

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-**

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**DATE:** September 1, 2016

**TO:** Office of Commission Clerk

**FROM:** Lynn M. Deamer, <sup>LMD</sup> Chief of Auditing, Office of Auditing and Performance Analysis

**RE:** Docket No.: 160065-WU  
Company Name: Bocilla Utilities, Inc.  
Company Code: WU962  
Audit Purpose: A1f - Rate Case (PAA)  
Audit Control No.: 16-187-2-1

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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 no confidential work papers associated with this audit.

LMD/cm

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  
Tampa District Office

### Auditor's Report

Bocilla Utilities, Inc.  
File and Suspend Rate Case (PAA)

**12 Months Ended December 31, 2015**

Docket No. 160065-WU  
Audit Control No. 16-187-2-1  
**August 23, 2016**

A blue ink signature of Tomer Kopelovich.

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Tomer Kopelovich  
Audit Manager

A blue ink signature of Simon O. Ojada.

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Simon O. Ojada  
Audit Staff

A blue ink signature of Ron Mavrides.

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Ron Mavrides  
Audit Staff

A blue ink signature of Linda Hill.

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Linda Hill  
Audit Staff/Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated July 5, 2016. We have applied these procedures to the attached revised schedules prepared and filed July 19, 2016, by Bocilla Utilities, Inc. in response to deficiencies cited by Commission Staff in Docket No. 160065-WU.

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

## Objectives and Procedures

### **Background**

#### Definition

Utility refers to Bocilla Utilities, Inc.

#### Utility Information

Bocilla Utilities, Inc. is a Class B Utility providing water service to approximately 404 customers in Charlotte County. Wastewater service to the area is primarily by septic tanks, with Knight Island Utilities serving a portion of the service area with central sewer.

A grandfather certificate to provide water service in Charlotte County by Bocilla Utilities, Inc. was granted in Order No. PSC-95-0966-FOF-WU, issued August 8, 1995, in Docket No. 950269-WU. PSC Order No. PSC-07-0984-FOF-WS, issued December 10, 2007, in Docket No. 070643-WS, rescinded the Florida Public Service Commission's jurisdiction over private water and wastewater systems in Charlotte County.

Water rates were grandfathered in by Order No. PSC-13-0228-PAA-WU, issued May 29, 2013, in Docket No. 130067-WU, In re: Application for grandfather certificate to operate water Utility in Charlotte County by Bocilla Utilities, Inc. Rate base has not yet been established for this Utility. The test year established for final rates is the twelve months ended December 31, 2015.

### **General**

#### Utility Books and Records

**Objectives:** The objective was to determine whether the Utility maintains its books and records in conformity with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA).

**Procedures:** We reviewed the Utility's books and records. Finding 1 discusses the issues with the Utility's books and records.

### **Rate Base**

#### Utility Plant in Service

**Objectives:** The objectives were to verify that Utility Plant in Service (UPIS): 1) Consists of property that exists and is owned by the Utility, 2) Additions are authentic, recorded at original cost, and properly classified as a capital item in compliance with Commission rules and the National Association of Regulatory Commissioners' (NARUC) Uniform System of Accounts (USOA), and 3) Retirements are made when a replacement item is put in service.

**Procedures:** We toured the Utility's plant site to determine the presence and condition of plant assets and the potential impact on the asset base with the transition to a purchased water plant completed in 2014. We reconciled the UPIS accounts in the filing to the general ledger and invoices. We traced additions to source documents and verified that additions were recorded at original cost. The Utility could not provide general ledgers prior to January 1, 2010; therefore, we compiled a schedule of water plant additions from January 1, 2007, through December 31, 2015, using the general ledger and the Utility's annual reports. We determined the year end and simple average balances for UPIS as of December 31, 2015. Our recommended adjustments to UPIS are discussed in Findings 2 and 3.

#### Land and Land Rights

**Objectives:** The objectives were to determine whether Utility land is: 1) Either recorded at original cost 2) Used for Utility operation, and 3) Owned or secured under a long-term lease.

**Procedures:** We reconciled the land account presented in the filing to the general ledger. We searched the property records of the County Clerk's Office in Charlotte County, Florida. We obtained and verified the Utility's warranty deed. We traced Land balances to the trial balance. We determined the year end and simple average Land balances as of December 31, 2015. Our recommended adjustment to Land is discussed in Finding 4.

#### Accumulated Depreciation

**Objectives:** The objectives were to verify that Accumulated Depreciation accruals are properly calculated and recorded based on Commission rules and the NARUC USOA, and retirements are properly recorded.

**Procedures:** We reconciled the Accumulated Depreciations accounts presented in the filing to the general ledger. We compiled a schedule of accumulated depreciation from January 1, 2010 through December 31, 2015, using the general ledger and the Utility's annual reports. We determined the year end and simple average Accumulated Depreciation balances as of December 31, 2015. Our recommended adjustment to Accumulated Depreciation is discussed in Finding 5.

#### Contributions-in-Aid-of-Construction

**Objective:** The objective is to verify that Contributions-in-Aid-of-Construction (CIAC) is in compliance with the Utility's Commission approved service availability tariff.

**Procedures:** We reconciled the CIAC balance presented in the filing to the general ledger. We compiled a schedule of CIAC additions from January 1, 1986, through December 31, 2015, using the general ledger and the Utility's annual reports. We determined the year end and simple average CIAC balances as of December 31, 2015. No exceptions were noted.

#### Accumulated Amortization of CIAC

**Objectives:** The objectives were to determine whether Accumulated Amortization of CIAC balances were properly stated, that annual accruals were reflective of the depreciation rates and were in compliance with Commission rules and orders.

**Procedures:** We reconciled the Accumulated Amortization of CIAC accounts presented in the Filing to the general ledger. We recalculated Accumulated Amortization of CIAC using composite rates. We determined the year end and simple average Accumulated Amortization of CIAC balances as of December 31, 2015. Our recommended adjustment to Accumulated Amortization of CIAC is discussed in Finding 6.

### Working Capital

**Objective:** The objective was to determine whether the Utility's working capital balance is properly calculated in compliance with Commission rules.

**Procedures:** We calculated the Utility's Working Capital allowance for the test year ended December 31, 2015, using one-eighth of Operation and Maintenance (O&M) Expense as required by Commission Rule 25-30.433(2), Florida Administrative Code (F.A.C.). Our recommended adjustment to Working Capital is discussed in Finding 7.

## **Capital Structure**

**Objectives:** The objectives were to determine whether the components of the Utility's capital structure and the respective cost rates used to arrive at the overall weighted cost of capital were properly recorded in compliance with Commission rules and that it accurately represented the ongoing utility operations.

**Procedures:** We verified there were no Customer Deposits as of December 31, 2015. We determined the Long-Term Debt Balance as of December 31, 2015. We obtained the Equity balance per the general ledger as of December 31, 2015. We calculated a simple average for each component using the balances as of December 31, 2015, and December 31, 2014. We calculated the percent of rate base, rate, and composite rate for each component. No exceptions were noted.

## **Net Operating Income**

### Operating Revenue

**Objectives:** The objectives were to determine whether the Utility's test year Revenues are recorded in compliance with Commission rules and are calculated using Commission approved tariff rates.

**Procedures:** We compiled the Utility's Revenues for the twelve months ended December 31, 2015, by obtaining the monthly customer billing register. We recalculated and tested the Utility's Revenues using the billing register and Commission approved tariff rates. No exceptions were noted.

### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether O&M Expense were properly recorded in compliance with Commission rules and were reasonable and prudent for ongoing utility operations.

**Procedures:** We verified O&M Expense for the twelve months ended December 31, 2015, by tracing all invoices to the original source documentation. We reviewed invoices and contracts for proper amount, period, classification, NARUC account, and recurring in nature. Our recommended adjustments to O&M Expense are discussed in Finding 8.

#### Depreciation Expense

**Objective:** The objective was to determine whether Depreciation Expense is properly recorded in compliance with Commission rules.

**Procedures:** We reconciled the Depreciation Expense accounts presented in the Filing to the general ledger. We calculated Depreciation Expense for the test year using the rates prescribed in Rule 25-30.140, F.A.C. and compared our amounts to the amounts reflected in the Filing. Our recommended adjustment to Depreciation Expense is discussed in Finding 5.

#### CIAC Amortization Expense

**Objective:** The objective was to determine whether CIAC Amortization Expense is properly recorded in compliance with Commission rules.

**Procedures:** We reconciled the amortization of the CIAC Expense account presented in the Filing to the general ledger. We recalculated Amortization of CIAC Expense using composite rates. Our recommended adjustment to Amortization of CIAC Expense is discussed in Finding 6.

#### Taxes Other than Income

**Objectives:** The objectives were to determine whether Taxes Other Than Income (TOTI) Expense is properly recorded in compliance with Commission rules and that TOTI Expense is representative of ongoing utility operations.

**Procedures:** We verified the Utility's TOTI Expense for the twelve months ended December 31, 2015, by tracing the taxes to original source documentation. We recalculated regulatory assessment fees (RAF) based on audited revenues. No exceptions were noted.

### **Other**

#### Analytical Procedures

**Objectives:** The objectives were to perform an analytical review of revenues and expenses to identify unusual trends or amounts.

**Procedures:** We compared 2015 revenues and expenses to 2014 and 2013. No differences requiring follow-up investigation were noted.



## Audit Findings

### **Finding 1: Utility's Books and Records**

**Audit Analysis:** The Utility did not provide general ledgers from 1983 through 2009 to Audit Staff because the documents could not be found in storage. Audit Staff relied on the general ledgers, annual reports, and invoices, for all plant additions and retirements for 2007- 2015.

**Effect on the General Ledger:** None

**Effect on the Filing:** None

## Finding 2: Utility Plant in Service

**Audit Analysis:** We reconciled the UPIS accounts in the Filing to the general ledger and invoices. We traced additions to source documents and verified that additions were recorded at original cost. We compiled a schedule of water plant additions from January 1, 2007, through December 31, 2015, using the general ledger, annual reports, and invoices. The Utility was unable to provide support for plant additions totaling \$577,798. Detail of the difference between the Filing and the audit is shown below in Table 2-1. The Utility Shows on Schedule A-1 for UPIS an average balance of \$1,182,756 which includes land. We calculated a simple average balance of \$587,642 not including land. Detail of the difference between the Filing and the audit is shown below in Table 2-2.

**Table 2-1**

No.	Account No. and Name	MFR A-1	Audit 12/31/15
1	INTANGIBLE PLANT		
3	302.1 Franchises	\$4,232	\$4,232
3	TRANSMISSION & DISTRIBUTION PLANT		
4	303.4 Land & Land Rights	44,000	44,000
5	331.4 Transm. & Distribution Mains	1,090,837	513,039
6	334.4 Meters & Meter Installations	35,880	35,880
7	339.4 Other Plant & Misc. Equipment	55,700	55,700
8	Total	1,230,649	652,851
9	Less Land	(44,000)	(44,000)
10	UPIS less Land	\$1,186,649	\$608,851
11	Difference between MFR & Audit		\$577,798

**Finding 2 Cont'd.**

**Table 2-2**

Account No. and Name	Audit 2014	Audit 2015	Avg. Balance
INTANGIBLE PLANT			
302.1 Franchises	\$4,232	\$4,232	\$4,232
TRANSMISSION & DISTRIBUTION PLANT			
	-	-	-
303.4 Land & Land Rights	-	-	-
320.0 Plant and Improvements	0	0	0
331.4 Transm. & Distribution Mains	506,502	513,039	509,770
334.4 Meters & Meter Installations	-	35,880	17,940
339.4 Other Plant & Misc. Equipment	55,700	55,700	55,700
Total	566,434	608,851	587,642
Utility's Average Balance Including Land			1,182,756
Difference			(\$595,114)

**Effect on the General Ledger:** The Utility should determine the effect on the general ledger.

**Effect on the Filing:** Reduce UPIS account simple average balance by \$595,114.

### **Finding 3: Plant Retirement**

**Audit Analysis:** Bocilla Utilities, Inc. officially stopped treating its water in July 2014. The Utility now purchases water from the City of Englewood Water District for its customers. An interconnection is now established and used by the City of Englewood to the Utility and Knight Island Utilities, a condominium project on the island. The plant shut down effectively leaves the transmission lines and water storage tank as the only remaining plant assets.

The Utility reflects this adjustment in 2014 on the MFR schedules as a reduction to UPIS of \$993,444, a reduction to Accumulated Depreciation of \$431,004, a reduction to CIAC of \$667,778 and a reduction to Accumulated Amortization of CIAC of \$325,659.

Audit staff was not provided documentation to determine if these amounts are correct. Therefore, we defer to the analyst for determination of the effect of these adjustments to rate base for ratemaking purposes.

**Effect on the General Ledger:** The adjustment to the general ledger should be determined by the Utility.

**Effect on the Filing:** The analyst and engineer need to determine the effect of this entry on rate base for ratemaking purposes.

#### **Finding 4: Land and Land Rights**

**Audit Analysis:** We determined that utility land was transferred April 17, 1989, from Colony Don Pedro, IV, LTD to Bocilla Utilities, Inc. at a nominal amount. The documentary stamps on that deed were \$0.55. This transfer was a related party transaction as both companies have the same officer. The Utility was providing service prior to this date.

We determined that Colony Don Pedro, IV, LTD purchased eight lots from Gasparilla Enterprises, Inc. Pension and Trust on March 13, 1985. Using the documentary stamps, the total value of this transfer calculates to \$566,182. The Utility's plant would use two of the lots purchased.

Audit staff did not calculate the value of the utility land using this deed because we could not establish what percentage of the acreage of the lots purchased would be used by the utility. Also, the water treatment plant was shut down in 2014 and the Utility began purchasing water from Englewood Water District for use by its customers.

**Effect on the General Ledger:** None.

**Effect on the Filing:** Commission staff analyst and engineer need to determine what part of the land should remain in rate base.

## Finding 5: Accumulated Depreciation

**Audit Analysis:** We reconciled the accumulated depreciations accounts presented in the Filing to the general ledger. We compiled a schedule of accumulated depreciation from January 1, 2007 through December 31, 2015, using the general ledger and the Utility's annual reports. In the MFR Schedules A-10 and B-14 filed with the Commission on May 24, 2016, the Utility had a water balance as of December 31, 2015 of \$358,888 for accumulated depreciation. We recalculated accumulated depreciation to be \$96,844. Detail of the difference between the Filing and the audit is shown below in Table 5-1. The Utility shows on Schedule A-1 for accumulated depreciation an average balance of \$349,108. We calculated a simple average balance of \$89,932. Detail of the difference between the Filing and the audit is shown below in Table 5-2. Depreciation Expense calculation is detailed below in Table 5-3.

**Table 5-1**

Description	AD Per Utility MFR A-9	AD Per Audit 12/31/15	Difference
302.1 Franchises	\$0	(\$3,115)	(\$3,115)
331.4 Transm. & Distribution Mains	(302,133)	(36,235)	265,898
334.4 Meters & Meter Installations	(1,055)	(1,794)	(739)
339.4 Other Plant and Misc. Equipment	(55,700)	(55,700)	0
Total	(\$358,888)	(\$96,844)	\$262,044

**Table 5-2**

AD Per Audit 12/31/2014	AD Per Audit 12/31/2015	AD Simple. Average	Adjusted Utility Balance A-1
\$83,020	\$96,844	\$89,932	(\$349,108)
Difference			(\$259,176)

**Table 5-3**

Dep Exp per Audit 2015	\$13,824
MFR A-8	28,971
Difference	(\$15,147)

**Effect on the General Ledger:** The Utility should determine the effect on the general ledger.

**Effect on the Filing:** Reduce Accumulated Depreciation simple average balance account by \$259,176. Reduce depreciation expense by \$15,147.

## Finding 6: Accumulated Amortization of CIAC

**Audit Analysis:** We reconciled the Accumulated Amortization of CIAC accounts presented in the Filing to the general ledger. We compiled a schedule of Accumulated Amortization of CIAC additions from January 1, 1986, through December 31, 2015, using the general ledger and the Utility's annual reports. In the MFR Schedules A-13 filed with the Commission on May 24, 2016, the Utility had a balance of \$232,960 for Accumulated Amortization of CIAC. We recalculated Accumulated Amortization of CIAC. Detail of the difference between the Filing and the audit is shown below in Table 6-1. The Utility Shows on Schedule A-1 for Accumulated Amortization CIAC an average balance of \$225,846. We calculated an Accumulated Amortization of CIAC simple average balance of \$117,512. Detail of the difference between the Filing and the audit is shown below in Table 6-2. Amortization of CIAC calculation is detailed below in Table 6-3.

**Table 6-1**

Description	12/31/2015
AA CIAC A-13	(\$232,960)
CIAC per Audit	(\$122,858)
Difference	(\$110,102)

**Table 6-2**

AA of CIAC 12/31/2014	AA of CIAC 12/31/2015	CIAC Simple. Average	Adjusted Utility Balance A-1
\$112,166	\$122,858	\$117,512	\$225,846
Difference			(\$108,334)

**Table 6-3**

Amortization of CIAC per Audit 12/31/2015	\$10,691
Amortization of CIAC A-13	14,229
Difference	(\$3,538)

**Effect on the General Ledger:** The Utility should determine the effect on the General Ledger.

**Effect on the Filing:** Reduce Accumulated Amortization CIAC simple average balance account by \$108,334. Reduce Amortization of CIAC by \$3,538.

## **Finding 7: Working Capital**

**Audit Analysis:** The Utility's Schedule A-1 reflects a Working Capital Balance of \$45,466. We recalculated the Working Capital Balance using 1/8 of O&M to be \$44,823. Detail of the difference between the Filing and the Audit is shown below in Table 7-1.

**Table 7-1**

Description	Utility MFR A-1	Audit 12/31/15	Difference
O & M	\$363,728	\$358,587	(\$5,141)
Working Capital	\$45,466	\$44,823	(\$643)

**Effect on the General Ledger:** None.

**Effect on the Filing:** Reduce Working Capital by \$643.



## Finding 8: Operation and Maintenance Expense

**Audit Analysis:** The Utility's Schedule B-5 indicates expenses for the test year of \$363,728. A review of all O&M expense accounts by Audit Staff indicate adjustments of \$5,142 are needed resulting in an audited balance of \$358,587. Many adjustments are a result of inadequate documentation of 2015 and inconsistent booking of charges into the proper accounts. Table 8-1 summarizes adjustments made by Staff and is followed by detail of each adjustment by account.

**Table 8-1**  
**O&M Expense – Water**

Description	Acct. No.	Balance per GL 12/31/15	variance	Balance per MFR Sched. B-5	Audit Adj.	Balance per Audit 12/31/15
Salaries & Wages - Employees	601	\$94,466	\$0	\$94,466	\$15	\$94,481
Salaries & Wages - Officers	603	88,061	0	88,061	0	88,061
Employee Pension & Benefits	604	7,548	0	7,548	0	7,548
Purchased Water	610	92,360	0	92,360	0	92,360
Purchased Power	615	4,549	0	4,549	(591)	3,958
Fuel for Power Purchased	616	0	0	0	0	0
Chemicals	618	563	0	563	(35)	528
Materials & Supplies	620	0	0	0	0	0
BUI Maintenance	630	0	0	0	(928)	(928)
Contractual Svcs. - Eng.	631	12,601	0	12,601	1,384	13,985
Contractual Svcs. - Acct.	632	4,004	0	4,004	(461)	3,543
Contractual Svcs. - Legal	633	654	0	654	(280)	374
Contractual Svcs. - Mgmt. Fees	634	0	0	0	0	0
Contractual Svcs. - Testing	635	879	0	879	(28)	851
Contractual Svcs. - Other	636	0	0	0	0	0
Rental of Building/Real Prop.	641	2,475	0	2,475	0	2,475
Rental of Equipment	642	0	0	0	0	0
Transportation Expenses	650	2,954	0	2,954	(122)	2,832
Insurance - Vehicle	656	1,744	0	1,744	(274)	1,470
Insurance - General Liability	657	4,114	0	4,114	0	4,114
Insurance - Worker's Comp.	658	4,383	0	4,383	0	4,383
Insurance - Other	659	0	0	0	0	0
Advertising Expense	660	375	0	375	0	375
Reg. Comm. Exp. - RC Amort.	666	0	0	0	0	0
Reg. Comm. Exp. - Other	667	1,665	0	1,665	(1,665)	(0)
Bad Debt Expense	670	0	0	0	0	0
Miscellaneous Expenses	675	40,333	0	40,333	(2,156)	38,177
<b>Total</b>		<b>\$363,728</b>	<b>\$0</b>	<b>\$363,728</b>	<b>(\$5,142)</b>	<b>\$358,586</b>

## **Finding 8 Cont'd.**

601 – Salaries & Wages – Employees – Increase account by \$15 to reclass hourly wage paid from Account 675.2 Operator Salary, Misc.

615 - Purchased Power - Reduced account by \$591.11 for \$175 for out of period charges; \$76 for unsupported charges; and reclass \$340 paid to FPL from expense to the Deposit account which was paid for servicing of new account.

618 – Chemicals – Reduce account by \$35 for unsupported charges.

630 BUI Maintenance – Account used to accumulate costs to be capitalized. Reduce account by \$927.55 to reclass \$319.04 of Waste Management invoices to Account 675.13, unsupported charges of \$586 and to correct the double booking of charges of \$22.

631 – Contractual Services – Engineering – Increase account by \$1,384 to reclass \$461 and \$923 from Account 632 Contractual Services – Accounting and Account 667- Regulatory Expense.

632 – Contractual Services – Accounting – Reduce account by \$461 for reclass to Account 631 – Contractual Services Engineering.

633 – Contractual Services – Legal – Reduce account by \$280 for out of period charges.

635 – Contractual Services -Testing – Reduce account by \$28 for \$30 in unsupported charges and \$2 for an understated posting.

650 – Transportation Expenses – Reduce account by \$122 for \$173 for unsupported charges and increase by \$51 for the reclass from Account 675.3 – Misc. Expense - General.

656 - Insurance – Vehicles – Reduce account by \$274 for unsupported charges.

667 – Regulatory Expense – Other – Reduce account by \$1,665 to reclass \$743 in online training and membership to Account 675.9- Dues and Publications and \$922 to Account 631 – Contractual Services Engineering.

675 – Miscellaneous Expenses – Reduce account by a total \$2,156 as follows

675.10 –Reduce account for unsupported internet charges of \$134.

675.11 – Increase account for December internet charges not booked of \$62 and a reclass of \$40 from Account 675.25- Telephone.

675.12 – Reduce account for unsupported charges of \$218; out of period charges of \$45.

675.13 – Increase account by \$319 for reclass of for trash removal from Account 630 – BUI Maintenance.

675.19 - Reduce account by \$188 for unsupported storage charges.

**Finding 8 Cont'd.**

675.2 – Reduce account by \$15 for reclass of wages to Account 601.1 – Salaries and Wages - Employees.

675.3 – Reduce account by \$1,323 for unsupported charges and \$51 reclass of fuel to Account 650 – Transportation Expense.

675.4 – Reduce account by \$25 for unsupported charges and \$44 for out of period charges.

675-5 - Reduce account by \$13 for unsupported charges.

675.5- Reduce account by \$1080 for out of period barge charges

675.9 – Increase account by \$743 for reclass from Account 667 – Regulatory Expense – Other.

**Effect on the General Ledger:** The Utility should determine the effect on the General Ledger.

**Effect on the Filing:** Reduce O&M expense accounts by \$5,142.

## Exhibits

### Exhibit 1: Rate Base

Schedule of Water Rate Base

Florida Public Service Commission

Company: Bocilla Utilities, Inc

Schedule: A-1

Docket No.: 160065-WU

Page 1 of 1

Schedule Year Ended: 12/31/2015

Preparer: Raymond Flischel

Interim [ ] Final [ x ]

Historic [X] Projected [ ]

Line No.	(1) Description	(2) Balance Per Books	(3) A-3 Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service	\$ 1,230,651	\$ (47,895)	\$ 1,182,756	A-3,A-4, A-5
2					
3	Utility Land & Land Rights	44,000	-	44,000	
4					
5	Less: Non-Used & Useful Plant			-	
6					
7	Construction Work in Progress	42	-	42	
8					
9	Less: Accumulated Depreciation	(358,888)	9,780	\$ (349,108)	A-3, A-8, A-9
10					
11	Less: CIAC	(460,348)	1,500	(458,848)	-3,A-11, A-1
12					
13	Accumulated Amortization of CIAC	232,960	(7,114)	225,846	-3,A-13, A-1
14					
15	Acquisition Adjustments		-		-
16					
17	Accum. Amort. of Acq. Adjustments		-		-
18					
19	Advances For Construction		-		
20					
21	Working Capital Allowance		45,466	45,466	A-3, A-17
22					
23	Total Rate Base	<u>\$ 688,417</u>	<u>\$ 1,737</u>	<u>\$ 690,154</u>	

## Exhibit 2: Capital Structure

Schedule of Requested Cost of Capital  
13 Month Average Balance

Florida Public Service Commission

Company: Bocilla Utilities, Inc.

Schedule D-1

Docket No.: 160065-WU

Page 1 of 1

Test Year Ended: 12/31/2015

Interim [ ] Final [x]

Preparer: Raymond Flischel

Historical [x] Projected [ ]

used, submit an additional schedule reflecting year-end calculations.

	(1)	(2)	(3)	(4)	(5)
	Reconciled to				
	Requested Rate Base				
Line No.	Class of Capital	AYE 12/31/15	Ratio	Cost Rate	Weighted Cos
1	Long Term Debt	\$1,005,226	82.30%	5.00%	4.12%
2	Short Term Debt	-	0.00%	0.00%	0.00%
3	Preferred Stock	-	0.00%	0.00%	0.00%
4	Common Equity	216,151	17.70%	10.50%	1.86%
5	Customer Deposits	-	0.00%	0.00%	0.00%
6	Tax Credits - Zero Cost	-	0.00%	0.00%	0.00%
7	Tax Credits - Weighted Cc	-	0.00%	0.00%	0.00%
8	Accumulated Deferred Inc	12,122	0.00%	0.00%	0.00%
9	Other (Explain)	-	0.00%	0.00%	0.00%
10					
11	Total	<u>\$1,233,499</u>	<u>100.00%</u>		<u>5.97%</u>

## Exhibit 3: Net Operating Income

### Schedule of Water Net Operating Income

Company: Bocilla Utilities, Inc.

Docket No.: 160065-WU

Test Year Ended: 12/31/2013

Interim [ ] Final [X]

Historic [X] Projected [ ]

Florida Public Service Commission

Schedule: B-1

Page 1 of 1

Preparer: Raymond Flischel

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	\$ 391,017	\$ 4,378	\$ 395,395	\$ 152,375	\$ 547,770	B-3, B-4
2							
3	Operation & Maintenance	363,729	-	363,729	27,395	391,124	B-4, B-5
4							
5	Depreciation, net of CIAC Amort.	14,743	-	14,743		14,743	
6							
7	Amortization of Rate Case	-		-	21,100	21,100	B-3 B-10
8							
9	Amortization of Plant Retirement				16,024	16,024	B-3
10							
11	Truck Replacement				12,300	12,300	B-3
12							
13	Taxes Other Than Income	44,538	-	44,538	6,857	51,395	B-15
14							
15	Provision for Income Taxes	-	-	-	-	-	C-1
16							
17	OPERATING EXPENSES	423,010	-	423,010	83,676	506,686	
18							
19	NET OPERATING INCOME	\$ (31,993)	\$ 4,378	\$ (27,615)	\$ 68,699	\$ 41,084	
20							
21							
22	RATE BASE	\$ 690,154	\$ -	\$ 690,154		\$ 690,154	A-1
23							
24							
25	RATE OF RETURN	(4.64) %		(4.00) %		5.95	