective July 1, 2014, as if these tariff rates were in effect for all of 2014.

We do not believe that the Utility’s estimated revenues included miscellaneous revenues such as premise visits, new connections, disconnects and reconnects and there is no evidence that they are included in the billing register either. None of the Utility’s prior Annual Reports that we reviewed include a miscellaneous revenue amount.

The Utility’s tariff authorizes the collection of \$15 for events such as these. In Finding 5 we discuss the role of the office manager and the detailed records that were kept for the first five months of the test year. One of the services provided by the office manager was for customer interactions such as these events which were included as a fee for service in the expense register we reviewed. In that five month period the office manager was paid \$1,320 for 55 premise visits, 40 new connections and 13 disconnects. No records were provided for the remaining seven months of the test year.

These events should be recorded as miscellaneous revenues per the Utility’s tariff and to properly match the expense that was charged. Additionally, we recommend imputing an

additional \$1,320 of miscellaneous revenues based on the assumption that events such as these would occur throughout the test year.

Based on the above information we calculated that the Utility's 2014 actual revenues should be \$73,702 ($\$71,062 + \$2,640$). This incorporates the change in tariff rates as required. The regulatory assessment fee (RAF) due on this amount is \$3,317 ($\$73,702 \times 4.50\%$).

For this proceeding, we calculated that the test year annualized revenues are \$74,938 ($\$72,298 + \$2,640$). This incorporates the current tariff rate as if it had been in effect for the entire test year. The regulatory assessment fee (RAF) due on this amount is \$3,372 ($\$74,938 \times 4.50\%$).

Effect on the General Ledger: To be determined by the Utility.

Effect on the Filing: Annualized revenues are \$74,938 and the associated RAF's are \$3,372 for the test year.

Finding 7: Operations and Maintenance Expense

Audit Analysis: No utility Operation and Maintenance Expense (O&M) for 2014 was available per our discussion in Finding 1. The Utility provided an estimated/actual Expense Summary schedule that reflects expenses of \$84,912 for the test year. Our review of the Utility’s schedule indicates that several of the expense categories included by the Utility should be included as TOTI expense or the expenses are outside the test year or are non-utility in nature. The schedule that follows is our revision of the Utility’s schedule that best reflects what we believe are the appropriate expense categories based on the information provided for this proceeding. We have included information for Alturas, a sister operation, because the majority of the information we used to verify the test year expenses for the two utility’s rate filings was from shared operator services or was comingled banking operations because of severe cash flow problems.

PER 2014 EXPENSE SUMMARIES PROVIDED				
NARUC	Description	Alturas	Sunrise	Total
603	Officer	\$0	\$12,000	\$12,000
615	Power	\$1,542	\$2,340	\$3,882
618	Chemicals	\$772	\$1,431	\$2,203
630	Meter Reading	\$780	\$3,000	\$3,780
630	Billing	\$2,389	\$6,802	\$9,191
631	Accounting	\$400	\$400	\$800
636	Manager Salaries	\$5,950	\$10,008	\$15,958
636	Operator	\$6,855	\$10,139	\$16,994
636	Repairs/Supplies	\$4,877	\$6,983	\$11,860
636	Maintenance	\$1,863	\$2,043	\$3,906
650	Trans/Gas	\$1,233	\$1,976	\$3,209
655	Insurance	\$1,576	\$2,010	\$3,586
670	Bad Debt	\$516	\$3,899	\$4,415
675	Office Expense	\$2,201	\$4,611	\$6,812
675	Miscellaneous	\$0	\$1,731	\$1,731
	Total O&M Expense	\$30,954	\$69,373	\$100,327
	Taxes/License	\$2,104	\$2,608	\$4,712
	RAF	\$1,176	\$3,123	\$4,299
	Total TOTI	\$3,280	\$5,731	\$9,011
	Blount 2015 payments due	\$1,400	\$1,313	\$2,713
	Boswell 2015 payments due	\$300	\$300	\$600
	RAF 2015 payments due	\$340	\$750	\$1,090
	Total Payments Due	\$2,040	\$2,363	\$4,403
	Blount (Payable)	\$2,700	\$2,168	\$4,868
	Boswell (Payable)	\$3,947	\$4,277	\$8,224
	Szabo (Payable)	\$1,000	\$1,000	\$2,000
	Total Payables Outstanding	\$7,647	\$7,445	\$15,092
	Total All	\$43,921	\$84,912	\$128,833

The O&M amount of \$69,373 above and our specific audit adjustments to each associated NARUC account are discussed below.

The TOTI amount of \$5,731 above is discussed in Finding 8. Information on the 2015 payments of \$2,363 and the outstanding payables of \$7,445 is provided in Finding 9.

Account 603 – Officer Salaries

The Utility's schedule reflects \$12,000 for this account. We have increased this amount by \$375 to \$12,375 for the test year. We verified that the amount included was for officers' salaries and that it is appropriate for the test year. Order No. PSC-12-0533-WU, issued October 9, 2012, included an officer's salary of \$12,000 for Sunrise Utilities, LLC. We have included this amount as well as one-half or \$375 of a \$750 payment to the Utility's other officer who assists the Utility's owner in utility operations as needed.

Account 615 – Purchased Power

The Utility's schedule reflects \$2,340 in this account. We have reduced this amount by \$63 to \$2,277 for the test year. The Utility could only provide copies of nine of the twelve electric power invoices requested. We were able to substantiate two of the three missing invoice amounts using payments information provided on the copy of the subsequent months power invoice. We estimated the missing December 2014 power invoice amount using the average of the proceeding eleven months billed amounts. We also removed late fees for failure to make timely payments.

Account 616 - Fuel Purchased for Power Production

The Utility's schedule does not include this account. We have included \$219 for the test year. We included canceled checks totaling \$219 that the Utility paid for propane fuel for its emergency generator at the water plant.

Account 618 – Chemicals

The Utility's schedule reflects \$1,431 in this account. We increased this amount by \$131 to \$1,562 for the test year. We verified that the amount included was for chemical expense and that it is appropriate for the test year. See our discussion for operator services that follows for additional details.

Account 630 – Contractual Services Billing

The Utility's schedule reflects \$9,802 (\$3,000+\$6,802) in this account. We have reduced this amount by \$5,512 to \$4,290 (\$2,940+\$1,350) for the test year. We included \$1,350 for services provided by a collection agent and \$2,940 for our estimated meter reading fees performed by the office manager. See our discussion for the office manager that follows for additional details.

Account 631 - Contractual Services Professional

The Utility's schedule reflects \$400 in this account. We verified that the amount included was for preparing the Utility's annual report and federal tax return and that it is appropriate for the test year.

Account 635 - Contractual Services Testing

The Utility's schedule does not include this account. We have included \$2,340 for the test year. See our discussion for operator services that follows for additional details.

Account 636 – Contractual Services Other

The Utility's schedule reflects \$29,173 (\$10,008+\$10,139+\$6,983+\$2,043) in this account. We have increased this amount by \$2,365 to \$31,538 (\$2,299+762+\$1,359+\$18,368+\$8,750) for the test year. We have included an invoice of \$2,298 for service line maintenance and repairs. We included \$762 for the deferred actual cost to inspect and clean the hydro pneumatic tank and \$1,359 for an ongoing meter replacement program, both of which were authorized and approved in Order No. PSC-12-0533-PAA-WU. The Utility has requested that this program continue see Finding 9 for additional details. We have also included allocated amounts of \$18,368 and \$8,750 for office manager and operator services, respectively. See our discussion for office manager and operator services that follow for additional details.

Account 650 – Transportation Expense

The Utility's schedule reflects \$1,976 in this account. We have reduced this amount by \$1,976 to \$0 for the test year. We could not verify how this amount was determined. We do note that mileage fees were included in a number of instances for services provided by the office manager. To include them here would not be appropriate because we do not exclude them in the office manager allocation in Table 1.

Account 655 – Insurance Expense

The Utility's schedule reflects \$2,010 in this account. We have reduced this amount by \$182 to \$1,828 for the test year. We adjusted the amount in the account by \$182 to reflect the current year's general liability insurance premium.

Account 670 - Bad Debt Expense

The Utility's schedule reflects \$3,899 in this account. We have increased this amount by \$268 to \$4,167 for the test year to record the actual uncollectable debt balance that was written off during the test year.

Account 675 – Miscellaneous Expense

The Utility's schedule reflects \$6,342 (\$4,611+\$1,731) in this account. We have reduced this amount by \$1,643 to \$4,798 (\$895+\$2,665+\$954+\$284) for the test year. We included invoices totaling \$895 for estimated/actual office supplies and postage of \$2,665 our allocated amount of \$954 for operator services and an additional \$284 to annualize the costs for two cell phones provided by the operator. See our discussion for operator services that follows for additional details.

Office Manager

The Utility shares an office manager with Sunrise, its sister operation. During the test year there was a personnel change in this position at the end of May 2014. The Utility's owner states that the position and the services provided were essentially the same throughout the test year. There is no formal contract for services. According to the owner and the invoices provided the office manager delivers multiple services for each utility system including but not limited to the following tasks.

- Reads the customer meters monthly.
- Prepares and distributes customer bills monthly.
- Collects, posts and deposits customer payments in a timely manner.

- Prepares monthly billing summaries of customer billing and consumption information.
- Prepares and distributes delinquent payment and cut off notices as needed.
- Performs premise visits for delinquent collections, disconnects, reconnects, and new service connections.
- Arranges for and schedules emergency and recurring maintenance and repairs of the water treatment plant and service lines.
- Purchases material and supplies for water system operations as needed.
- Arranges for the mowing of utility plant sites as needed.
- Arranges for the distribution of boil water and rescind notices as required.
- Purchases office and billing supplies to perform the administrative task as needed.

We were provided canceled checks totaling \$29,748 that was paid to the office manager for customer and billing services and reimbursements of expenditures incurred for materials, supplies and services provided by others by the office manager during the test year for both utility systems. We were also provided an expense register for the five month period Jan-May 2014 that provided extensive accounting detail for approximately \$16,132 of the \$29,748 in canceled checks mentioned above.

Based on our review of the detail provided in the expense register and other information provided by the Utility's owner, we believe that \$29,748 in canceled checks for office manager expense is reasonable for the two utility operations and should be allocated to each utility system. Our allocation by NARUC account and methodology is explained in the Table 7-1.

Operator Services

The Utility shares an operator with Sunrise, its sister operation. There is no formal contract for services. According to the owner and the invoices provided the operator delivers multiple services for each utility system including but not limited to the following tasks.

- Daily monitoring of water plant operations as required.
- Draws, submits and reports monthly water samples required.
- Draws, submits and reports boil water samples as required.
- Draws, submits and reports annual water sampling for Consumer Confidence Report.
- Provides chlorine for water treatment.
- Provides minor maintenance service at the water plants such as, monthly flushing of the systems, chlorine pump repairs, and pressure switch repairs.
- Provides cellular phone service for the office manager and himself for utility operations. The office manager's telephone is the primary contact for the Utility's customers. The operator's telephone provides an emergency contact for events at the respective Utility's plants. This service began in June 2014.

We were provided canceled checks totaling \$23,893 that was paid to the contract operator for both utility systems. We were provided invoices totaling \$22,641 that detailed the services and supplies provided by the operator during the test year.

Based on our review of the detail provided in the invoices and other information provided by the Utility's owner, we believe that \$22,641 for operator expense is supported and reasonable for the two utility operations and should be allocated to each utility system based on the NARUC accounts identified in the Table 7-2.

The schedule that follows provides a summary of our adjustments to the Utility's O&M Expense accounts discussed above.

**Operation & Maintenance Expense
12-Months Ended December 31, 2014**

Acct. Nos.	Acct. Description	Per Utility	Adjustment	Per Audit
601	Salaries & Wages - Employees	\$12,000	\$375	\$12,375
603	Salaries & Wages - Officers	\$0	\$0	\$0
604	Employee Pension & Benefits	\$0	\$0	\$0
610	Purchased Water	\$0	\$0	\$0
615	Purchased Power	\$2,340	(\$63)	\$2,277
616	Fuel for Power Production	\$0	\$219	\$219
618	Chemicals	\$1,431	\$131	\$1,562
620	Materials & Supplies	\$0	\$0	\$0
630	Contractual Services - Billing	\$9,802	(\$5,512)	\$4,290
631	Contractual Services - Professional	\$400	\$0	\$400
635	Contractual Services - Testing	\$0	\$2,340	\$2,340
636	Contractual Services - Other	\$29,173	\$2,365	\$31,538
640	Rents	\$0	\$0	\$0
650	Transportation Expense	\$1,976	(\$1,976)	\$0
655	Insurance Expense	\$2,010	(\$182)	\$1,828
665	Reg. Commission Expense	\$0	\$0	\$0
670	Bad Debt Expense	\$3,899	\$268	\$4,167
675	Miscellaneous Expense	\$6,342	(\$1,643)	\$4,699
Total		\$69,373	(\$3,678)	\$65,695

Effect on the General Ledger: To be determined by the Utility.

Effect on the Filing: O&M Expense is \$65,695 for the test year and the associated Working Capital adjustment for Rate Base inclusion is \$8,212 (\$65,695/8)

Table 7-1 – Office Manager Expense

TOTALS BY NARUC ACCOUNT											
NARUC	Amount	Alturas					Sunrise				
		Manager	Meter	Mowing	Other	Total	Manager	Meter	Mowing	Other	Total
630	\$3,720		\$780			\$780		\$2,940			\$2,940
636	\$26,028	\$5,564		\$800	\$1,296	\$7,660	\$10,036		\$1,000	\$7,332	\$18,368
Total	\$29,748	\$5,564	\$780	\$800	\$1,296	\$8,440	\$10,036	\$2,940	\$1,000	\$7,332	\$21,308
Date	Amount	Alturas					Sunrise				
		Manager	Meter	Mowing	Other	Total	Manager	Meter	Mowing	Other	Total
01/10/14	\$390	\$107		\$40		\$147	\$193		\$50		\$243
01/17/14	\$300	\$107				\$107	\$193				\$193
01/24/14	\$300	\$107				\$107	\$193				\$193
01/31/14	\$1,019	\$107			\$108	\$215	\$193			\$611	\$804
02/07/14	\$700	\$107	\$65	\$40		\$212	\$193	\$245	\$50		\$488
02/14/14	\$300	\$107				\$107	\$193				\$193
02/21/14	\$300	\$107				\$107	\$193				\$193
02/28/14	\$1,019	\$107			\$108	\$215	\$193			\$611	\$804
03/07/14	\$700	\$107	\$65	\$40		\$212	\$193	\$245	\$50		\$488
03/14/14	\$300	\$107				\$107	\$193				\$193
03/21/14	\$390	\$107		\$40		\$147	\$193		\$50		\$243
03/28/14	\$1,019	\$107			\$108	\$215	\$193			\$611	\$804
04/04/14	\$700	\$107	\$65	\$40		\$212	\$193	\$245	\$50		\$488
04/11/14	\$300	\$107				\$107	\$193				\$193
04/18/14	\$390	\$107		\$40		\$147	\$193		\$50		\$243
04/25/14	\$1,019	\$107			\$108	\$215	\$193			\$611	\$804
05/02/14	\$700	\$107	\$65	\$40		\$212	\$193	\$245	\$50		\$488
05/09/14	\$300	\$107				\$107	\$193				\$193
05/16/14	\$390	\$107		\$40		\$147	\$193		\$50		\$243
05/23/14	\$300	\$107				\$107	\$193				\$193
05/30/14	\$1,109	\$107		\$40	\$108	\$255	\$193		\$50	\$611	\$854
06/06/14	\$610	\$107	\$65			\$172	\$193	\$245			\$438
06/13/14	\$390	\$107		\$40		\$147	\$193		\$50		\$243
06/20/14	\$300	\$107				\$107	\$193				\$193
06/27/14	\$1,109	\$107		\$40	\$108	\$255	\$193		\$50	\$611	\$854
07/04/14	\$610	\$107	\$65			\$172	\$193	\$245			\$438
07/11/14	\$390	\$107		\$40		\$147	\$193		\$50		\$243
07/18/14	\$300	\$107				\$107	\$193				\$193
07/25/14	\$1,109	\$107		\$40	\$108	\$255	\$193		\$50	\$611	\$854

Table 7-1 – Office Manager Expense, continued

Date	Amount	Alturas					Sunrise				
		Manager	Meter	Mowing	Other	Total	Manager	Meter	Mowing	Other	Total
08/01/14	\$610	\$107	\$65			\$172	\$193	\$245			\$438
08/08/14	\$390	\$107		\$40		\$147	\$193		\$50		\$243
08/15/14	\$300	\$107				\$107	\$193				\$193
08/22/14	\$390	\$107		\$40		\$147	\$193		\$50		\$243
08/29/14	\$1,019	\$107			\$108	\$215	\$193			\$611	\$804
09/05/14	\$700	\$107	\$65	\$40		\$212	\$193	\$245	\$50		\$488
09/12/14	\$300	\$107				\$107	\$193				\$193
09/19/14	\$390	\$107		\$40		\$147	\$193		\$50		\$243
09/26/14	\$1,019	\$107			\$108	\$215	\$193			\$611	\$804
10/03/14	\$700	\$107	\$65	\$40		\$212	\$193	\$245	\$50		\$488
10/10/14	\$300	\$107				\$107	\$193				\$193
10/17/14	\$300	\$107				\$107	\$193				\$193
10/24/14	\$300	\$107				\$107	\$193				\$193
10/31/14	\$1,019	\$107			\$108	\$215	\$193			\$611	\$804
11/07/14	\$700	\$107	\$65	\$40		\$212	\$193	\$245	\$50		\$488
11/14/14	\$300	\$107				\$107	\$193				\$193
11/21/14	\$300	\$107				\$107	\$193				\$193
11/28/14	\$1,019	\$107			\$108	\$215	\$193			\$611	\$804
12/05/14	\$700	\$107	\$65	\$40		\$212	\$193	\$245	\$50		\$488
12/12/14	\$300	\$107				\$107	\$193				\$193
12/19/14	\$300	\$107				\$107	\$193				\$193
12/26/14	\$1,019	\$107			\$108	\$215	\$193			\$611	\$804
01/02/15	\$610	\$107	\$65			\$172	\$193	\$245			\$438
	\$29,748	\$5,564	\$780	\$800	\$1,296	\$8,440	\$10,036	\$2,940	\$1,000	\$7,332	\$21,308

- Office manager expense of \$300 per week is split between Alturas (\$107) and Sunrise (\$193) based on information provided by the owner.
- Meter reading expense of \$310 per month is split between Alturas (\$65) and Sunrise (\$245) based on the average annual number of customer bills and an approximately \$1 charge paid to read the meters.
- Mowing expense of \$1,800 per year is split between Alturas (\$800) and Sunrise (\$1,000) based on annualized actual payments by the office manager for the service and our estimate of when the service would be needed during the year.
- Other expense of \$8,628 per year is split between Alturas (\$1,296) and Sunrise (\$7,332) based on the ratio of the actual "other type" of expenses recorded in the managers expense register after accounting for the known costs described above. These costs include premise visits for customer connections and disconnections, payments for repairs & maintenance, distribution of customer correspondence and other miscellaneous services.

Table 7-2 – Operator Services Expense

Combined Charges for 2014 Test Year				
		Alturas Utilities		
NARUC	Description	Direct	Allocated	Total
618	Chemical Expense	\$772	\$0	\$772
635	Contractual Services - Testing	\$1,465	\$0	\$1,465
636	Contractual Services - Other	\$2,265	\$3,960	\$6,225
675	Miscellaneous Expense	\$0	\$573	\$573
	Total	\$4,502	\$4,533	\$9,035
		Sunrise Utilities		
NARUC	Description	Direct	Allocated	Total
618	Chemical Expense	\$1,562	\$0	\$1,562
635	Contractual Services - Testing	\$2,340	\$0	\$2,340
636	Contractual Services - Other	\$2,150	\$6,600	\$8,750
675	Miscellaneous Expense	\$0	\$954	\$954
	Total	\$6,052	\$7,554	\$13,607
	Total Both Utilities	\$10,554	\$12,087	\$22,641

Finding 8: Taxes Other than Income

Audit Analysis: No Utility Taxes Other Than Income (TOTI) amount for 2014 was available per our discussion in Finding 1. The Utility provided an estimated/actual schedule for O&M Expense that included TOTI expenses of \$5,731 for the test year.

Description	Amount	
RAF	\$3,123	Calculated on estimated revenues of \$26,138.
Tax/License	\$2,608	Property tax, licences and permits
Total	\$5,731	

We have reduced this amount by \$1,459 to \$4,272 to reflect the actual 2014 property taxes and estimated RAF's due on annualized revenues.

Description	Amount	
RAF	\$3,372	Calculated on annualized revenues in Finding 6.
Real Property Tax	\$36	2014 property taxes at maximum discount.
Tangible Property Tax	\$864	
Total	\$4,272	

We did not include costs for licenses and permits because those items are included in our O&M expense reflected in Finding 7.

Effect on the General Ledger: To be determined by the Utility.

Effect on the Filing: TOTI Expense is \$4,272 for the test year.

Finding 9: Other Information

Audit Analysis: The following items were discovered by audit staff during fieldwork for this proceeding.

- The Utility's tariff rates were increased effective July 1, 2014 per a Phase II rate increase required by Order No. PSC-12-0533-PAA-WU from the prior rate case in Docket No. 110238-WU. The Utility continues to charge for tariff rates effective December 1, 2012 that were established as Phase I rates in its last rate case. (As of the December 2014 billing cycle)
- On July 22, 2014, a judgment was issued against Sunrise for \$2,926 by Tenth Judicial Circuit (Case No. 2013CC-002822) in favor of Blount Utilities, Inc. for uncontested outstanding debt owed. A settlement agreement was reached and payments of \$271 per month started on August 2014, which are to continue until the balance is extinguished. The outstanding payable balance was approximately \$2,440 as of December 31, 2014.
- There are outstanding legal expenses related to Sunrise's defense in the above suit that total \$4,247. The balance is due in full before the end of year 2015.
- On November 19, 2014, Alturas established a payment plan with the Commission to satisfy an outstanding RAF balance of \$13,665 at a rate of \$250 per month until the balance is extinguished. The outstanding balance was approximately \$12,614 as of December 31, 2014. (Sunrise has remitted a total of 3 payments totaling \$750 in 2014)
- Sunrise is required by Polk County Health Department to conduct a 2015 Drinking Water Monitoring (3 year requirement) testing and Consumer Confidence Report at an estimated cost of \$3,500 before the end of 2015.
- Sunrise estimates that it will need \$3,500 to continue replacing water meters under the current meter replacement program approved in its last rate proceeding.
- Sunrise has renewed its request for \$6,500 to replace piping and valves at the water tanks that was approved in its last rate proceeding.

The last three items are only general estimates provided by the Utility's operator. No actual bid or cost estimate have been provided or performed.

Effect on the General Ledger: None

Effect on the Filing: The analyst should determine the effect on the filing of these items. The final cost associated with the Polk County Health Department requirement, when determined, should be amortized over three years.

Exhibits

Exhibit 1: Rate Base

Sunrise Utilities, LLC				
Docket No.140220-WU				
As of December 31, 2014				
	Per Utility		Per Audit	Test Year
Description	@12/31/13	Adjustments	@12/31/14	Average
Plant in Service	\$124,367	(\$13,767)	\$110,600	\$110,600
Land & Land Rights	\$0	\$553	\$553	\$553
Contributions in Aid of Construction	(\$5,168)	(\$7,225)	(\$12,393)	(\$12,393)
Accumulated Depreciation	(\$68,952)	(\$3,131)	(\$72,083)	(\$69,804)
Accumulated Amortization of CIAC	\$5,168	\$6,900	\$12,068	\$11,813
Working Capital	\$0	\$8,212	\$8,212	\$8,212
Total	\$55,415	(\$8,458)	\$46,957	\$48,981
Per information disclosed in Finding 1 the Utility did not have general ledger balances for 2014.				
We included the 2013 Annual Report balance for comparison purposes.				

Exhibit 2: Capital Structure

Sunrise Utilities, LLC						
Docket No.140220-WU						
As of December 31, 2014						
	Per Utility		Per Audit	Cost		Weighted
Description	@12/31/13	Adjustments	@12/31/14	Rate	Ratio	Average
						Cost
Common Equity	\$0	\$0	\$48,981	8.74%	100.00%	8.74%
Long Term Debt	\$0	\$0	\$0	0.00%	0.00%	0.00%
Customer Deposits	\$0	\$0	\$0	2.00%	0.00%	0.00%
Total	\$0	\$0	\$48,981			8.74%
The Utility's equity balance could not be determined from the Annual Reports.						
The Utility's 2013 Federal Tax Return , Schedule L, Balance Sheet per Books does not include an equity balance.						
The audit balance for Common Equity equals the Net Rate Base balance displayed on Exhibit 1.						

Exhibit 3: Net Operating Income

Sunrise Utilities, LLC			
Docket No.140220-WU			
Twelve Months Ended December 31, 2014			
Description	Per Utility	Adjustments	Per Audit
Operating Revenues	\$69,416	\$5,522	\$74,938
Operating Expenses			
Operation & Maintenance Expense	\$69,373	(\$3,678)	\$65,695
Depreciation Expense	\$0	\$4,559	\$4,559
CIAC Amortization Expense	\$0	(\$511)	(\$511)
Taxes Other Than Income Expense	\$5,731	(\$1,459)	\$4,272
Income Tax Expense	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Operating Expenses	\$75,104	(\$1,089)	\$74,015
Net Operating Income	(\$5,688)	\$6,611	\$923
<p>Per information disclosed in Finding 1 the Utility did not have general ledger balances for 2014. Revenues and Expenses except depreciation expense were estimated by the Utility. The Utility's 2013 Federal & State Tax returns reflect a Net Operating Loss of \$4,630. Based on this loss and other matters disclosed in Finding 8 we do not believe that the Utility will present a positive taxable income in the near future. Therefore, we have set Income Tax Expense to \$0.</p>			