

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 22, 2020

**TO:** Office of Commission Clerk

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

**RE:** Docket No.: 20200169-WS  
Company Name: Lake Yale Utilities, LLC  
Company Code: WS976  
Audit Purpose: A1b: Staff Assisted Rate Case  
Audit Control No.: 2020-198-1-2

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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/cmm

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  
Tallahassee District Office

### Auditor's Report

Lake Yale Utilities, LLC  
Staff-Assisted Rate Case

**Twelve Months Ended December 31, 2019**

Docket No. 20200169-WS  
Audit Control No. 2020-198-1-2  
**September 4, 2020**

Handwritten signature of Hymavathi Vedula in black ink.

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Hymavathi Vedula  
Audit Manager

Handwritten signature of Marisa N. Glover in blue ink.

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Marisa N. Glover  
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 14, 2020. We have applied these procedures to the attached schedules prepared by the audit staff in support of Lake Yale Utilities, LLC's request for a Staff-Assisted Rate Case in Docket No. 20200169-WS.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

Utility refers to Lake Yale Utilities, LLC

Test year refers to the twelve months ended December 31, 2019.

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 Systems of Accounts for Water and Wastewater Utilities, Florida Administrative Code (F.A.C.).

#### Background

Lake Yale Utilities, LLC is a Class C water utility serving approximately 406 water and wastewater customers in Lake County per the 2019 annual report. Net book value was last established as of June 30, 2017 per Order No. PSC- 2018-0554-PAA- WU, issue November 20, 2018, in Docket No. 20170220-WS.

The Utility uses Florida Utility Services 1, LLC (FUS1) personnel for billing and customer service.

The Utility files an 1120S Federal Tax Return, and is a Subchapter S Corporation.

#### Utility Books and Records

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

**Procedures:** We reviewed the Utility's accounting system by examining the records provided for this proceeding and compared them to the NARUC USOA. No exceptions were noted.

### **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 into service, and 4) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

**Procedures:** We reconciled the beginning balance as of June 30, 2017 from Order No. PSC-2018-0554-PAA-WS to the general ledger. We scheduled UPIS activity from June 30, 2017 through December 31, 2019. We traced asset additions to supporting documentation. We ensured that retirements were made when an asset was removed or replaced. We determined the year-end balances as of December 31, 2019. No exceptions were noted.

## Land & Land Rights

**Objectives:** The objectives were to determine whether the utility land is: 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 case proceeding were recorded in its books and records.

**Procedures:** We reconciled the beginning balance as of June 30, 2017 from Order No. PSC-2018-0554-PAA-WS to the general ledger. We noted that there were no additions. We determined the year-end balances as of December 31, 2019. No exceptions were noted.

## 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 in its books and records.

**Procedures:** We reconciled the beginning balance as of June 30, 2017 from Order No. PSC-2018-0554-PAA-WS to the general ledger. We calculated accumulated depreciation for water and wastewater using the depreciation rates established by Rule 25-30.140(2), F.A.C., from June 30, 2017 through December 31, 2019. We determined the year-end balances as of December 31, 2019. Finding 1 discusses our recommended adjustments to accumulated depreciation.

## 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 in the Utility's last rate proceeding were recorded to its books and records.

**Procedures:** We reconciled the beginning balance as of June 30, 2017 from Order No. PSC-2018-0554-PAA-WS to the general ledger. We noted that there were no additions. We determined the year-end balances as of December 31, 2019. No exceptions were noted.

## 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 reconciled the beginning balance as of June 30, 2017 from Order No. PSC-2018-0554-PAA-WS to the general ledger. We calculated accumulated amortization of CIAC using the depreciation rates established by Rule 25-30.140(2), F.A.C., from June 30, 2017 through December 31, 2019. We determined the year-end balances as of December 31, 2019. Finding 1 discusses our recommended adjustments to accumulated amortization of CIAC.

## Acquisition Adjustment and Accumulated Amortization of Acquisition Adjustment

**Objectives:** The objectives were to determine the year-end balance for the Acquisition Adjustment and Accumulated Amortization of Acquisition Adjustment as of December 31, 2019 and the Amortization of Acquisition Adjustment for the test year as set forth by Rule 25-30.0371, F.A.C.

**Procedures:** We reviewed Order PSC-2018-0554-PAA-WS, issued November 20, 2018. There is no approved Acquisition adjustment in the Order. The company responded that the adjustments made in Lake Yale's books represents the difference between the purchase price and net book value at the time of purchase. The Acquisition Adjustment that is being amortized in the books and records is recorded below the line items and has no effect on the regulatory recovery of rate base. No further work performed.

## Working Capital

**Objectives:** 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 balance as of December 31, 2019 using one-eighth of operation and maintenance expense as required by Rule 25-30.433 (2), F.A.C. Finding 2 discusses our recommended adjustment to working capital.

## **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 determined that the Utility's capital structure consists of common stock, paid in capital, and retained earnings. We determined the year-end Capital Structure balance and its weighted average cost as of December 31, 2019. No exceptions were noted.

## **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 ended December 31, 2019, using the Utility's monthly customer billings. We calculated test year revenues based on billing determinates and compared our calculated revenue amount to the revenues reflected in the general ledger. We determined whether the Utility is charging its authorized tariff rates. We also determined the number of miscellaneous service charges by type. We calculated miscellaneous service charges by multiplying the Commission approved tariff by the number we determined and traced the amounts to the general ledger. Finding 2 discusses our recommended adjustment to operating revenues.

### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether operation and maintenance expenses (O&M) are: 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 the invoices provided in support of the Utility's O&M expenses 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.

### Depreciation and Amortization

**Objectives:** The objectives were to determine whether the Utility's depreciation and CIAC amortization expense is properly calculated using the Commission authorized rates.

**Procedures:** We compiled a schedule from audited UPIS items and recalculated depreciation based on depreciation rates authorized by Rule 25-30.140, F.A.C.. We also recalculated amortization of CIAC using Commission approved rates for the test year. Finding 1 discusses our recommended adjustments to depreciation and amortization expense.

### 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 NARUC USOA.

**Procedures:** We scheduled TOTI based on documentation provided by the Utility. We included property taxes and regulatory assessment fees (RAF) for the test year and confirmed their utility classification. Audit staff use the property tax bill issued on November 2019. We recalculated RAFs using the approved RAF rate and the audited revenue balances. Finding 3 discusses our recommended adjustments to TOTI.



## Audit Findings

### **Finding 1: Accumulated Depreciation, Accumulated Amortization of CIAC, Depreciation Expense and Amortization Expense**

**Audit Analysis:** According to the Utility's general ledger, the accumulated depreciation balance for water was \$(279,3667) and the accumulated amortization of CIAC balance was \$107,166 as of December 31, 2019. Audit staff recalculated accumulated depreciation using the audited UPIS plant balances and the depreciation rates established by Rule 25-30.140(2), F.A.C. We also recalculated accumulated amortization of CIAC using the audited CIAC balances and the rates established by the Rule noted above. We determined that the accumulated depreciation year-end balance should be \$(275,937) and the accumulated amortization of CIAC year-end balance should be \$111,539 as shown in Table 1-1.

**Table 1-1 Water**

| Account - Description                   | Utility Balance     | Audit           | Audit Balance       | Simple              |
|---|---------------------|-----------------|---------------------|---------------------|
|   | Accum Dep           |                 | Accum Dep           |                     |
|   | 12/31/2019          | Adjustments     | 12/31/2019          | Average             |
| 304 Structures & Improvements           | \$ 1,291            | \$ (37)         | \$ 1,254            | \$ 1,617            |
| 305 Collecting & Impounding             |                     | -               | -                   | -                   |
| 306 Lake, River & Other                 |                     | -               | -                   | -                   |
| 307 Wells & Springs                     | (20,734)            | -               | (20,734)            | (20,734)            |
| 308 Infiltration Galleries and Tunnels  |                     | -               | -                   | -                   |
| 309 Supply Mains                        | (15,100)            | -               | (15,100)            | (15,100)            |
| 310 Power Generation Equip.             | (22,509)            | (42)            | (22,551)            | (21,894)            |
| 311 Pumping Equip.                      | (85,599)            | 1,639           | (83,960)            | (84,227)            |
| 320 Water Treatment Equip.              | (4,663)             | (12)            | (4,675)             | (4,499)             |
| 330 Distribution Reservoirs             | (16,461)            | (0)             | (16,462)            | (15,308)            |
| 331 Transmission and Distribution Mains | 1,465               | (0)             | 1,465               | 1,741               |
| 333 Services                            |                     | -               | -                   | -                   |
| 334 Meters and Meter Install.           | (94,341)            | 1,882           | (92,459)            | (89,426)            |
| 335 Hydrants                            | (12,000)            | -               | (12,000)            | (12,000)            |
| 336 Backflow Prevention Devices         |                     |                 |                     |                     |
| 339 Other Plant And Misc.               | (3,468)             |                 | (3,468)             | (3,468)             |
| 340 Office Furniture & Equip.           | (4,299)             |                 | (4,299)             | (4,299)             |
| 341 Trans. Equip.                       |                     |                 |                     |                     |
| 342 Stores Equip.                       |                     |                 |                     |                     |
| 343 Tools, Shop and Garage Equip.       | (2,798)             |                 | (2,798)             | (2,798)             |
| 344 Lab Equip                           |                     |                 |                     |                     |
| 345 Power Operated Equip.               | (150)               |                 | (150)               | (75)                |
| 346 Communication Equip.                |                     |                 |                     |                     |
| 347 Misc. Equip.                        |                     |                 |                     |                     |
| 348 Other Tangible Plant                |                     |                 |                     |                     |
| <b>Total:</b>                           | <b>\$ (279,367)</b> | <b>\$ 3,430</b> | <b>\$ (275,937)</b> | <b>\$ (270,470)</b> |
|   |                     |                 |                     |                     |
|   |                     |                 |                     |                     |
| 272 Accumulated Amortization of CIAC    | \$ 107,166          | \$ 4,373        | \$ 111,539          | \$ 109,611          |

**Finding 1: Accumulated Depreciation, Accumulated amortization of CIAC, Depreciation expense and Amortization expense (Cont.)**

According to the Utility’s general ledger, the accumulated depreciation balance for Wastewater was \$(409,804) and the accumulated amortization of CIAC balance was \$95,307 as of December 31, 2019. Audit staff recalculated accumulated depreciation using the audited UPIS plant balances and the depreciation rates established by Rule 25-30.140(2), F.A.C. We also recalculated accumulated amortization of CIAC using the audited CIAC balances and the rates established by the Rule noted above. We determined that the accumulated depreciation year-end balance should be \$(405,265) and the accumulated amortization of CIAC year-end balance should be \$96,300 as shown in Table 1-2.

**Table 1-2 Wastewater**

| Account - Description                       | Utility Balance         |                      | Audit Balance           |                     |
|---|-------------------------|----------------------|-------------------------|---------------------|
|   | Accum Dep<br>12/31/2019 | Audit<br>Adjustments | Accum Dep<br>12/31/2019 | Simple<br>Average   |
| 354 Structures and Improvements             | \$ (55,045)             | \$ 1,116             | \$ (53,928)             | \$ (52,811)         |
| 355 Power Generation Equip.                 |                         | -                    | -                       | -                   |
| 360 Collection Sewers-Force                 |                         | -                    | -                       | -                   |
| 361 Collection Sewers-Gravity               |                         | -                    | -                       | -                   |
| 362 Special Collecting Stuctures            | (229,518)               | 3,422                | (226,096)               | (222,674)           |
| 363 Services to Customers                   |                         | -                    | -                       | -                   |
| 365 Flow Measuring Installations            | (65,000)                | -                    | (65,000)                | (65,000)            |
| 366 Reuse Services                          |                         | -                    | -                       | -                   |
| 367 Reuse Meters and Meter Install          |                         | -                    | -                       | -                   |
| 370 Receiving Wells                         |                         | -                    | -                       | -                   |
| 371 Pumping Equipment                       |                         | -                    | -                       | -                   |
| 374 Reuse Distribution Reservoirs           |                         | -                    | -                       | -                   |
| 375 Reuse Trans and Distrib System          |                         | -                    | -                       | -                   |
| 380 Treatment and Disposal Equip.           | (59,498)                | -                    | (59,498)                | (59,498)            |
| 381 Plant Swers                             |                         | -                    | -                       | -                   |
| 389 Other Plant and Misc. Equip.            | (743)                   | -                    | (743)                   | (743)               |
| 390 Office Furniture and Equip              |                         | -                    | -                       | -                   |
| 391 Transportation Equip.                   |                         | -                    | -                       | -                   |
| 392 Stores Equip.                           |                         | -                    | -                       | -                   |
| 393 Tools, Shop, and Garage Equipment       |                         | -                    | -                       | -                   |
| 394 Lab Equipment                           |                         | -                    | -                       | -                   |
| 395 Power Operated Equip.                   |                         | -                    | -                       | -                   |
| 396 Communication Equip.                    |                         | -                    | -                       | -                   |
| 397 Misc. Equip.                            |                         | -                    | -                       | -                   |
| 398 Other Tangible Plant                    |                         | -                    | -                       | -                   |
| <b>Total:</b>                               | <b>\$ (409,804)</b>     | <b>\$ 4,539</b>      | <b>\$ (405,265)</b>     | <b>\$ (400,726)</b> |
| <b>272 Accumulated Amortization of CIAC</b> | <b>\$ 95,307</b>        | <b>\$ 993</b>        | <b>\$ 96,300</b>        | <b>\$ 94,786</b>    |

The Utility's depreciation expense for water was \$12,311 and amortization expense was \$(2,056) for the twelve months ended December 31, 2019. Based on the review of supporting documentation, the adjustments that follow were made to test year expenses.

- We decreased depreciation expense by \$781 after recalculating depreciation by using the audited UPIS plant balances and the depreciation rates established by Rule 25-30.140(2), F.A.C.
- We increased amortization expense by \$1,801 after recalculating amortization by using the audited CIAC balances and the rates established by the Rule noted above.

Audit staff determined Water depreciation expense to be \$11,530 and amortization expense to be \$(3,856) as shown in Table 1-3.

**Table 1-3**

|     |                      |            |            |            |
|-----|----------------------|------------|------------|------------|
| 403 | Depreciation Expense | \$ 12,311  | \$ (781)   | \$ 11,530  |
| 407 | Amortization Expense | \$ (2,056) | \$ (1,801) | \$ (3,856) |

The Utility's depreciation expense for Wastewater was \$9,078 and amortization expense was \$(2,504) for the twelve months ended December 31, 2019. Based on the review of supporting documentation, the adjustments that follow were made to test year expenses.

- We increased depreciation expense by \$3,967 after recalculating depreciation by using the audited UPIS plant balances and the depreciation rates established by Rule 25-30.140(2), F.A.C.
- We increased amortization expense by \$1,097 after recalculating amortization by using the audited CIAC balances and the rates established by the Rule noted above.

Audit staff determined Wastewater depreciation expense to be \$13,045 and amortization expense to be \$(3,601) as shown in Table 1-4.

**Table 1-4**

|     |                      |            |            |            |
|-----|----------------------|------------|------------|------------|
| 403 | Depreciation Expense | \$ 9,078   | \$ 3,967   | \$ 13,045  |
| 407 | Amortization Expense | \$ (2,504) | \$ (1,097) | \$ (3,601) |

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

**Effect on the Filing:** The year-end accumulated depreciation balance should be decreased for water by \$3,430 and wastewater by \$4,539. The year-end accumulated amortization of CIAC should be increased for water by \$4,373 and wastewater by \$993. The year-end depreciation expense for water should be decreased by \$781 and for wastewater it should be increased by \$3,967 for the test year. The year-end amortization expense for water should be increased by \$1,801 and for wastewater it should be increased by \$1,097 for the test year.

## Finding 2: Revenues

**Audit Analysis:** The Utility's operating revenue for Water was \$68,906 for the twelve months ended December 31, 2019. Audit staff recalculated revenue by determining the number of bills and gallons consumed times the Commission approved tariff rates. We determined operating revenue to be \$68,774 as shown in Table 2-1.

**Table 2-1 Water**

| NARUC | Description          | Utility Balance  | Audit           | Audit Balance    |
|-------|----------------------|------------------|-----------------|------------------|
|       |                      | 12/31/2019       | Adjustments     | 12/31/2019       |
| 461.1 | Residential Revenues | \$ 66,735        | \$ (133)        | \$ 66,602        |
| 461.2 | Commercial Revenues  | 140              | 1               | 141              |
|       |                      | <u>\$ 66,875</u> | <u>\$ (132)</u> | <u>\$ 66,743</u> |
| 474   | Other (Late Fees)    | 2,031            | -               | 2,031            |
|       |                      | <u>\$ 2,031</u>  | <u>\$ -</u>     | <u>\$ 2,031</u>  |
|       | <b>Grand Total</b>   | <b>\$ 68,906</b> | <b>\$ (132)</b> | <b>\$ 68,774</b> |

The Utility's operating revenue for Wastewater was \$55,021 for the twelve months ended December 31, 2019. Audit staff recalculated revenue by determining the number of bills and gallons consumed times the Commission approved tariff rates. We determined operating revenue to be \$55,914 as shown in Table 2-2.

**Table 2-2 Wastewater**

| NARUC | Description          | Utility Balance  | Audit         | Audit Balance    |
|-------|----------------------|------------------|---------------|------------------|
|       |                      | 12/31/2019       | Adjustments   | 12/31/2019       |
| 521.1 | Residential Revenues | \$ 54,861        | \$ 891        | \$ 55,752        |
| 521.2 | Commercial Revenues  | 160              | 2             | 162              |
|       |                      | <u>\$ 55,021</u> | <u>\$ 893</u> | <u>\$ 55,914</u> |
| 530   | Other Water Revenues |                  | -             |                  |
|       |                      | <u>\$ -</u>      | <u>\$ -</u>   | <u>\$ -</u>      |
|       | <b>Grand Total</b>   | <b>\$ 55,021</b> | <b>\$ 893</b> | <b>\$ 55,914</b> |

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

**Effect on the Filing:** Water Operating revenue should be decreased by \$132 for the test year. Wastewater Operating revenue should be increased by \$893 for the test year.

### Finding 3: Taxes Other Than Income

**Audit Analysis:** The Utility's TOTI for water was \$5,656 for the twelve months ended December 31, 2019.

Based on the review of supporting documentation, the adjustments that follow were made to test year expenses.

- We decreased Account 408.3 – Property Taxes by \$19 to remove the late fees for 2018 which was recorded in 2019.
- We decreased Account 408.2 – Regulatory Assessment Fees by \$6 based on the audited operating revenue balance.

Audit staff determined Water TOTI to be \$5,632 as shown in Table 3-1.

**Table 3-1**

|                     |                           |           |              |           |             |           |              |
|---------------------|---------------------------|-----------|--------------|-----------|-------------|-----------|--------------|
| 408.11              | Payroll                   | \$        | 1,574        | \$        | -           | \$        | 1,574        |
| 408.31              | Property Tax              |           | 982          |           | (19)        |           | 963          |
| 408.21              | Regulatory Assessment Fee |           | 3,101        |           | (6)         |           | 3,095        |
| <b>Total - TOTI</b> |                           | <b>\$</b> | <b>5,656</b> | <b>\$</b> | <b>(24)</b> | <b>\$</b> | <b>5,632</b> |

The Utility's TOTI for wastewater was \$5,031 for the twelve months ended December 31, 2019.

Based on the review of supporting documentation, the adjustments that follow were made to test year expenses.

- We decreased Account 408.3 – Property Taxes by \$19 to remove the late fees for 2018 which was recorded in 2019.
- We increased Account 408.2 – Regulatory Assessment Fees by \$40 based on the audited operating revenue balance.

Audit staff determined Wastewater TOTI to be \$5,053 as shown in Table 3-2.

**Table 3-2**

|                     |                           |           |              |           |           |           |              |
|---------------------|---------------------------|-----------|--------------|-----------|-----------|-----------|--------------|
| 408.12              | Payroll Tax               | \$        | 1,574        | \$        | -         | \$        | 1,574        |
| 408.32              | Property Tax              |           | 982          |           | (19)      |           | 963          |
| 408.22              | Regulatory Assessment Fee |           | 2,476        |           | 40        |           | 2,516        |
| <b>Total - TOTI</b> |                           | <b>\$</b> | <b>5,031</b> | <b>\$</b> | <b>22</b> | <b>\$</b> | <b>5,053</b> |

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

**Effect on the Filing:** Water TOTI should be decreased by \$24 for the test year. Wastewater TOTI should be increased by \$22 for the test year.

Exhibits

**Exhibit 1: Rate Base**

**LAKE YALE UTILITIES, LLC  
STAFF-ASSISTED RATE CASE  
DOCKET NO. 20200169-WS; ACN 2020-198-1-2  
SCHEDULE OF WATER RATE BASE  
AS OF DECEMBER 31, 2019**

| Description                                 | Balance<br>per Utilitiy<br>12/31/2019 | Audit<br>Adjustments | Audit<br>Finding | Balance<br>per Audit<br>12/31/2019 | Simple<br>Average |
|---|---------------------------------------|----------------------|------------------|------------------------------------|-------------------|
| <b>Utility Plant in Service</b>             | \$ 396,485                            | \$ 0                 |                  | \$ 396,486                         | \$ 393,568        |
| <b>Land</b>                                 | -                                     | -                    |                  | -                                  |                   |
| <b>Accumulated Depreciation</b>             | (279,367)                             | 3,430                | 1                | (275,937)                          | (270,470)         |
| <b>Contributions in Aid of Construction</b> | (132,607)                             | -                    |                  | (132,607)                          | (132,607)         |
| <b>Accumulated Amortization of CIAC</b>     | 107,166                               | 4,373                | 1                | 111,539                            | 109,611           |
| <b>Working capital allowance:</b>           |                                       | 7,826                |                  | 7,826                              | 7,826             |
| <b>Rate Base</b>                            | <b>\$ 91,677</b>                      | <b>\$ 15,630</b>     |                  | <b>\$ 107,307</b>                  | <b>\$ 107,928</b> |

**Exhibit:1: Rate Base (Cont.)**

**LAKE YALE UTILITIES, LLC  
STAF-ASSISTED RATE CASE  
DOCKET NO. 20200169-WS; ACN 2020-198-1-2  
SCHEDULE OF WASTEWATER RATEBASE  
AS OF DECEMBER 31, 2019**

| Description                          | Balance<br>per Utility<br>12/31/2019 | Audit<br>Adjustments | Audit<br>Finding | Balance<br>per Audit<br>12/31/2019 | Simple<br>Average |
|--------------------------------------|--------------------------------------|----------------------|------------------|------------------------------------|-------------------|
| Utility Plant in Service             | \$ 438,790                           | \$ (1)               |                  | \$ 438,790                         | \$438,790         |
| Land                                 | -                                    | -                    |                  | -                                  |                   |
| Accumulated Depreciation             | (409,804)                            | 4,539                | 1                | (405,265)                          | (400,726)         |
| Contributions in Aid of Construction | (121,125)                            | -                    |                  | (121,125)                          | (121,125)         |
| Accumulated Amortization of CIAC     | 95,307                               | 993                  | 1                | 96,300                             | 94,786            |
| Working Capital Allowance            |                                      | 8,066                |                  | 8,066                              | 8,066             |
| <b>RATE BASE</b>                     | <b>\$ 3,168</b>                      | <b>\$ 13,597</b>     |                  | <b>\$ 16,765</b>                   | <b>\$ 19,791</b>  |

**Exhibit 2: Capital Structure**

**LAKE YALE UTILITIES, LLC  
 STAFF-ASSISTED RATE CASE  
 DOCKET NO. 20200169-WS; ACN 2020-198-1-2  
 SCHEDULE OF CAPITAL STRUCTURE  
 AS OF DECEMBER 31, 2019**

| <b>Class of Capital</b>  | <b>Average<br/>12/31/2019<br/>per Utility</b> | <b>Audit<br/>Adjustment</b> | <b>Average<br/>12/31/2019<br/>Per Audit</b> | <b>Ratio</b> | <b>Cost Rate</b> | <b>Weighted Cost</b> |
|--------------------------|---|-----------------------------|---|--------------|------------------|----------------------|
| <b>Long Term Debt</b>    |   |                             |   |              |                  |                      |
| Capital City Loan        | \$ 2,854                                      | \$ -                        | \$ 2,854                                    | 2.11%        | 5.20%            | 0.11%                |
| CS Mortgage              | \$ 132,270                                    | \$ -                        | \$ 132,270                                  | 97.59%       | 6.00%            | 5.86%                |
| <b>Paid in Capital</b>   | \$ 368  | \$ 0                        | \$ 368                                      | 0.27%        | 7.85%            | 0.02%                |
| <b>Customer Deposits</b> | \$ 50   | \$ -                        | \$ 50                                       | 0.04%        | 2.00%            | 0.00%                |
| <b>Total</b>             |   |                             | \$ 135,542                                  | 100.00%      |                  | 5.99%                |

2019 Equity Formula used as approved at the June 11, 2019 Agenda Conference:

|                                      |
|--------------------------------------|
| Return = 6.05 + (1.800/equity ratio) |
| Return = 6.05 + (1.800/1.000)        |
| Return = 7.85                        |



**Exhibit 3: Net Operating Income**

**LAKE YALE UTILITIES, LLC  
STAFF-ASSISTED RATE CASE  
DOCKET NO. 20200169-WS; ACN 2020-198-1-2  
SCHEDULE OF WATER NET OPERATING INCOME  
FOR TEST YEAR ENDED December 31, 2019**

| Description                        | Balance<br>per Utility<br>12/31/2019 | Audit<br>Adjustments | Audit<br>Finding | Balance<br>per Audit<br>12/31/2019 |
|------------------------------------|--------------------------------------|----------------------|------------------|------------------------------------|
| <b>Operating Revenues</b>          | \$ 68,906                            | \$ (132)             | 2                | \$68,774                           |
| <b>O&amp;M Expenses</b>            | 62,612                               | (1)                  |                  | 62,611                             |
| <b>Depreciation Expense</b>        | 12,311                               | (781)                | 1                | 11,530                             |
| <b>Amortization of CIAC</b>        | (2,056)                              | (1,801)              | 1                | (3,856)                            |
| <b>Taxes Other than Income</b>     | 5,657                                | (24)                 | 3                | 5,632                              |
| <b>Income Tax Expense</b>          |                                      | -                    |                  | -                                  |
| <b>Total Operating Expenses:</b>   | \$ 78,524                            | \$ (2,588)           |                  | \$ 75,936                          |
| <b>Net Operating Income (Loss)</b> | \$ (9,618)                           | \$ 2,456             |                  | \$ (7,162)                         |

**Exhibit 3: Net Operating Income (Cont.)**

**LAKE YALE UTILITIES, LLC  
STAFF-ASSISTED RATE CASE  
DOCKET NO. 20200169-WS; ACN 2020-198-1-2  
SCHEDULE OF WASTEWATER NET OPERATING INCOME  
FOR TEST YEAR ENDED December 31, 2019**

| Description                        | Balance<br>per Utility<br>12/31/2019 | Audit<br>Adjustments | Audit<br>Finding | Balance<br>per Audit<br>12/31/2019 |
|------------------------------------|--------------------------------------|----------------------|------------------|------------------------------------|
| <b>Operating Revenues</b>          | \$ 55,021                            | \$ 893               | 2                | \$55,914                           |
| <b>O&amp;M Expenses</b>            | 64,538                               | (15)                 |                  | 64,524                             |
| <b>Depreciation Expense</b>        | 9,078                                | 3,967                | 1                | 13,045                             |
| <b>Amortization of CIAC</b>        | (2,504)                              | (1,097)              | 1                | (3,601)                            |
| <b>Taxes Other than Income</b>     | 5,032                                | 22                   | 3                | 5,053                              |
| <b>Income Tax Expense</b>          |                                      | -                    |                  | -                                  |
| <b>Total Operating Expenses:</b>   | \$ 76,144                            | \$ 2,895             |                  | \$ 79,040                          |
| <b>Net Operating Income (Loss)</b> | \$ (21,123)                          | \$ (2,002)           |                  | \$ (23,126)                        |