

St. George Island Utility Co., Ltd.

3848 Killearn Court  
Tallahassee, Florida 32308  
(904) 668-0440 • (904) 927-2648

ORIGINAL  
FILE COPY

May 16, 1994

Blanca S. Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399-0870

Re: Response to Audit Report - Docket No. [REDACTED]  
St. George Island Utility Company, LTD (SGI)  
Application for Increased Rates in Franklin County

Dear Mr. Hill:

Attached is the original response and 15 copies of St. George Island Utility Company, LTD (SGI) to the Staff Audit Report.

Very truly yours,

ST. GEORGE ISLAND UTILITY COMPANY, LTD.

- ACK
- AFA
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG 1
- LIN 3
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC 1
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

*[Handwritten Signature]*  
D. Brown

RECEIVED & FILED

EPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

04700 MAY 16 94

FPSC-RECORDS/REPORTING

DOCKET NO.940109-WU

St. George Island Utility Company, Ltd.

Response to Staff Audit Report

Audit Control No. 93-264-1-1

May 16, 1994

## INTRODUCTION TO RESPONSE

This response is presented in the context of the history of the events that have taken place between this rate case application and Commission Order No. 21122, issued April 24, 1989 in Docket No. 871177-WU, the applicant's last rate case. That case was based on a test year ended December 31, 1987.

As the staff is aware, Order No. 21122 cited several items, primarily regarding quality of service and records, with which it was required to comply. The Commission followed up that order with show cause orders related to compliance and specifically with regard to capital expenditures to improve service and to improving records and reporting. Accordingly, from May, 1991 through August, 1993, SGI filed with the Commission, as required, a monthly general ledger and trial balance so that the Commission could monitor SGI's record keeping efforts. On March 31, 1992, the Commission issued Order No. PSC-92-0122-FOF-WU, in which it found that the books and records were in substantial compliance with Commission requirements. On September 15, 1993, the Commission issued Order No. PSC-93-1352-FOF-WU, in which it found that "all of the requirements of Order No. 21127, and all subsequent orders, have been met." SGI acknowledges that the period between 1989 and 1993 was one in which it was attempting to bring its records into compliance with PSC requirements as interpreted by the Staff. SGI represents that in spite of limited funds, the correction of which is the subject of this proceeding, it has devoted a substantial portion of its personnel's time to revising its record keeping procedures and to bringing its records into the higher level of compliance now being requested by the PSC Staff, and that Order No. 93-1352-FOF-WU is an acknowledgement of those efforts.

SGI knows that it must devote more time and personnel to record keeping. The proforma adjustments for personnel and contract service related expenses are directed toward that end. SGI hopes that the Staff's audit recommendations recognize the inherent cause and effect. It is the purpose of this proceeding to show not only that expenditures and expenses have been incurred on behalf of the customers of SGI, but that additional expenditures are necessary if SGI is to be able to continue to provide satisfactory service and meet the record keeping requirements of this Commission as well as those imposed by the Florida Department of Environmental Protection.

RESPONSE TO AUDIT EXCEPTION NO. 1

SUBJECT: MONTHLY BOOKING OF ACCOUNTS

COMMENTS:

1. PSC Auditor Statement of Fact: Commission Order 24458 requires the utility to file monthly general ledgers before the end of the following month. The last monthly general ledger filed by the utility was for August 1993.

Utility Response: Monthly general ledgers were filed, as required by the Commission, on a timely basis. The Docket under which these filings were required was closed September 15, 1993 based on the finding that all requirements had been met. SGI filed the August general ledger in September, thus completing the Commission's requirements.

2. PSC Auditor Statement of Fact: During fieldwork, it was observed the company was not posting its general ledger accounts monthly. Specifically the December 1993 general ledger was not completed during mid March [Note: The test year for this rate application ended December 31, 1992].

Utility Response: SGI takes issue with this conclusion. The December 31, 1993 general ledger was complete by January 15, 1994. Only the year end adjusting entries were not completed until March. A time delay between completing the year end general ledger and completing the adjusting entries for year end close out is a normal accounting procedure.

SGI maintains its books on a monthly basis, as required by the Commission. The books are closed by the 10th of the following month with a related month end close out period report. All cash is balanced to the books, including reconciliation of bank statements, by the 15th of the following month. This insures that the customer accounts are properly reconciled and stated and that irregularities and errors can be detected in a timely manner.

The audit report cites Section 674.406, F.S., Customer's Duty to Discover and Report Unauthorized Signature or Alteration, as a reason to keep monthly books. This section of the Florida Statutes falls under Part IV of the Uniform Commercial Code, Relationship Between Payor Bank And Its Customer. The cited statute refers only to a requirement for a bank customer to review and reconcile bank statements on a monthly basis in order to be able to hold the bank liable for losses resulting from payments of altered checks or checks with unauthorized signatures. As previously noted, SGI reconciles its bank statements on a monthly basis. The cited statute is irrelevant to any other accounting function performed by a

utility under the jurisdiction of this Commission. It certainly has no bearing on how this Commission interprets the accounting instructions of the Uniform System of Accounts (USOA) for Class B water Utilities.

SGI utilizes a TAABS software system which does not enable us to print statements until all closing entries are made to the current month. This limitation does not in any way mean that the books are not closed (with proper documentation), balanced and reconciled.

3. PSC Auditor Statement of Fact: The Commission in Order 92-0122, dated March 31, 1992, found that failure to update the utility's general ledger was not a substantial violation of Commission rules. This finding was despite the presence of the statement: "Each utility shall keep its books on a monthly basis" in the Uniform System of Accounts.

Utility Response: This is a reargument by the auditor of the decision of the Commission in Order No. PSC-92-0122-FOF-WU regarding maintaining books on a monthly basis. In that Order the Commission found no evidence in the record prohibiting the accumulation of data. The evidence in that record was provided by accounting witnesses for the utility, an intervenor and for PSC Staff. Now, in this exception, two years after the Commission issued its order, the audit staff has apparently found reason in Chapter 674, Florida Statutes as to why it believes the Commission decision was wrong. As discussed above in Response Item 2 to this exception, that statute is irrelevant to this Commission's interpretation of USOA accounting instructions. Furthermore, if the auditor has an argument with the Commissioners, it is more properly addressed to their attention. However, we believe the period for protesting that Order has passed. In any case, it does not apply to the rate case test year and does not have any impact on the facts being considered in the rate application.

4. PSC Auditor Opinion: This utility as well as all utilities should be required to keep books on a monthly basis. The proper form also requires that a year to date listing also be prepared at the close of the year. The utility did not maintain a year to date listing during 1992 and 1993.

Utility Response: We are not aware of any requirement in the Uniform System of Accounts or in any rule or regulation of this Commission to prepare a year to date listing. The ability to print at year end, by account, every transaction that is posted to each general ledger account, is a function of the type of software being utilized. SGI did not have that capability in 1992. In 1992, it did have the capability to print out, for each month, by account, every transaction posted to each general ledger account. The staff of SGI did

provide a compilation of those monthly transaction printouts for the auditor.

In response to the auditor's comments, SGI, in 1993, invested in a new TAABS software package that has the capability to print a year to date history.

RESPONSE TO AUDIT EXCEPTION NO. 2

SUBJECT: UTILITY RECORDS

COMMENTS:

1. PSC Auditor Opinion: The books during 1988 through 1991 are not in as good a condition as in 1992.

Utility Response: SGI agrees with the observation of the audit staff that the books during 1988 through 1991 are not in as good a condition as in 1992. This comports with the observations of the Commission in monitoring compliance with Order No. 21122 and subsequent orders in Docket No. 871177- WU. During that period SGI was striving for compliance and in fact was able to reach compliance as evidenced by that finding in the order closing the docket.

2. PSC Auditor Opinion: On several occasion's during the field work, the utility's accountant was not readily available.... During February and March 1994 the accountant was only available on Fridays.

SGI agrees with the observations of the audit staff that the contract accounting personnel could not be available at all times to meet all of SGI's (and the auditor's) accounting needs. This observation supports SGI's basis for proforma expense adjustments for additional office personnel so that contract accounting personnel can be used more effectively. At this time, SGI cannot justify a full time accountant on its staff, and it was not physically possible for SGI's limited staff to respond to audit and discovery requests and to maintain ongoing bookkeeping requirements, all on a timely basis. The need for additional personnel was previously noted by the Commission in Order 92-0122 regarding the ability of the utility to post its books on a monthly basis. The Commission stated, "Further, we find that the information needed to prepare such monthly entries was available, but that limited resources prevented the monthly updating of the general ledger." That is exactly the current circumstance. The information is available, but the personnel to obtain it, interpret it and carry on the day to day affairs of the utility have not been. An additional office worker was hired in 1993, and the "auditor did notice a better control of documents after the Bookkeeper obtained the additional office worker."

3. PSC Auditor Opinion: Books are recorded on a cash basis rather than an accrual basis.

Utility Response: SGI takes issue with this statement. Accrual

Utility Response: SGI takes issue with this statement. Accrual basis accounting is defined as the process of recording revenues at the point that they are earned and recognizing expenses as they are incurred. SGI's books are clearly kept on an accrual basis. Monthly journal entries are made to accrue depreciation and amortization, real estate taxes, interest expense on related debt, payables and receivables, revenue, and extraordinary transactions pertaining to the current period.

4. PSC Auditor Opinion: The Utility appears to have relatively inexperienced accounting staff and has recently added a CPA consultant.

Utility Response: SGI does not agree that the accounting staff is relatively inexperienced. The accounting staff, consisting of one contract person on a part time basis, is a qualified and experienced accountant that has been operating under the dual burden of bringing forward and maintaining compatibility with older records that were not under her control, and operating under time limitations dictated by budget constraints.

5. PSC Auditor Opinion: The accountant's journal entries are not supported.

Utility Response: SGI takes issue with this statement. Journal entries are properly supported. Again, the problem was one of obtaining and providing the support to the auditor on an as requested basis when the accountant responsible for the entries could only be available on a part time basis.

6. PSC Auditor Opinion: The 1992 books were not closed until approximately September 1993. This is very apparent by the Utility's accountant's recording of CWIP for 1992.

Utility Response: SGI takes issue with this statement. The utility's 1992 books were timely closed, as it is the standard operating procedure of the utility to close the books by the 10th of the following month. The Commission is aware of this because, during the period in question, SGI was providing monthly general ledgers and trial balances to the Commission.

SGI is in compliance with Generally Accepted Accounting Principles (GAAP) in the booking of Construction Work in Progress. GAAP states that construction accounting does not require the reporting of an estimate. SGI had secured contracts on the completion of the work in progress, but it was management's decision, at that point, to book construction completion as it was billed to SGI, so as give more accurate detail, including change orders assessed to a



7. PSC Auditor Opinion: As of March 23, 1994, the books for 1993 had not been closed. The 12/31/93 general ledger obtained from the utility was not a final ledger. In addition, the utility had not closed its books for January and February of 1994. No general ledger existed for those months.

Utility Response: SGI takes issue with this redundant, but still inaccurate, statement. See Response to Exception No.1. SGI takes issue with the misleading and inaccurate statement that general ledgers for January and February, 1994 did not exist. As previously explained, the accounting software does not allow a printout until the closing entries for the previous month are posted. The closing entries for December, 1993 had not been posted when the auditor requested the January and February printouts.

RESPONSE TO AUDIT EXCEPTION NO. 3

SUBJECT: FORM 1099-MISC

COMMENTS:

1. PSC Auditor Statement of Fact: Armada Bay Company, a Florida Corporation, has a management and operating agreement with St. George Island Utility, LTD. The agreement states, "as full and adequate compensation for the management and operating agreement, the utility will pay ABC an annual management fee of \$48,000...."

\$15,375 of the \$48,000 was disbursed by checks to Gene D. Brown, Cash (endorsed by Gene Brown) and Publix (written and cashed by Gene D. Brown).

Utility Response: Any management fees received for Armada Bay Company by Gene D. Brown were accepted as an agent for Armada Bay Company. This is supported by the PSC auditor's review of the Armada Bay tax return which included the total \$48,000 management fee as income for the 1992 tax year.

2. PSC Auditor Statement of Fact: In addition to the above \$15,375, Gene D. Brown received Transportation Allowance in the amount of \$1,050 and Medical Benefits in the amount of \$450 for a total of \$16,875.

Utility Response: Again, there is no requirement that funds received by Gene D. Brown, as an agent for Armada Bay Company, be reported on a 1099. No 1099 was required and none was filed.

3. PSC Auditor Opinion: No form 1099 was issued for Gene D. Brown.

Utility Response: There is no requirement that funds received by Gene D. Brown, as an agent for Armada Bay Company, be reported on a 1099. No 1099 was required and none was filed. Funds received were documented and properly reported by Armada Bay Company.

RESPONSE TO AUDIT EXCEPTION NO. 4

SUBJECT: THIRD WELL LAND

COMMENTS:

1. STATEMENT OF FACT: MFR Schedule A-5 page 1 reflects an Utility adjustment to Land and Land Rights to reclassify Land purchased in 1990 for the Third Well in the amount of \$23,276.00.

The Warranty Deed recorded 9/12/90, OFF REC 326 PAGE 035, shows the grantee of the above land (Lot 1, Block 9, David Brown Estates) as Armada Bay Company.

An Indenture (Mortgage Deed) recorded 9/12/90, OFF REC 326 PAGE 036 and 037, is between Armada Bay Company, called the Mortgagor, and Fleet Finance & Mortgage, Inc., called the Mortgagee. Witnesseth, that the said Mortgagor, for and in consideration of the sum of Ten Dollars to it in hand paid by the said Mortgagee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said Mortgagee, the following described land, Lot 1, Block 9, David H. Brown Estates.

Armada Bay Company (Lessor) and St. George Island Utility Company, Ltd. (Lessee) has a Lease Purchase Agreement, dated 6/26/90 and an Amendment to Lease Purchase Agreement, dated 8/20/92, for Lot 1, Block 9, David H. Brown Estates.

The Land, Lot 1 Block 9, David Brown Estates, was purchased with funds from the Barrier Island Escrow Account (an escrow account containing CIAC monies) for the benefit of St. George Island Utility Company, Ltd.

PSC Auditor Opinion: Since this property was purchased with Utility Escrow Funds, the property ownership should be in the name of the Utility.

Utility Response: The Third well was purchased with part of \$75,000 which GDB and or affiliates borrowed from Fleet Finance and Mortgage, Inc. in Atlanta. These funds were placed in a "Utility Escrow" account at the recommendation of PSC staff. However, they did not come from CIAC funds, but from loans personally secured by GDB. Accordingly there is no basis for Armada Bay Company deeding the land to the Utility except under the terms of the lease purchase agreement.

PSC Auditor Opinion: In addition, the adjustment to Land and Land Rights should be reduced by \$570.00.

Utility Response: SGI does not take issue with this exception.

RESPONSE TO AUDIT EXCEPTION NO. 5

SUBJECT: LACKING INVOICE SUPPORT - PLANT

COMMENTS:

1. PSC Statement of Fact: The Schedule on the following page represents costs charged to the Utility Plant in Service Account lacking the accompanying invoice. Expenditures noted were lacking either the invoice, other supporting documents or a canceled check.

Utility Response: Attached are canceled checks and related invoices to support the expenditures for auditors items #2, 3, 6, 7, 8, 9 and 10.

#2	Barrett Supply	\$2,944.68
#3	Cooper Fence	1,587.00
#6	Wallace Pump	307.11
#7	Wallace Pump	951.04
#7	Wallace Pump	951.03
#8	Wallace Pump	950.89
#8	Wallace Pump	950.88
#9 & #10	Wallace Pump	300.00

All remaining expenditures are supported by canceled checks with the exception of \$158.58 for Cobb/Coloney.

ATTACHMENT TO  
RESPONSE TO AUDIT EXCEPTION NO. 5

Audit Report

Docket No. 940109-WU  
St. George Island Utility Company, LTD (SBI)  
Application for Increased Rates in Franklin County

**ST. GEORGE ISLAND UTILITY CO., LTD.**

P.O. BOX 632  
EASTPOINT, FL 32328

**APALACHICOLA STATE BANK**

P.O. DRAWER 370  
APALACHICOLA, FLORIDA 32320  
63-92/632

002933

**PAY SERVICE CHARGE OF \$15.00  
TO THE ORDER OF INSUFFICIENT FUNDS.**

► **Barrett Supply**

RETURNED BY: 063200928  
Apalachicola State Bank  
Apalachicola, FL 32320  
P.O. Drawer 370

NSF UNLESS OTHERWISE MARKED

**PAID**

DATE	CHECK NO.	CHECK AMOUNT
JUN 07 1989	2933	\$2944.68

UNCOLLECTED FUNDS ACCOUNT CLOSED

APALACHICOLA STATE BANK  
APALACHICOLA, FLORIDA

63-92 63-92 63-92

SIGNATURES REQUIRED

*Debra Hicks*

⑈002933⑈ ⑆063200928⑆ 65 01597 6⑈01 146⑈0000294468⑈

*avator*

**ST. GEORGE ISLAND UTILITY CO., LTD.**

P.O. BOX 632  
EASTPOINT, FL 32328

**APALACHICOLA STATE BANK**

P.O. DRAWER 370  
APALACHICOLA, FLORIDA 32320  
63-92/632

002917

**PAY TO THE ORDER OF**

► **Donaldson Electric**

RETURNED BY: 063200928  
Apalachicola State Bank  
Apalachicola, FL 32320  
P.O. Drawer 370

NSF UNLESS OTHERWISE MARKED

**PAID**

DATE	CHECK NO.	CHECK AMOUNT
JUN 06 1989	2917	\$1156.79

UNCOLLECTED FUNDS ACCOUNT CLOSED

APALACHICOLA STATE BANK  
APALACHICOLA, FLORIDA

63-92 63-92 63-92

SIGNATURES REQUIRED

*Debra Hicks*

⑈002917⑈ ⑆063200928⑆ 65 01597 6⑈01 146⑈0000115679⑈

**BARRETT SUPPLY**

6900 Phillips Hwy., Unit #18  
JACKSONVILLE, FLORIDA 32216-6038

**INVOICE**

**3459**

**(904) 739-1041**

DATE 5/18/89	ORDER NO.
SHIP TO	

TO

St. George Island Utility Company

P. O. Box 632

Eastpoint, FL. 32328

SALESPERSON	DATE SHIPPED	SHIPPED VIA	F.O.B. POINT	TERMS	
QUANTITY	DESCRIPTION		UNIT PRICE	TOTAL	
1	Chlorine Booster Station as per drawings			\$1,528	00
	6 % tax			91	68
	Total			\$1,619	68

ORIGINAL

*Thank You*



**BARRETT SUPPLY**  
 6900 Phillips Hwy., Unit #18  
 JACKSONVILLE, FLORIDA 32216-6038

# INVOICE

3458

(904) 739-1041

DATE 5/18/89	ORDER NO.
SHIP TO	

TO  
 St. George Island Utility Company  
 P. O. Box 632  
 Eastpoint, FL. 32328

SALESPERSON	DATE SHIPPED	SHIPPED VIA	F.O.B. POINT	TERMS	
QUANTITY	DESCRIPTION		UNIT PRICE	TOTAL	
1	Three Tray Aerator extension as per drawings			\$1,250	00
	6 % tax			75	00
	Total			\$1,325	00

ORIGINAL

*Thank You*

APALACHICOLA STATE BANK  
DEBIT MEMO

Sept. 14, 19 89

*Due to Hold*

WE ARE TODAY CHARGING YOUR ACCOUNT AS FOLLOWS: Debiting account to purchase \$1,587.00

TITLE OF ACCOUNT

St. George Island utilities

Cashier Check payable to  
Cooper Fence Company

**PAID**

SEP 18 89

*Per Walter from Gene*

APPROVED BY

*[Signature]*

8 5 0 9 7 6 0 1 1

TOTAL \$1,587.00

APALACHICOLA STATE BANK  
APALACHICOLA, FLORIDA  
63-02 63-02 63-02

⑆063200928⑆ 65 01597 61101 ⑆46⑆0000158700⑆

*L. LIR*

# COOPER FENCE COMPANY

PHONE 1-904-670-8155  
P.O. BOX 579  
EASTPOINT, FL. 32328

(ask for Jim or Willie)

SOLD TO ST. GEORGE UTILITIES  
ADDRESS \_\_\_\_\_  
CITY ST. GEORGE IS. STATE FL ZIP \_\_\_\_\_

DATE 9-14-89  
SOURCE \_\_\_\_\_  
OF LEAD \_\_\_\_\_  
TELEPHONE \_\_\_\_\_  
NUMBER \_\_\_\_\_  
JOB LOG NO. \_\_\_\_\_

**SPECIFICATIONS:** All work will be performed in a workmanlike manner and in accordance with standard practice.

Total Height 6' W/ RAIL  
Post Spaced 10' ON FENCE  
Style Fence CHAINLINK  
Gauge...  9  11 1/2  
Knuckled...   
Safeguard...  XXX  
 Domes  HH  
Gate Ornaments:  
Dogs  Scrolls  None   
Name Scroll \_\_\_\_\_

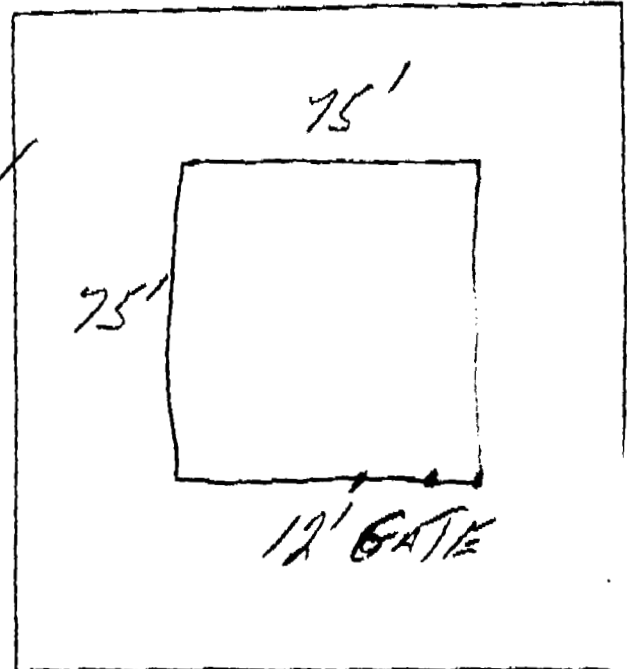
**CHAINLINK** Check Caption Preferred  
Top Rail...  1 3/8" O.D.  
Line Post...  1 5/8" O.D.  
End Post...  2 1/2" O.D.  
Corner Post...  2 1/2" O.D.  
Walk Gate Post...  2 1/2" O.D.  
Drive Gate Posts...  2 1/2" O.D.  
Gate Frames...  1 3/8" O.D.

**KEY**  
Fence to be erected \_\_\_\_\_  
Tie-ons (Get permission) X  
Terminal Post O  
Existing Fence XXXXXX  
Walk Gate [Symbol]  
Double Gate [Symbol]  
Clothes post location must be shown on plan.  
Indicate if sides are shared.

All posts set in concrete.

SKETCH

TERMS: Budget...   
Cash Upon Completion...   
Other... \_\_\_\_\_  
Customer Request Set \_\_\_\_\_  
Date... \_\_\_\_\_  
Is Fence Line Clear... Yes  No  Remove \_\_\_\_\_  
Be Level With Lowest Grade   
Be Level With Highest Grade   
Top Rail To Follow Ground   
Average High & Low Grade   
Other... \_\_\_\_\_



Commission _____	QUANTITY
NOTES	6' FENCE
	3 STRANDS
	RABBIT WIRE
	12' GATE

**CONTRACT CONDITIONS**

MORE OR LESS MATERIAL OTHER THAN AMOUNT CONTRACTED FOR WILL BE DEBIT OR CREDITED AT CURRENT RATE ACCEPTANCE - The above proposal when accepted by the Company, at its main office, becomes a contract between the two parties and is not subject to cancellation.  
Silence on the part of the Company shall not be construed as an acceptance of this proposal.  
In case Payment is not made as specified in (Terms of Payment) the Company reserves the right to repossess all materials used on this job without recourse.

**BUYER AGREES TO A CHARGE OF \_\_\_\_\_ PERCENT PER MONTH**

**ANNUAL PERCENTAGE RATE** on past due balances and to a reasonable fee should it become necessary to refer this contract to an attorney collection. **PROPERTY OWNER** is solely responsible for locating, staking and clearing fence lines. Purchaser also agrees that the Company will not be held responsible for any damage of any nature to underground obstructions, and similar items. There is no warranty on used fence materials.

**NOTICE:** If contract is changed after the erection crew delivers the material there is a \$7.50 per hour charge for time lost.  
\_\_\_\_\_ per cent change of the total contract price will be charged.

Total \_\_\_\_\_  
Sales Tax \_\_\_\_\_  
TOTAL 1587.00

Sales Man J Cooper  
Accepted for the Company \_\_\_\_\_

Owners   
Lessee

# WALLACE PUMP & SUPPLY, INC.

POST OFFICE BOX 167  
BRUNDIDGE, ALABAMA 36010-0167  
205/735-2338 / 735-2338

POST OFFICE BOX 13617  
MEXICO BEACH, FLORIDA 32410  
904/648-8161



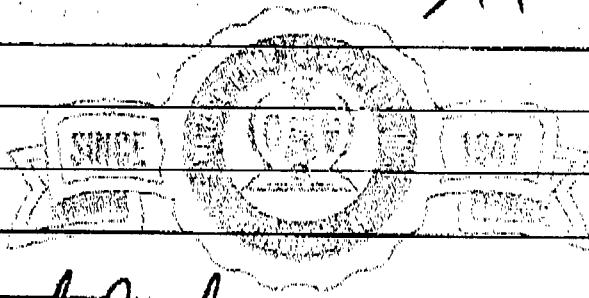
PURCHASE ORDER  
**41656**

*St George Electric Company*

S  
H  
I  
P  
T  
O

INVOICE DATE	CUSTOMER NUMBER	CUSTOMER P.O. NUMBER	SALESMAN	PULLED BY	PACKED BY	SHIP VIA
3/6/90			#2			<input type="checkbox"/> OUR TRUCK <input type="checkbox"/> OTHER

ITEM NUMBER	QUANTITY ORDERED	QUANTITY SUPPLIED	DESCRIPTION	UNIT	UNIT PRICE
	1200'	1200	1" Blue MAX Service Tubing	.37	444.00
	4	4	1"-710-10 PVC Coupling	44.1	176.4
	3	3	6 X 1 PVC Self Tapping Saddle	36.33	109.05
					570.69
					37.10
					607.79



*Paul Coch*

NIT: C. 100, M. 1000, PT. pint, QT. quart, GL. gallon, DRM. drum, LBS. pounds, BX. box, CL. coll, RL. roll, FT. foot, DZ. dozen, EA. each

CUSTOMER SIGNATURE

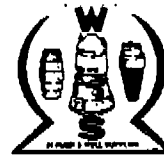
CUSTOMER



**WALLACE PUMP & SUPPLY, INC.**

POST OFFICE BOX 157  
BRUNDIDGE, ALABAMA 36010-0157  
206/735-2338 / 735-2339

POST OFFICE BOX 13517  
MEXICO BEACH, FLORIDA 32410  
904/648-8151



PURCHASE ORDER  
**41814**

*St George Island Utilities*

S  
H  
I  
P  
T  
O

INVOICE DATE	CUSTOMER NUMBER	CUSTOMER P.O. NUMBER	SALESMAN	PULLED BY	PACKED BY	SHIP VIA
5/16-90			#2			<input type="checkbox"/> OUR TRUCK <input type="checkbox"/> OTHER

ITEM NUMBER	QUANTITY ORDERED	QUANTITY SHIP	DESCRIPTION	UNIT	UNIT PRICE
	15	15	3/4 x 7 Meter Pipes	31 <sup>50</sup>	472.50
	15	15	Plastic Meter Box	952	142.80
	30	30	3/4 Male A # 730-07	234	70.20
	30	30	1" Female A	28	8.40
	30	30	1 x 3/4 Th Bushing	45	13.50
	15	15	1 x 3/4 Brass W/S	11 <sup>21</sup>	168.15
	15	15	3/4 Th Cap PVC	38	5.70
	15	15	6 x 1 CT PVC Self Tapable	35 <sup>35</sup>	530.25
	3	3	4 x 1 " " " " " "	2798	83.94
	2	2	8 x 12 JCM Repair Clamp	80 <sup>42</sup>	160.84
	1	1	8 x 6 " " " " " "		47.50
	1RL	1RL	3/4 Blue Max 100"		31.50
	1RL	1RL	1 " " " " " "		50.40

*[Handwritten Signature]*

SIT

1785.70  
116.07  
1901.77

T C. 100, M. 1000, PT. pint, QT. quart, G. gallon, DRM. drum, LBS. pounds, BX. box, GL. coll, RL. roll, FT. foot, DZ. dozen, EA. each

CUSTOMER SIGNATURE

...and subject to a SERVICE CHARGE of 2% per month which is an ANNUAL PERCENTAGE RATE of ... (PAY) all the cost of collection including a reasonable attorney fee & recording fee.

224



# WALLACE PUMP & SUPPLY, INC.

POST OFFICE BOX 157  
BRUNDIDGE, ALABAMA 36010-0157  
205/735-2338 / 735-2338

POST OFFICE BOX 13517  
MEXICO BEACH, FLORIDA 32410  
904/648-8161



PURCHASE ORDER  
**41884**

*St George Island Station*

*St George Island*

SHIP TO

3/21/90      #2       OUR TRUCK       OTHER

ITEM NUMBER	QUANTITY		DESCRIPTION	UNIT	UNIT PRICE
	ORDER	SUM			
	1		30 gallon blue water state heater		143.54
	15		3/4" x 7 Meter Pliers	21.50	472.50
	15		Plastic water tubes	9.52	142.80
	30		3/4" Male HHH 770-07	23.4	702.00
	30		1" Female A-	12.8	840.00
	30		1" x 3/4" threaded black pipe	45	1350.00
	15		1" x 3/4" brass pipe	11.21	168.15
	15		3/4" threaded black pipe	1.38	57.00
	15		6 x 1 (SINCE) 1847	35.35	530.25
	2		4 x 1	27.98	83.94
	2		8 x 12 gal. Repair Clamps	80.42	160.84
	1		8 x 16		47.50
	1RX		3/4" Blue Dial 100		31.50
	1RX		1" " " "		50.40
<del>3/4" 7 HHH Pressure Relief Valve</del>					
					1929.24
					125.40
<i>Paid 3/21/90</i>					
					2054.64



C. 100, M. 1000, PT. pint, QT. quart, GL. gallon, DRM. drum, LBS. pounds, BX. box, GL. coil, RL. roll, FT. foot, DZ. dozen, EA. each

CUSTOMER SIGNATURE \_\_\_\_\_

ANNUAL PERCENTAGE RATE \_\_\_\_\_



# WALLACE PUMP & SUPPLY, INC.

POST OFFICE BOX 157  
BRUNDIDGE, ALABAMA 36010-0157  
205/735-2338 / 735-2339

POST OFFICE BOX 13517  
MEXICO BEACH, FLORIDA 32410  
904/648-8161



1904668044150 P.06

PURCHASE ORDER  
**47141**

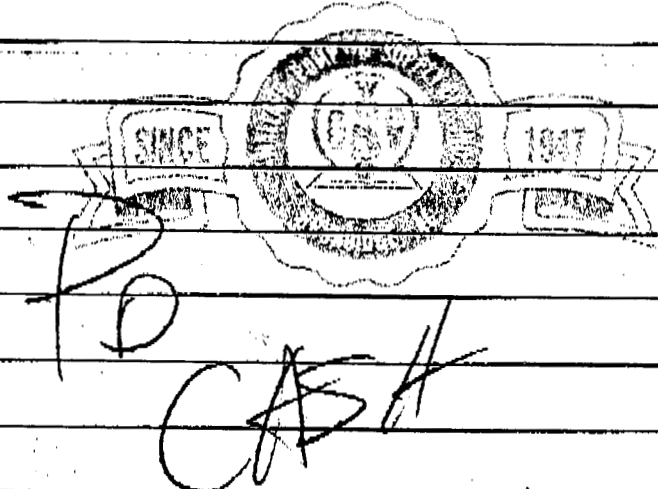
St. George Island Utilities

*St. George Island*

S  
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P  
T  
O

DATE	CUSTOMER ORDER #	SALESMAN	PULLED BY	PACKED BY	SHIP VIA
1-26-90		#2			OUR TRUCK OTHER

ITEM NUMBER	QUANTITY	DESCRIPTION	UNIT	UNIT PRICE
1	1	6x12 Jcm RETAER COUPLING	72.65	72.65
4	4	731-10 1" FE ADAPT	3.66	14.64
			SUB	87.29
			TAX	5.61
			TOTAL	92.90



*Richard H.*

C. 100, M. 1000, PT. pint, QT. quart, GL. gallon, DRM. drum, LBS. pounds, BX. box, CL. coil, RL. roll, FT. foot, DZ. dozen, EA. each

CUSTOMER SIGNATURE

WALLACE PUMP & SUPPLY, INC. SERVICE CHARGE of 1% per month, which is an ANNUAL PERCENTAGE RATE of 24% including a reasonable attorney fee & recording fee.



**WALLACE PUMP & SUPPLY, INC.**

POST OFFICE BOX 197  
BRUNDIDGE, ALABAMA 36010-0197  
205/736-2338 / 735-2339

POST OFFICE BOX 13517  
MEXICO BEACH, FLORIDA 32410  
904/648-8161



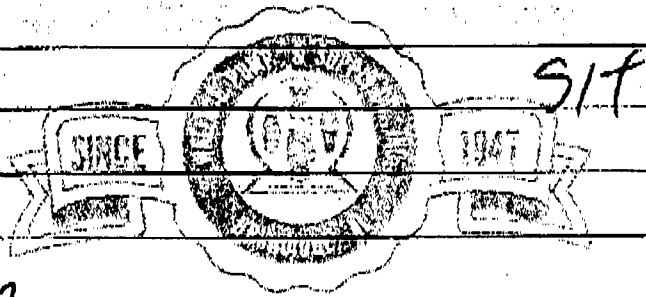
PURCHASE ORDER  
**61.068**

*St George Island Utilities*  
*Each point job*

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P  
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ORDER DATE	CUSTOMER NUMBER	CUSTOMER P.O. NUMBER	SALESMAN	PULLED BY	PACKED BY	SHIP VIA
1/190			#2			FLY
						<input type="checkbox"/> OUR TRUCK <input type="checkbox"/> OTHER

ITEM NUMBER	QUANTITY	DESCRIPTION	UNIT	UNIT PRICE
206	24	1" Blue Max	50 <sup>40</sup>	100.80
4	4	2" PVC Orange C	445	17.80
4	4	1" #710-10 Coupling PVC	441	17.64
4	4	#731-10 Female # PVC	387	15.48
1	1	6x12 JCM Repair Coupling		72.65



SIT

224.37  
14.58  
238.95

*pd Cash*

VIT C. 100, M. 1000, PT. pint, QT. quart, GL. gallon, DRM. drum, LBS. pounds, BX. box, CL. coil, RL. roll, FT. foot, DZ. dozen, EA. each

... SERVICE CHARGE of 2% per month which is an ANNUAL PERCENTAGE RATE OF 24% ...





RESPONSE TO EXCEPTION NO. 6

SUBJECT: LACKING CANCELED CHECK SUPPORT - PLANT

COMMENTS:

1. STATEMENT OF FACT: The Schedule on the following page presents costs charged to the Utility Plant In Service Account without the accompanying canceled check.

PSC Opinion: Cost unsupported by canceled checks should not be considered utility investment in rate base.

Utility Response: SGI takes exception with the PSC Auditor's opinion that cost unsupported by canceled check should not be considered utility investment in rate base. SGI Utility maintains its records on an accrual basis which requires that expenses be recorded as they are incurred, not as they are paid. All of the listed expenses are documented by invoice support which the PSC auditor has reviewed. Attached also are canceled checks to support the Sunstate Meter (auditor item #1), Rowe Drilling (auditor item #2), and Wallace Pump (auditor item #3 & 4) expenditures. Ardaman and Associates, Inc. (auditor item #7) expenditure is supported by the attached release of lien when the judgement was satisfied. The expenditures relating to Larry Cobb and Coloney Consulting are valid expenses and are included in the debt of the utility company.

ATTACHMENT TO  
RESPONSE TO AUDIT EXCEPTION NO. 6

Audit Report

Docket No. 940109-WU  
St. George Island Utility Company, LTD (SGI)  
Application for Increased Rates in Franklin County

**GEORGE ISLAND UTILITY CO., LTD.**  
 P.O. BOX 832  
 EASTPOINT, FL 32328

**APALACHICOLA STATE BANK**  
 P.O. DRAWER 370  
 APALACHICOLA, FLORIDA 32320  
 85-02-032

**002535**

DATE	CHECK NO.	ORIGINAL AMOUNT
7/26/88	2535	\$363.60

SIGNATURES REQUIRED

*[Signature]*  
**NOT NEGOTIABLE**

IE R OF ▶ Sunstate Meter & Supply

⑈002535⑈ ⑆063200928⑆ 65 01597 8⑈01

GEORGE ISLAND UTILITY CO., LTD.

VENDOR NO.

VENDOR NAME

CHK DATE	REFERENCE	DEBIT AMOUNT	DESCRIPTION	AMOUNT
26/88			meters & supplies invoice # 52068	\$363.60
CHK DATE	CHK NO.	AMOUNT	DESCRIPTION	AMOUNT

CUSTOMER COPY

07/29/88

52068

INVOICE

DATE

INVOICE NO.

SUNSTATE METER & SUPPLY, INC.

11207 N.W. 14th AVENUE  
GAINESVILLE, FLORIDA 32606  
(904) 332-7106

PLEASE PAY FROM INVOICE

"DISTRIBUTOR FOR MAJOR BRANDS OF WATER AND SEWER SYSTEMS SUPPLIES"

ST. GEORGE ISLAND UTIL. CO.  
P.O. BOX 632  
EAST POINT, FL 32328

S  
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ST. GEORGE ISLAND UTIL. CO.  
GULF BEACH DRIVE  
ST. GEORGE ISLAND, FL 32328

P.O. NO.

OUR ORDER NO.  
373375

ORDER DATE  
7/25/88

SHIP DATE  
7/29/88

SLSM.  
7

COD

NITA

TERMS  
DAYS

SHIPPING INSTRUCTIONS  
UPS

SPECIAL INSTRUCTIONS

TERMS	SHIPPING INSTRUCTIONS	SPECIAL INSTRUCTIONS		
0	58031-001	3/4x7 1/2 M-25 BRZ MTR BRZ B	27.000 EA	162.00
0	042-7W	5/8x3/4" RESETER 7" W/LW	24.980 EA	149.80
0	731-10	1" FEMALE ADPT. FIPxPE	4.030 EA	24.00
		UPS CHGS		7.00

TAXES				PAY THIS AMOUNT
0.00	0.00	20.16	0.00	363.60

INTEREST CHARGE IS COMPUTED BY A PERIODIC RATE OF 1 1/2% MONTH, WHICH IS AN ANNUAL RATE OF 18% PER YEAR TO THE PREVIOUS BALANCE WITHOUT DEDUCTING PAYMENTS AND/OR CREDITS APPLIED ON THIS DATE. OUR CURRENT PRICE POLICY IS PRICE IN EFFECT AT SHIPMENT.

ST. GEORGE ISLAND UTILITY CO., LTD.  
SPECIAL LOAN ACCOUNT

Rowe Drilling Co.  
James Thomas's twenty  
Apalachicola State Bank  
APALACHICOLA, FLORIDA 32320

1982 FEB 28 10 40 AM

*[Handwritten signature]*

1982 FEB 28 10 40 AM

10000000

ROWE DRILLING CO.  
APALACHICOLA, FLORIDA

68 FEB 89

00244

Rowe Drilling \$12,020.-

ST. GEORGE ISLAND UTILITY CO., LTD.

P.O. BOX 632  
EASTPOINT, FL 32328

002870

Two Thousand Five Hundred ...

DATE ...

THE ...  
FOR OF ...  
WALLACE ...

*[Handwritten scribbles]*

002870 00632009200

PUMP & SUPPLY CO.  
FOR DEPOSIT ONLY

Source document very hard to  
read - Available @ the Utility  
Company for review.  
Wallace Pump \$2,593.90





RESPONSE TO EXCEPTION NO. 7

SUBJECT: ADJUSTMENT TO PLANT

COMMENTS:

1. PSC Auditor Opinion: These charges are largely transportation costs or finance charges, such costs are not readily plant according to the uniform system of accounts.

Utility Response: SGI disagrees with the auditors statement that transportation costs are not plant according to the uniform system of accounts. Per USOA Accounting Instruction No. 14, utility plant includes labor, materials and supplies, transportation, etc.

SGI agrees that finance charges are not plant, except to the extent that they may be reflected in AFUDC.

2. PSC Auditor Opinion: The auditor also notes an adjustment to plant which involves leasehold improvements of \$1,295, which should first be allocated ....

Utility Response: SGI states that the leasehold improvements are a proper component of utility plant, per USOA Accounting Instruction No. 18. Since the service life is not terminated by the life of the lease it should be treated as depreciable plant as is now being done by the utility. SGI agrees that the cost of the improvement should be adjusted to reflect only the portion allocated to utility use.

RESPONSE TO EXCEPTION NO. 8

SUBJECT: PLANT RETIREMENTS

COMMENTS:

1. PSC Auditor Opinion: The staff engineer should review this finding and direct the utility to adjust its accounts.

Utility Response: SGI does not take issue with this exception. For those items for which the original cost of the specific components cannot be separately identified, the amounts retired should be determined by multiplying the replacement cost times the ratio of the cost indices for the original year to the replacement year.

RESPONSE TO EXCEPTION NO. 9

SUBJECT: ADJUSTMENT TO THIRD WELL PROFORMA

COMMENT:

1. PSC Auditor Statement of Fact: As of April 12, 1994, the utility reports the automatic switchover system is not fully operational for the third well.

Utility Response: This well was tested and cleared by FDEP on August 11, 1993 with regard to its ability to deliver water as rated and with regard to the operation of the emergency generator system. The well has been shown to deliver water at at least its rated capacity and substantially in excess of that amount. The auxiliary generator and automatic switchover system were fully operational at that time. The well was designed with an automatic emergency switchover system. If power is lost to the system, it is designed to automatically switch over to the emergency generator. When power is restored, the system is designed to automatically switch back to the public power source. Subsequently a problem developed with the sophisticated electrical switching system, which did not effect the well's capacity to supply water to the island. The problem was solved and the new third well has been operating in tandem with wells number one and two for several weeks. Well number three received final clearance from the Utility's engineers, and final payment has been made.

2. PSC Auditor Opinion: Any cost not supported should be removed from the utility's requested proforma investment.

Utility Response: In its MFR, SGI included a proforma adjustment to plant in service that included \$10,890 for engineering services, provided by Coloney Consulting Engineers, associated with the third well. Audit Exception No. 9 indicates that these services are not supported by itemized invoices. That is incorrect. Coloney provides itemized invoices for all services rendered to SGI. However, those invoices are not necessarily separated with regard to individual projects of the water system. Accordingly, SGI requested Coloney to review all of its invoices to SGI and major projects, the third well and the elevated storage tank. Copies of the correspondence from Coloney and the detailed invoices are attached. In categorizing the charges in question, Coloney determined that the actual charges for services related to the third well are \$12,187.14 rather than the \$10,890 specified in the MFR.

ATTACHMENT TO  
RESPONSE TO AUDIT EXCEPTION NO. 9

Audit Report

Docket No. 940109-WU  
St. George Island Utility Company, LTD (SUI)  
Application for Increased Rates in Franklin County

**The Coloney Company Consulting Engineers, Inc.**

P. O. BOX 688 / 1014 N. ADAMS STREET  
TALLAHASSEE, FLORIDA 32302  
904-222-8193 FAX 904-222-9824

12 May, 1994

Gene D. Brown, Esquire  
St. George Island Utility Company, Ltd.  
3848 Killearn Court  
Tallahassee, Florida 32308

Reference: Professional Services Rendered in connection with the design, permitting, construction administration and ongoing assistance as required for the 150,000 Gallon Elevated Storage Tank and the Third Well serving the St. George Island Water System.

File: CCCE Project Number 8822

Dear Mr. Brown:

You have requested detailed descriptions of work performed in connection with the 150,000 gallon elevated storage tank and also the third well serving the St. George Island Water System. On 9 March, 1994 we provided you with two statements for professional services rendered as follows:

- o Third well \$10,890.14
- o 150,000 gallon elevated storage tank \$20,993.00

The two bills listed above were prepared after a brief review of our billing statements extending back over the past ten or more years. As you know, we have served as your consulting engineer for a considerable period of time and we have always provided you with detailed statements of the services rendered giving the name of the individual performing the work, a description of the work done, the time spent and the billing rate. At no time in the past, however, has it been necessary nor has it been required that we separate out these billings with regard to individual elements of the water system such as the elevated storage tank and the third well. Since such a definition is necessary and since the Public Service Commission asks that we also provide the detailed work descriptions, we have gone back through our file of previous billings and have extracted those specific entries pertaining to work regarding the third well and the elevated storage tank and have provided you with separate detailed statements for each and these accompany this letter. During this detailed investigation we discovered several errors in the billings of 9 March, and these resulted in changes as follows:

- o Third well: From \$10,890.14 to \$12,187.14
- o Elevated storage tank: From \$20,993 to \$21,814.24

The statements which accompany this letter reflect the increases indicated above.

Gene D. Brown, Esquire  
12 May, 1994  
page two

You have commented that engineering services rendered in connection with the two elements identified above seem somewhat higher than would be expected. If such is the case, and I am not sure that it is, it is important to note the following:

- o A very considerable amount of time was spent in search for, investigation of and planning on, several different potential sites for the third well. In addition, preparation of the application for the consumptive use permit was extremely time consuming due, in part, to the various sites considered, revisions in the planning concept etc.
  
- o As you may recall, there were similar site location questions for the elevated storage tank and, more importantly, it was initially contemplated that a brand new tank would be designed and constructed and we spent a great deal of time pursuing this activity. At a later date, it was determined that a used storage tank would be acceptable and this is what was ultimately installed. Despite the additional cost incurred in engineering planning for a new elevated tank, the overall cost of design and construction produced a very substantial saving with the used tank.

If you have any questions or need any additional information, please contact me at your convenience.

Yours very truly,

  
COLONEY COMPANY CONSULTING ENGINEERS, INC.

Wayne H. Coloney, P.E., P.L.S.  
President

WHC/nmi

88220512.LET

**The Coloney Company Consulting Engineers, Inc.**

P. O. BOX 688 / 1014 N. ADAMS STREET  
TALLAHASSEE, FLORIDA 32302  
904-222-8193 FAX 904-222-9824

St. George Island Utility Company, Ltd.  
3848 Killearn Court  
Tallahassee, Florida 32308

12 May, 1994

CCCE Project 8822

Reference: **Professional Services Rendered**  
in connection with the location,  
design, permitting, construction  
administration and initial operation  
of the 150,000 Gallon Elevated  
Storage Tank serving the St. George  
Island Water System.

Services rendered from March, 1988  
to December, 1990

CCCE Tax ID Number: 59-1862453

INVOICE

---

o Wayne H. Coloney, P.E., P.L.S. (Project Manager/Engineer/Designer) 73.2 hours @ \$100.00/hr.	\$ 7,320.00
o Merritt C. Atchley (Engineering Technician V) 123.7 hours @ \$65.00/hr.	8,040.50
o Thomas A. Bryant, P.E. (Engineer/Designer) 18.4 hours @ \$60.00/hr.	1,104.00
o William Davis Bell (Engineering Technician) 89.2 hours @ \$50.00/hr.	4,460.00
o Clerical 17.6 hours @ \$30.00/hr.	528.00
o Direct Job Costs (Copies, Printing, etc.)	361.74
<hr/>	
TOTAL AMOUNT DUE:	\$ 21,814.24

ELEVATED STORAGE TANK  
ST. GEORGE ISLAND WATER SYSTEM

FEES AND COSTS

DATE	DESCRIPTION	ENGINEER/ TECHNICIAN	HOURS
03/17/88	Administrative Services/ Clerical (1 hr. @ 30.00/hr.)		30.00
03/22/88	Review memo from LAH; review lines and evaluate regarding elevated tank.	MCA	.5
04/10/88	Field inspection and measurements of proposed tank site and supposed 8" water line location; shot photographs of all pertinent objects and documented all visual encroachments found; acquired aerial tax map and zoning code manual; upon return to Tallahassee, wrote a file documentation memo including immediate steps for further survey data necessary to complete project.	MCA	10.0
03/28/88	Telephone conference with Dick Mullins regarding waiving plans review and approval for new water tank; telephone conference regarding same.	WHC	1.0
04/11/88	Telephone conference with Dick Mullins and John Fox.	WHC	1.0
04/11,12 13,21/88	Field work on proposed new tank site.	WDB	28.1
04/12/88	Researched data and information for their design of new water tank.	WHC	1.5
04/21/88	Met with Gene Brown; worked on determining data requested by Dick Mullins for water tank size.	WHC	3.4



FEES AND COSTS  
 ELEVATED STORAGE TANK  
 Page two

04/27/88	Worked on sizing of riser and suction pipes, surveys for foundation design; telephone conference with Dick Mullins, John Fox and Sandy Chase.	WHC	3.4
3-4/88	Administrative Services/ Clerical (4 hrs. @ 30.00/hr.)		120.00
	Travel		76.98
	Blueprints		12.08
	Photographs		12.07
05/31/88	Administrative Services Long distance phone calls		11.25 3.51
06/01/88	Met with TAB to begin Elevated Tank construction cost estimates.	MCA	2.0
06/01/88	Direction and supervision of Elevated Tank work being performed by Atchley and Bryant.	WHC	1.0
06/02/88	Elevated Tank construction cost estimates, field trip to St. George Island.	MCA	8.0
06/02/88	Direction and supervision of Elevated Tank work being performed by Atchley and Bryant.	WHC	1.4
06/03/88	Direction and supervision of Elevated Tank work being performed by Atchley and Bryant.	WHC	1.6
06/07/88	Direction, administration, supervision and verification of Elevated Tank work being performed by Atchley and Bryant.	WHC	.7
06/08/88	Direction, Administration, supervision and verification of Elevated Tank work being performed by Atchley and Bryant.	WHC	1.1
06/09/88	Direction, Administration, supervision and verification of Elevated Tank work being performed by Atchley and Bryant.	WHC	1.3

FEES AND COSTS  
 ELEVATED STORAGE TANK  
 Page three

06/10/88	Direction, Administration, supervision and verification of Elevated Tank work being performed by Atchley and Bryant.	WHC	1.5
06/07/88	Take offs and construction cost estimates for Elevated Tank.	MCA	2.0
06/08/88	Take offs and construction cost estimates for Elevated Tank.	MCA	.5
06/09/88	Take offs and construction cost estimates for Elevated Tank.	MCA	.5
06/10/88	Take offs and construction cost estimates for Elevated Tank.	MCA	.5
06/11/88	Take offs and construction cost estimates for Elevated Tank.	MCA	2.0
06/12/88	Take offs and construction cost estimates for Elevated Tank.	MCA	2.0
06/13/88	Take offs and construction cost estimates for Elevated Tank.	MCA	2.0
06/13/88	Met with Atchley and Bryant; reviewed/studied all work to date regarding Elevated Tank.	WHC	3.3
06/15/88	Met with Atchley to check/verify work progress and procedures being followed regarding Elevated Tank.	WHC	1.4
06/15/88	Take offs and construction cost estimates regarding Elevated Tank.	MCA	1.5
06/21/88	Reviewed report; three telephone conferences regarding Elevated Tank.	MCA	.5
06/24/88	Reviewed maps in files, quadrangle navigational maps; discussed map preparation with WHC; coordinated with B. Jacobs regarding requirements for map preparation and design; reviewed		

FEES AND COSTS  
 ELEVATED STORAGE TANK  
 Page four

	information with TAB, LAH as to finished product for Elevated Tank site.	MCA	3.0
06/24/88	Reviewed all work to date; telephone conference with Gene Brown/Norman Mears; conference with Atchley; laid out and specified mapping to be done by Jacobs; reviewed and checked work by Bryant.	WHC	6.6
06/24-25/88	Elevated Tank design	TAB	14.4
06/28/88	Administrative Services/ Clerical (3 hours @ 30.00/hr.) Bluelines, etc.		30.00 54.37
	Travel		52.40
	Miscellaneous Supplies		6.90
	Long distance phone calls		1.94
07/29/88	Administrative Services/ Clerical (2 hours @ 30.00/hr.)		60.00
05/02/89	Met with Mr. Cliff McKeown of the Department of Environmental Regulation in his office to discuss the possibility of modifying DER requirements as set forth in the present draft Consent Order with particular attention to the improvements generated by the previously and partially designed new elevated storage tank. Mr. McKeown indicated that the possibility of reduction is good.	WHC	1.6
05/02-05/17/89	Elevated Tank pricing/research through contacts with builders, suppliers, etc.	MCA	19.4
05/17/89	Met with Mr. Gene Brown, Mr. Bob Crouch of the Public Service Commission staff and with Mr. Cliff McKeown of the Department of Environmental Regulation in Mr. McKeown's office at DER to discuss what		

FEES AND COSTS  
ELEVATED STORAGE TANK  
Page five

	must be done in order to satisfy DER requirements and in order to structure a consent order which is acceptable to all parties. Construction of an elevated water storage tank is of considerable importance. Telephone conference with Mr. Gene Brown to discuss the use of a hypochlorinator as the booster chlorinator at the western end of the St. George Island Water System. Arranged to pick up the Motion for Reconsideration of the Public Service Commission order as filed by the Office of the Public Council and reviewed same.	WHC	2.5
07/19/89	Telephone conference with Gene Brown concerning possible acquisition of a used 150,000 gallon elevated tank as opposed to a new one. Met with Larry Cobb to define surveys if needed for design of said tank.	WHC	1.0
07/19- 07/31/89	Continued extensive research, cost comparisons, cost/benefit analysis regarding new versus used Elevated Storage Tank.	MCA	49.3
07/31/89	Met with Mr. Bud Carlson at his office to discuss extent and value of water system components to be covered by insurance. Met with Mr. Gene Brown in his office to discuss all aspects of improvements planned for water system. Telephone call to Mr. Cliff McKeown of Department of Environmental Regulation who confirmed that proposed 150,000 gallon Hortonsphere is acceptable for installation.	WHC	2.8

FEES AND COSTS  
ELEVATED STORAGE TANK  
Page six

07/19- 07/31/89	Site planning revisions and field checks regarding possible use of used tank as opposed to previously planned new elevated tank.	WDB	43.6
08/03/89	Preliminary design of proposed Well No. 3 integrated with considerations for design of new 150,000 gallon elevated water tank. Telephone conference with Sandy Chase. Reviewed comments/notations on cash flow projections.	WHC	2.3
08/09/89	Drove to Baldwin exit near Jacksonville with Gene Brown to meet with Mr. Jack Ethridge at his construction yard in order to inspect 150,000 gallon used Hortonsphere water tank. Returned to Tallahassee.	WHC	7.9
08/21/89	Telephone conference with Mr. Cliff McKeown concerning operational aspects of proposed elevated storage tank and transitional improvements to water system. Telephone conference with Gene Brown concerning same. Reviewed planning in preparation for meeting with Public Service Commission on Wednesday.	WHC	2.2
08/23/89	Meeting with Mr. Bob Crouch of Public Service Commission, Mr. Cliff McKeown of Dept. of Environmental Regulation and with Mr. Gene Brown in Mr. Crouch's office at the Public Service Commission to discuss construction of elevated storage tank and associated water system improvements. Decision made to buy used Elevated Tank.	WHC	2.0
08/03/89	Administrative Services/ Clerical (4.1 hrs. @ 30.00/hr.)		123.00

FEES AND COSTS  
 ELEVATED STORAGE TANK  
 Page seven

09/05/89	Met with Larry Cobb concerning surveys and plans necessary for elevated storage tank and for improvements and extensions to the water system.	WHC	1.4
12/19/89	Met with Richard Tuton and received partially completed application form for construction of an elevated storage tank. Reviewed and analyzed same. Dictated memorandum to M.A. Minardi defining requirements for completion.	WHC	2.4
12/19/89	Meeting with TAB about application	MCA	1.0
12/20/89	Met with M.C. Atchley to work on permit application for elevated storage tank.	WHC	1.2
12/20/89	Project and data collection for elevated storage tank.	MCA	1.0
12/27/89	Worked on preparation of permit application for construction of elevated storage tank. Telephone conference with Sandy Chase concerning same.	WHC	3.9
12/29/89	Signed and sealed permit applications for construction of elevated storage tank after final review and check.	WHC	1.4
12/30/89	Permit Application for proposed 150,000 gallon elevated water tank.	TAB	4.0
12/19/89	Administrative Services/ Clerical (3.5 hrs. @ 30.00/hr.)		105.00
01/25/90	Telephone call from Dick Von Soosten concerning the space needed for elevated storage tank. There are problems with lots previously located. Telephone conference with M.A. Minardi.		

FEES AND COSTS  
 ELEVATED STORAGE TANK  
 Page eight

	Foundation diameter is 29 feet 2 inches. Need 50 foot lot. Telephone call to Dick Von Soosten with information.	WHC	1.7
04/05/90	Checking problems in Elevated Tank site property description and deed/deeds.	WDB	3.5
04/09/90	Checking problems in Elevated Tank site property description and deed/deeds.	WDB	4.2
04/10/90	Field examination of Elevated Tank site.	WDB	6.4
04/12/90	Met with WHC regarding Elevated Tank site descriptions and then revised same.	WDB	3.4
04/12/90	Met with WDB regarding Elevated Tank site descriptions and discrepancies.	WHC	8.7
08/06/90	Field check of Elevated Tank condition/progress.	MCA	6.8
09/25/90	Field check of Elevated Tank.	MCA	7.2
12/10/90	Meeting with Gene Brown, then field check of Elevated Tank on site.	WDB	6.9

**The Coloney Company Consulting Engineers, Inc.**

P. O. BOX 688 / 1014 N. ADAMS STREET

TALLAHASSEE, FLORIDA 32302

904-222-8193 FAX 904-222-9824

St. George Island Utility Company, Ltd.  
3848 Killearn Court  
Tallahassee, Florida 32308

12 May, 1994

CCCE Project 8822

Reference: **Professional Services Rendered**  
in connection with the design,  
permitting, construction administration  
and ongoing assistance as required  
for startup and on-line operation  
of the Third Well serving the  
St. George Island Water System.

Services rendered from January, 1989  
to May, 1991

CCCE Tax ID Number: 59-1862453

INVOICE

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o Wayne H. Coloney, P.E., P.L.S. (Project Manager/Engineer/Designer) 60.6 hours @ \$100.00/hr.	\$ 6,060.00
o Merritt C. Atchley (Engineering Technician V) 31.8 hours @ \$65.00/hr.	2,067.00
o William Davis Bell (Engineering Technician) 22.2 hours @ \$50.00/hr.	1,110.00
o Thomas A. Bryant (Engineer) 8.0 hours @ \$60.00/hr.	480.00
o Bradley J. Kerruish (Engineer Technician) 8.5 hours @ \$60.00/hr.	510.00
o Direct Job Costs (Administrative Services Copies, Printing, etc.)	1,960.14
<b>TOTAL AMOUNT DUE:</b>	<b>\$ 12,187.14</b>



## ST. GEORGE ISLAND WATER SYSTEM

## THIRD WELL

FEES AND COSTS

DATE	DESCRIPTION	ENGINEER/ TECHNICIAN	HOURS
01/17/89	Reviewed possible site location descriptions for a third well.	MCA	3.7
01/18/89	Field investigation of possible sites for Third Well.	WDB	7.2
01/19/89	Checked field information from WDB regarding Third Well site location.	MCA	3.1
01/20/89	Returned to Carabelle for further site investigation for Third Well.	WDB	7.6
02/02/89	Did preliminary planning for various site locations for Third Well.	WDB	7.4
03/07/89	Telephone call from Gene Brown who asked that we proceed to prepare an application for a new well and that we start working up plans for the proposed expansion program.	WHC	1.5
03/21/89	Research and preliminary execution of Consumptive Use Permit for Well Number 3.	MCA	2.0
03/22/89	Research and preliminary execution of Consumptive Use Permit for Well Number 3.	MCA	0.5
08/02/89	St. George Island - Water 8822 Preliminary design requirements/ data for the proposed third well.	WHC	3.2

FEES AND COSTS

THRID WELL

Page two

08/03/89	St. George Island - Water 8822 Preliminary design of proposed Well No. 3.	WHC	1.9
08/04/89	St. George Island - Water 8822 Preliminary design for proposed Well No. 3.	WHC	1.5
08/07/89	St. George Island - Water 8822 Preliminary design of proposed third well complex and revision of pumping system.	WHC	3.5
08/08/89	St. George Island - Water 8822 Preliminary design of proposed third well and support supply system. Researched water system plans by William M. Bishop.	WHC	2.9
11/08/89	Discussed Consumptive Use Permit and agreed to prepare it. Drafted water system project description. Dictated detailed water system improvement project description.	WHC	3.3
11/14/89	Consumptive Use Permit.	MCA	2.0
11/15/89	Consumptive Use Permit.	MCA	1.0
11/16/89	Consumptive Use Permit.	MCA	1.5
11/17/89	Worked on application for Consumptive Use Permit.	WHC	0.8
11/20/89	Consumptive Use Permit.	MCA	1.5
11/21/89	Met with M.C. Atchley and M.A. Minardi to discuss, define and answer questions concerning preparation of application for Consumptive Use Permit necessary to permit construction of planned well No. 3.	WHC	1.8
11/21/89	Consumptive Use Permit.	MCA	2.0

FEES AND COSTS

THRID WELL

Page three

11/22/89	Met with Larry Cobb to obtain data/information necessary for preparation of application for Consumptive Use Permit for well No. 3.	WHC	1.5
11/22/89	Consumptive Use Permit.	MCA	2.0
11/25/89	Consumptive Use Permit.	MCA	2.0
11/26/89	Consumptive Use Permit.	MCA	1.0
11/27/89	Consumptive Use Permit.	MCA	2.0
11/28/89	Consumptive Use Permit.	MCA	1.0
11/29/89	Worked on Consumptive Use Permit Application. Calculated latitude and longitude to seconds for Wells No. 2 and No. 3. Finalized and then signed Consumptive Use Permit Application.	WHC	2.9
12/05/89	Consumptive Use Permit Application for proposed pump number 3.	TAB	8.0
12/19/89	Meeting with TAB about application	MCA	1.0
02/08/90	Telephone conference with Mr. Guy Gowens concerning the consumptive use permit application. Agreed to write letter and respond deficiencies. Dictated letter to Gowens in accordance with agreement.	WHC	1.1
03/04/90	Worked on response to comments by Mr. W.G. Gowens of Northwest Florida Water Management District.	WHC	1.4
03/06/90	Finalized responses to comments from Northwest Florida Water Management District. Signed letters. Hand delivered them to Mr. Gene Brown's office.	WHC	1.3

## FEES AND COSTS

THRID WELL

Page four

07/03/90	Telephone conference with Dick Von Soosten concerning payment for preparation of permit application for Well No. 3. Began work on same.	WHC	1.9
07/09/90	Telephone call from Dick Von Soosten. Mr. Von Soosten FAXED property description of third well site. Worked on permit application.	WHC	0.4
07/12/90	Worked on permit application to DER for Well No. 3.	WHC	4.1
07/13/90	Worked on permit application to DER for Well No. 3.	WHC	2.9
07/15/09	Research files	MCA	0.5
07/16/90	Received material on DER application from Tom Bryant and continued work on same for Well No. 3.	WHC	1.6
07/17/90	Telephone conference with Dick Von Soosten. Worked on DER permit application for Well No. 3.	WHC	1.6
07/31/90	Worked on application to Department of Environmental Regulation for permit to construct third well	WHC	1.6
08/01/90	Worked on application for permit to drill the third well	WHC	2.5
08/06/90	Worked on DER application for third well. Telephone call from Gene Brown asking that I update and expand my letter of 04 June. Continued work on DER application. Spent the afternoon writing the letter concerning shallow wells as requested by Gene Brown and in finalizing the DER permit application	WHC	8.2

FEES AND COSTS  
 THRID WELL  
 Page five

FOR COSTS ADVANCED

08/--/89	Administrative Services.....	45.00
11/--/89	Administrative Services.....	375.00
12/--/89	Administrative Services.....	200.00
01/--/90	Administrative Services.....	25.00
01/04/90	Seminole Blueprinting.....	11.07
02/--/90	Administrative Services.....	137.50
03/--/90	Administrative Services.....	112.50
07/--/90	Administrative Services.....	20.00
08/--/90	Administrative Services.....	240.00
09/--/90	Administrative Services.....	112.50
10/--/90	Administrative Services.....	17.50

FEES AND COSTS

DATE	DESCRIPTION	ENGINEER/ TECHNICIAN	HOURS
02/22/91	Met with Gene Brown. I told him I still do not have site plans/survey of third well site. I told him I will finish up permit application for third well after he provides me with the necessary survey.	WHC	1.1

FOR COSTS ADVANCED

DATE	ITEM	AMOUNT
01/--/91	Administrative Services.....\$	20.00
01/--/91	Mileage.....	3.60

FEES AND COSTS

DATE	DESCRIPTION	ENGINEER/ TECHNICIAN	HOURS
04/29/91	Worked on DER application for installation of third well. Did plans in sketch form for completion by M.C. Atchley/Bradley Kerruish. Wrote specifications.	WHC	3.9
04/29/91	Plans revisions	MCA	3.0
04/29/91	Sheet amendments, corrections and drawings	BJK	5.0
04/30/91	Plans revisions	MCA	2.0
04/30/91	Sheet amendments, corrections and drawings	BJK	2.5

FOR COSTS ADVANCED

DATE	ITEM	AMOUNT
04/--/91	Administrative Services.....	262.50
04/29/91	Seminole Blueprinting & Supply.....	73.83
04/03/91	Seminole Blueprinting & Supply.....	4.92

FEES AND COSTS

DATE	DESCRIPTION	ENGINEER/ TECHNICIAN	HOURS
05/01/91	Plans corrections and amendments	BJK	1.0
05/07/91	Finalized/proofed application to DER for third well.	WHC	2.2

FEEES AND COSTS  
THRID WELL  
Page seven

05/08/91 Signed and sealed application,  
plans and specifications for  
submission to DER regarding  
third well. WHC 1.0

FOR COSTS ADVANCED

DATE	ITEM	AMOUNT
05/--/91	Administrative Services.....	250.00
05/08/91	Seminole Blueprinting & Supply.....	49.22

RESPONSE TO EXCEPTION NO. 10

SUBJECT: COLONEY COMPANY INVOICES RECORDED TO PLANT

COMMENTS:

1. STATEMENT OF FACT: Invoices dated July 27, 1989 and October 4, 1989 were recorded to Plant Account # 307.2, JE 10, 11/30/89.

Invoice dated March 27, 1990 was recorded to Plant Account # 330.40, JE-7 ELE, 4/30/90.

The Schedule on the following page is an analysis of the associated itemized invoices for payment from Coloney Company Consulting Engineers, Inc.

2. PSC Auditor Opinion: Plant In Service should be reduced \$2,370 for the duplication of the invoices for payment.

Utility Response: SGI does not take issue with these exceptions.



RESPONSE TO EXCEPTION NO. 11

SUBJECT: REPLACED GENERATOR

COMMENTS:

1. PSC Auditor Opinion: The adjustment to plant for the recording of the new generator should be increased \$1,940.66 (\$30,598.66 - \$28,658.00).

Utility Response: SGI does not take issue with this exception. However, on page 4 of the Audit Report, the Summary Schedule of Findings shows an adjustment for this item of \$(4,265.00). We assume this is a misprint. If it is not, we disagree with the adjustment as shown in the summary.

RESPONSE TO EXCEPTION NO. 12

SUBJECT: PLANT ASSOCIATED WITH CWIP

COMMENTS:

1. PSC Auditor Opinion: Costs associated with the 50,000 gallon storage tank should be removed from plant and included in CWIP. Costs associated with the third well should also be removed from the plant accounts and also recorded as CWIP. These third well charges in plant can then be considered as a proforma investment.

Utility Response: SGI does not take issue with these exceptions. Accordingly the accumulated depreciation balance should be reduced.

RESPONSE TO EXCEPTION NO. 13

SUBJECT: TRANSFER OF CONTRIBUTED PROPERTY

COMMENTS:

1. PSC Auditor Opinion: The utility received \$10,240.00 in contributed property. This transaction was not recorded on the Utility's books. It should be.

Utility Response: SGI does not disagree with the observation that the transaction regarding receipt of contributed property should be recorded. However, in this instance, SGI has not received a bill of sale and it is against utility company policy to record CIAC and additions to plant until a proper bill of sale is received. When a bill of sale is received, the transaction will be recorded.

RESPONSE TO EXCEPTION NO. 14

SUBJECT: CAPITALIZE PREVIOUSLY UNRECORDED ENGINEERING DESIGN FEES

COMMENTS:

1. STATEMENT OF FACT: MFR Schedule A-3 Page 1 of 1, requested a \$21,000 adjustment to Plant In Service to capitalize previously unrecorded engineering design fees of Wayne Coloney for the elevated storage tank.

The Utility did not provide all of the source documentation requested at least three times by auditor, to fully support the requested proforma adjustment to plant for unrecorded engineering design fees of Wayne Coloney.

Utility Response: Requested documentation is included to support in attachment #9.

2. PSC Opinion: From the analysis and a review of CWIP at 12/31/93, the auditor determined that the design fees had been previously recorded as an expense or capitalized.

Utility Response: The Coloney Company fees are not a duplication of expenses, and have never been capitalized.

RESPONSE TO EXCEPTION NO. 15

SUBJECT: ERROR AND LACK OF SUMMARY DEPRECIATION RECORDS

COMMENTS:

1. PSC Auditor Statement of Fact: The utility does not maintain summary accumulated depreciation records. The utility records its depreciation on monthly journal entries.

PSC Auditor Opinion: Utility has not followed the uniform system of accounts by failing to maintain depreciation records which allow ready verification of transaction balances. This is a strategy which can be used to improperly overstate rate base.

Utility Response: SGI takes issue with the conclusion that it does not maintain summary accumulated depreciation records. SGI admits that it has been recording depreciation through monthly journal entries, but SGI cannot find where such an approach is not allowed under the USOA. At page 48 of the USOA for Class B Water Utilities, Paragraph D. under Account 108, Accumulated Depreciation of Utility Plant in Service, reads as follows:

The utility should maintain separate subaccounts corresponding with the depreciable plant accounts, in which the accumulated depreciation total is segregated.

SGI does maintain separate subaccounts and monthly entries to these accounts appear in the general ledger. Attached is a schedule titled Accumulated Depreciation Balances per General Ledger - 12/91 through 12/92. This schedule, taken directly from SGI's books, shows the monthly balance of accumulated depreciation by subaccount. SGI is in compliance with the USOA.

SGI takes exception with the allegation that SGI has a "strategy which can be used to improperly overstate rate base." This is a self serving, subjective opinion with no basis in fact. SGI provided the auditor with its general ledger, its depreciation records and a statement of how depreciation was determined. If, based on what was provided, the auditor concludes that it is not in keeping with the Commission's requirements, then the auditor should so state. SGI has not engaged in any "strategy" other than to do move forward to improve its records. As required by the Commission, SGI has filed monthly general ledger and trial balance information for the 2 1/2 year period May, 1991 through August, 1993, (which includes the test year) so that the Commission could monitor SGI's bookkeeping. During that 2 1/2 year period, when the Commission was supposedly monitoring and

auditing SGI's records, there was never any indication that the Staff believed the depreciation records were improper. To the contrary, orders issued by the Commission during that period indicated that SGI's books were in compliance with Commission requirements.

2. PSC Auditor Statement of Fact: The utility's filing Schedule A-9, page 1 of 2, reported accumulated depreciation balances do not match the books.

Utility Response: MFR Schedule A-9 shows net additions to accumulated depreciation in 1992 of \$65,873. The general ledger shows net additions of \$66,187. The difference of \$313 represents accrued depreciation on the utility's books for a truck in Account 341 which had already been retired. MFR Schedule A-9 matches the books in every other account. MFR Schedule A-9 does match Schedule W-5(a) of the Annual Report. The erroneous depreciation accrual is not reflected in the annual report.

3. PSC Auditor Statement of Fact: Audit staff has recalculated utility accumulated depreciation. A copy of this recalculation has been provided to the utility.

Utility Response: SGI has reviewed the work papers of the staff which recalculate accrued depreciation from December, 1987 forward. SGI does not object to the calculations therein nor with the resulting difference from the per books balance at the end of 1992, except as follows. The auditor indicates that a \$60,788 asset associated with the elevated tank is entered on the books as being in service in September, 1992 whereas the service date of other associated costs is September, 1991. The auditor is adjusting accumulated depreciation to reflect the earlier service date. For consistency, the auditor should make a similar adjustment to reduce accumulated depreciation associated with the \$4,090 in third well assets in Exception No. 12 that are being removed from 1990 plant in service to come on line as part of the third well proforma adjustment.

4. PSC Auditor Conclusion: Failure to provide proper books and records reduces the effectiveness of the Commission auditors.

Utility Response: SGI objects to the conclusion that it has failed to provide proper books and records, as per the above discussion. Any difference in the accumulated reserve results from a technical difference in calculating depreciation expense, not from improper books and records. SGI withhold its opinion as to the effectiveness of the Commission auditors, as it has yet to determine what it is that the auditors are trying to effect.

ATTACHMENT TO  
RESPONSE TO AUDIT EXCEPTION NO. 15

Audit Report

Docket No. 940109-WU  
St. George Island Utility Company, LTD (SGI)  
Application for Increased Rates in Franklin County





RESPONSE TO EXCEPTION NO. 16

SUBJECT: ERROR AND LACK OF SUMMARY CIAC AMORTIZATION RECORDS

COMMENTS:

1. PSC Auditor Statement of Fact: The utility does not maintain summary accumulated CIAC Amortization records. The utility records its depreciation on monthly journal entries.

Utility Response: See Response to Exception No. 15.

2. PSC Auditor Statement of Fact: Audit staff has recalculated utility accumulated amortization. A copy of this recalculation has been provided to the utility.

Utility Response: SGI has no objection to the recalculation of accumulated amortization.

RESPONSE TO EXCEPTION NO. 17

SUBJECT: IMPUTE CIAC

COMMENTS:

1. PSC Auditor Statement of Fact: A (sic) analysis of CIAC collected revealed the utility had 30 more connections listed at \$500 than were present in a prior audit. According to a reading of the utility's ledgers the entry was made in October 1991. Since June 1989, the utility was required to charge \$2,020 for each connection.

PSC Auditor Opinion: CIAC was set based upon the number of customers reported by the utility times the approved tariff rate. The utility has (sic) now reports more customers from this time period, but provides no timely support for this statement during audit field work. CIAC should be imputed in the full amount for 30 lots; 30 times \$1,520 or \$45,600.

Utility Response: SGI takes issue with the recommendation to impute CIAC for 30 lots at the currently prevailing service availability charge. Although the fees for the 30 lots in question were recorded on the books in 1991, they are fees for customers in service prior to 1987 for which fees had not been recorded.

In Order No. 21122, Docket No. 871177-WU, the Commission last established rates and charges for SGI, based on a test year ended December 31, 1987. In that and subsequent orders, the Commission required SGI to bring its books and records into compliance with Commission requirements. One area of concern was the lack of a specific, detailed CIAC ledger. In Order No. 23038, SGI admitted that "its past record-keeping practices (pre-1988) with respect to CIAC and maintenance of customer files have led to discrepancies and errors in its records, and that it has discovered several instances in which CIAC was either incorrectly recorded or not recorded at all." Beginning in 1990, SGI conducted an in depth audit of its customers, attempting to locate every customer on the system and associate a service availability charge with each customer. SGI has established an accurate record of CIAC received from customers since January 1, 1988. A service availability charge can be identified with each location served since that date. As a result of the in depth audit, SGI determined a mismatch between the customer count and recorded CIAC. Since SGI had an accurate record of service locations and service availability charges since 1988, the discrepancy can only be associated with pre 1988 customer locations. In October, 1991, SGI made a one time entry to voluntarily impute CIAC for these locations. CIAC was imputed at the old charge of \$500 per customer because these were locations with service in

existence prior to May, 1989, when the charge changed. SGI knows these locations were pre-existing because it has an accurate record of every location served since January, 1988. It did not have an accurate record of prior connections. As pointed out in Order No. 23038, the discrepancies was with "past record-keeping practices." Since the CIAC records for post 1987 are accurate, there is no basis for imputing a fee that did not become effective until 1989. It imposes an arbitrary penalty against the utility.

2. PSC Auditor Opinion: The utility is required to maintain support for its transactions. This utility has experienced difficulties in doing so. (Order No. 23649 page 9). Failing to provide timely support for a transaction usually indicates the issue will be resolved against the party with the burden of support.

Utility Response: SGI takes issue with the implication that because SGI admittedly had problems with past CIAC record-keeping, it must therefore continue to have problems, even in the face of the evidence provided, that supports every charge collected since 1987. If SGI had not voluntarily determined that charges associated with earlier services were understated and had not voluntarily imputed charges associated with those locations, the auditor would not even be aware that a discrepancy existed. SGI stands by its statements as to the accuracy of its CIAC listing since 1987, which has been made available to the auditor.

RESPONSE TO EXCEPTION NO. 18

SUBJECT: CIAC - FIRE HYDRANTS

COMMENTS:

1. PSC Auditor Statement of Fact: In the utility's last rate case Audit Exception No. 7 stated: "It was noted that the utility received \$9,250 in 1987 for fire hydrants installed for the local fire department....." The utility recorded the \$9,250 in 1987 as non-utility revenue.

Commission Order 21122 setting rates in the last case does not resolve this reported audit exception.

Utility Response: SGI is at a loss as to the implication of these statements. To say that Order 21122 does not "resolve" the audit exception is an understatement. Order 21122 does not even address the subject. In the two and one-half pages of the order devoted to a discussion of CIAC, there is no mention of fire hydrant fees. In the five pages devoted to Net Operating Income there is no mention of the fees. Schedule 1-B of the order summarizes the adjustments to rate base. There is no adjustment to plant or to CIAC related to fire hydrants. Schedule 3-B of the order summarizes the adjustments to the operating statement. There is no adjustment for fire hydrants. SGI is unable to respond because we cannot even tell if Staff made this an issue in the last rate case. Without further information, it is assumed that this issue, along with all other issues in that case, were given due consideration by the Commission in the decision reflected in Order No. 21122. It is SGI's position that this case starts with the last authorized rate base and moves forward.

2. PSC Auditor Opinion: During field work (1987 and 1992), \$13,250 was reported associated with the acceptance of hydrants. Other years were not tested due to a limit on available staff audit time. It is the auditor's opinion that the utility has pursued a program of collecting fees for installing hydrants. The auditor found no provision in the utility's tariff to collect hydrant fees.

Utility Response: SGI takes issue with the conclusion that SGI "has pursued a program of collecting fees for installing hydrants." In general, hydrants were included as a part of the design of the water distribution system and were a part of the utility's investment in the system. However, SGI does not believe it is obligated to install additional hydrants upon the request of the volunteer fire department or any other individuals, unless they assume financial responsibility for those additional hydrants. That the PSC staff also shares this concern is indicated in the February 17, 1992 letter to

SGI from Mr, Hill, Director of the Division of Water and Wastewater. SGI has installed hydrants from time to time at the request of the volunteer fire department, upon receipt of payment for the cost of their installation. This "policy" is supported by and is in fact recommended by Staff. In his February 17, 1992 letter, a copy of which was provided to the auditor during the audit, Mr. Hill told SGI that the staff believes future requests for fire hydrants by the fire department should be handled as a contractual agreement, that the hydrant should be paid for by the fire department and it should be donated to the utility. SGI now enters into an agreement with the fire department and a fee is collected in accordance with the agreement. In the past, any such installation was based on an oral rather than a written agreement. If SGI is pursuing a policy of collecting fees, then the Division of Water and Wastewater is a party to this pursuit.

SGI believes it is ludicrous for the auditor to conclude that because SGI may require the volunteer fire department, or any other individual, to pay for specifically requested hydrants, that therefore all hydrants on the system were contributed. And SGI questions the genuineness of staff's reliance on the claim that "other years were not tested due to a limit on available staff audit time." We have no indication that SGI was even requested to research prior years to see if any fees for hydrant installation were received and if so how they were booked. In this exception, the auditor is flippantly recommending a write off of a \$50,000 invested in hydrants. Yet in six months of audit work, when there was time to track down \$10.00 and \$20.00 phone calls and toll charges, we are being told that there was no time to request the utility to provide detail for other operating revenue and non-utility revenue for the four years 1988 - 1991, to see if hydrant fees were indeed being collected and improperly booked.

SGI has pursued that search and has found that fees for fire hydrants were collected as either utility or non-utility revenue in three instances. In 1988, the amount of \$1,500 was collected from the volunteer fire department. In 1991 the amount of \$6,000 was collected from the volunteer fire department. Also in 1991, \$1,500 was collected from Higdon and Bates, a joint venture that requested a specific hydrant be added to the system. SGI acknowledges that such fees should all have been collected through written rather than oral agreements as the Staff recently recommended, and any future requests for specific hydrant additions will be by written agreement. SGI also acknowledges that the fees received should have been booked as CIAC, and the books should be corrected to reflect that. However, SGI has also determined that the cost of the hydrants installed in each of these instances were expensed and never recorded as plant in

service. Therefore, rate base has not been overstated. Correcting entries to record these fees as CIAC must be accompanied by offsetting entries to record to plant in service, the cost of the hydrants, installed.

3. PSC Auditor Opinion: It is very clear CIAC is present that is not reported.

and

PSC Auditor Statement of Fact: The utility has made no adjustment for hydrants to its CIAC in this filing.

Utility Response: SGI takes issue with the auditor's opinion. It is very clear that CIAC was reported regarding the fee collected under contract in 1992. The auditor even quotes Mr. Seidman's explanation from his prefiled testimony that the fee was improperly booked as revenue and should be booked as CIAC. The explanation could not be more straight forward.

SGI takes issue with the statement that the utility has made no adjustment for fire hydrants to its CIAC in this filing. The MFR clearly reclassifies the \$4,000 fee received in 1992 from revenue to CIAC, with the explanation that the hydrants had not yet been installed (are not in plant) and are not in use during the test year. Therefore the \$4,000 was not added to CIAC during the test year. If it were, it would have no plant offset and would understate rate base. It will be reclassified to CIAC on the books, but for rate making purposes, it and the corresponding plant are outside of the test period.

With regard to the fees collected for hydrants in 1988 and 1991, neither CIAC nor plant were recorded, as explained above. Adjustments to reflect this would be offsetting and have no impact on rate base or expenses.

There is no basis for imputing CIAC against any of the existing amount of plant recorded as hydrants.

RESPONSE TO AUDIT EXCEPTION NO. 19

SUBJECT: CIAC PER AGREEMENT

COMMENTS:

1. PSC Auditor Statement of Fact: A Settlement Agreement made on September 3rd, 1992 by and between ... (Brown and Affiliates)... The Association will pay .... as follows: .... \$65,000 will be advanced to the St. George Island Utility Company, Ltd to be used strictly for capital improvements ....

PSC Auditor Opinion: The \$65,000 is to be considered CIAC and should have been recorded as reflected.

Utility Response: SGI disagrees that the \$65,000 advanced under the referenced agreement can in any way be construed as a contribution to the utility.

Paragraph 6 of the agreement states in its entirety:

6. The Association will pay Brown and affiliates the sum of \$100,000.00 as follows: \$20,000 upon the closing of this agreement; \$10,000 on November 1, 1992; \$10,000 on December 1, 1992; \$10,000 on January 1, 1993; \$20,000 on March 1, 1993; \$5,000 on April 1, 1993; \$5,000 on May 1, 1993; \$5,000 on June 1, 1993; \$5,000 on July 1, 1993; \$5,000 on August 1, 1993; and \$5,000 on September 1, 1993. These funds will be used as follows: (a) \$35,000 will be paid to Stanley Bruce Powell for his legal fee in representing Brown and affiliates in the above referenced litigation; and (b) \$65,000 will be advanced to the St. George Island Utility Company, Ltd. to be used strictly for capital improvements to enhance and increase the flow and pressure of the St. George Island water system, including the installation of a new altitude valve and high speed turbine pump pursuant to the recommendations of Baskerville-Donovan, the utility's engineers.

Reading the paragraphs referenced by the Staff, in the context of the entire Agreement, it is clear that the Agreement intends the \$65,000 to be advanced and not contributed by Brown and Affiliates to the utility so that it may move forward with capital improvements that will alleviate flow and pressure problems. There is no implication that the money be given to SGI. Certainly, if the intention was to give money to the utility, the agreement would have said \$65,000 will be "given" or "donated" or "contributed". The parties to this agreement had knowledge of the terms available for their use in formulating the agreement. Further, Mr. Brown, a signatory of the referenced Agreement avers that the intent of the Agreement was for Brown and Affiliates to advance and not

donate funds to the utility, so that it could move forward with capital improvements. By any stretch of the imagination, an advance is not a contribution.

advance - to furnish or supply (money or goods) on credit. a sum of money or quantity of goods furnished on credit. The Random House Dictionary of the English Language, College Edition, 1968.

advance - to loan; to furnish capital in aid of a projected enterprise, in expectation of return from it; to furnish money for a specific purpose understood between the parties, the money or sum equivalent to be returned; furnishing money or goods for others in expectation of reimbursement. Black's Law Dictionary, Revised Fourth Edition, 1968.

advances for construction - This account shall include advances by or in behalf of customers for construction which are to be refunded either wholly or in part. 1984 Uniform System of Accounts for Class B Water Utilities.

It should be noted that the flow of funds outlined in the Agreement would result in no more than \$5,000 being available during the 1992 test period. That is because only \$40,000 was to be received by the end of 1992, and of that amount, the first \$35,000 appears committed to payment of Stanley Bruce Powell.

According to the Agreement, the utility did not have access to the full \$65,000 advance until September 1, 1993. SGI would consider as reasonable, an adjustment to rate base to recognize the impact of a \$5,000 advance for construction in December, 1992. Since we are using a beginning/ending balance average test year, the impact would be to reduce rate base by \$2,500. At present, the monies received by SGI show up only as loans from G. Brown. However, the amounts associated with this agreement can be separated out, and be recorded as a repayable non-interest bearing advance.

It should also be noted that the Utility Company is not a party to the lawsuit and is not a party to the agreement. The best evidence of the intent of the parties would be from the parties involved themselves. Both Brown and Affiliates have all stated that the intent was for a loan or advance and not as a gift or contribution. This is the way this transaction has been handled on the books and records of all parties concerned, and the Commission has no power or authority to arbitrarily change the substance of this transaction so as to



penalize the Utility which was not a party to either the lawsuit or the agreement.

RESPONSE TO AUDIT EXCEPTION NO. 20

SUBJECT: ADVANCES FOR CONSTRUCTION

COMMENTS:

SGI does not take issue with this exception.

RESPONSE TO AUDIT EXCEPTION NO. 21

SUBJECT: ADJUSTMENT TO CHEMICALS

COMMENTS:

SGI does not take issue with this exception.

RESPONSE TO AUDIT EXCEPTION NO. 22

SUBJECT: ADJUSTMENT TO MATERIAL AND SUPPLIES

1. STATEMENT OF FACT: The Schedule on the following page presents costs charged to the Material and Supplies Account No. 620.

PSC Auditor Opinion: Description and remarks are the opinions of the auditor and not the utility. Amounts on the following page listed "adjusted expense" should be removed from the cost of service in this rate case.

Utilities Response: Attached, please find the required documentation for the below listed Materials and Supplies Expense.

<u>Auditor</u>	<u>Ref Date</u>		
	6/30/92	SGI Expense Paid by ABC	\$183.51
	6/30/92	SGI Expense Paid by ABC	5.50
	7/10/92	Hank Garrett	134.39
	9/10/92	Hank Garrett	175.49
	9/10/92	Hank Garrett	35.52

ATTACHMENT TO  
RESPONSE TO AUDIT EXCEPTION NO. 22

Audit Report

Docket No. 940109-WU  
St. George Island Utility Company, LTD (SBI)  
Application for Increased Rates in Franklin County

401620.1 6/92  
 JE = 6  
 EXECUTIVE OFFICE SUPPLY  
 P.O. BOX 4109  
 TALLAHASSEE, FL 32315

287955

Customer's Order No. \_\_\_\_\_ DATE 6/25 1992

SOLD TO \_\_\_\_\_

ADDRESS \_\_\_\_\_

SALESMAN PC TERMS CK# 2016

CASH	CHARGE	C. O. D.	PAID OUT	RETD. MDSE.	RECD. ON ACCT.
------	--------	----------	----------	-------------	----------------

QUAN.	DESCRIPTION	PRICE	AMOUNT
107	4400 Comp. Paper		39 00
105	Letter Copy Paper		29 00
100	Ring Binders (Sale)	5.39	32 34
200	6N 320-0 Ribbons	1.95	39 90
100	Clear Sign		4 50
100	Letter Clip Bd.	1.84	10 80
200	42-551 Labels	9.89	19 78
200	BR800 Ribbons	1.19	2 38
100	#174-2 pencils	3.36	3 36
100	GM11-BK		3 72
100	PF-2135C	.93	5 58
			190 36
			19 04
			171 32
			11 99
			183 31

ALL Claims and Returned Goods MUST Be Accompanied By This Bill

SIGNATURE \_\_\_\_\_

6/30/92 JE 02-10

JE 02-10  
 1457  
 Office  
 Mark

025.40

# FLORIDA PUBLIC SERVICE COMMISSION

101 East Gaines Street  
Tallahassee, Florida 32399-0850

80130

Date: 6/4/92

To: ST. GEORGE ISLAND UTILITY COMPANY  
ATTN: ANNIE

This Number must appear on  
all checks or correspondence  
regarding this invoice.

Date Paid 6/24/92 PSC Signature V. Moore  
Amount Paid 5.50  Check  Cash  
Check # 1960

QUANTITY	DESCRIPTION	PRICE	AMOUNT
1 ONLY	PSC TAPE JUNE 2, 1992 ITEM #33	@5.50	\$5.50
<b>TOTAL</b>			<b>\$5.50</b>

PSC/RAR 8 (REV 7/90)

Part of #265-00

# INVOICE

4820

**BARRETT SUPPLY**

6900 Phillips Hwy., Unit #18  
JACKSONVILLE, FLORIDA 32216-6058

(904) 296-1041

TO

St. GEORGE ISLAND Utility Co.  
1 GULF BEACH DR.  
ST. GEORGE ISLAND, FL 32328

DATE 7/7/92	ORDER NO.
SHIP TO HANK GARRETT	

QTY	DATE SHIPPED	SHIP BY	TO ORDER POINT	TERMS	UNIT PRICE		
	7/7/92	UPS	JAY	C.O.D.			
1	CHEATEK 200 SERIES FACE					130	39
2	BOLTS						
			C.O.D. UPS.				400
			TOTAL			134	39
Clz Booster Sta in plantation							

ORIGINAL ck # 368 7/10 +

Thank You



# CONSOLIDATED ELECTRIC SUPPLY

325 Reid Avenue  
Port St. Joe, Florida 32456  
Phone: (904) 227-7373

NO. CA-PSJ- 09366

284

BELLE GLADE • BRADENTON • BROOKSVILLE • DAYTONA BEACH • DELRAY BEACH • FT. LAUDERDALE • FT. MYERS • FT. PIERCE • GULF BREEZE • HOLLYWOOD  
HOMESTEAD • JACKSONVILLE • KEY WEST • MARIETTA • MELBOURNE • MIAMI • NAPLES • NEW PORT RICHEY • ORLANDO • PANAMA CITY • PENSACOLA  
PINELLAS PARK • PORT CHARLOTTE • PORT SAINT JOE • SARASOTA • STUART • TAMPA • WEST PALM BEACH • WINTER HAVEN • WOODSTOCK • WYOMING

DATE: 9/10/92

SOLD TO: S. J. ...  
ADDRESS: \_\_\_\_\_  
CITY/STATE/ZIP: \_\_\_\_\_  
PHONE NO.: 927-2648

CUSTOMER ORDER NO. \_\_\_\_\_ JOB NAME/NO. \_\_\_\_\_ SHIP VIA OT DELV. BY Charlie ASSEMBLED BY CE WRITTEN BY CE CHECKED BY \_\_\_\_\_

ITEM NO.	DISC. %	QUANTITY		MANUFACTURER	CATALOG NO.	DESCRIPTION	UNIT PRICE	UNIT	AMOUNT
		ORDERED	SHIPPED						
1		10	10	Y...			73.50	M	735
2		30	30	#4			28.90	M	867
3		2	2	Ger-Kao Clamp			79.95	E	159
4		10	10	LEV-1305-3			14.52	C	145.2
5		1	1	SJD Q020-30			147.64	E	147.64
6				Q020 US			18.28	E	18.28
8		1	1	Kelvin's Q0124125			-32.47	E	-32.47

**CASH SALE / C.O.D.**

TAX EXEMPT SALES: UNLESS CUSTOMER'S RESALE CERTIFICATE IS ON FILE, TAX MUST BE CHARGED. EXEMPT NUMBER MUST BE ENTERED BELOW.

PAID BY:  CASH  CHECK/NO. 134

RECEIVED BY: Hank ...

165.56  
9.93  
175.49

NOTE: RETURNS: MERCHANDISE WILL NOT BE ACCEPTED FOR RETURN UNLESS ACCOMPANIED BY ORIGINAL INVOICE. RETURNED WITHIN FIVE DAYS OF PURCHASE. MATERIAL MUST BE IN A RESALABLE CONDITION. RETURNS ARE SUBJECT TO RESTOCKING CHARGE. FIXTURE DISCLAIMER: BRASS LIGHTING FIXTURE FINISHES CANNOT BE GUARANTEED. CUSTOMER RECOURSE IS SUBJECT TO TERMS OF PARTICULAR MANUFACTURER'S WARRANTY.

Hank Garrett

ck #

\$

401620.2

ck # 503

9/92

175.49

Consolidated Electric Supply

35.52

\$ 211.01



CONSIGNEE RECEIPT

C.O.D.  
AMOUNT

DOLLARS	CENTS
\$ 35	52

ALTERNATE CONTROL NO

184391

CHECK HERE  
IF CASH ONLY  
SEE INSTRUCTIONS

SHIPPER NO

DATE RECEIVED

RECEIVED BY

RESPONSE TO AUDIT EXCEPTION NO. 23

SUBJECT: INSURANCE

COMMENTS:

1. STATEMENT OF FACT: MFR Schedule B-3 Page 7 of 8, Utility requested an adjustment to test year O & M expense for Insurance.

	<u>Requested Adjustment</u>
Account 657 - Insurance - General Liability	\$17,000
Account 658 - Insurance - Workmen's Compensation	4,000
Account 659 - Insurance (Property)	15,520

The Utility obtained only one proposal from Dodd-Jones Insurance, Inc.

The Limited Partnership Certificate and Agreement of St. George Island Utility Company, Ltd., ARTICLE XIII, No. 13.1, Insurance Coverage, states, "The Partnership shall maintain fire, casualty, liability and property damage insurance in amounts customary with the venture to be undertaken by the Partnership and consistent with sound business practice."

PSC Auditor Opinion: As of April 1, 1994, the Utility has not implemented the above insurance.

The utility obtained only one proposal.

The Limited Partnership is in violation of its Article XIII, Insurance Coverage.

Utility Response: Again we reiterate that it is the purpose of this proceeding to show that additional expenditures are necessary if SGI is to meet all the requirements consistent with sound business practice. At this time, based on SGI's current revenue, insurance is not obtainable. Additional quotes for insurance will be supplied.

RESPONSE TO AUDIT EXCEPTION NO. 24

SUBJECT: CONTRACTUAL SERVICES - OTHER

COMMENTS:

SGI includes support for the Eastpoint workmen for \$500, SGI does not take issue with the balance of this exception.

ATTACHMENT TO  
RESPONSE TO AUDIT EXCEPTION NO. 24

Audit Report

Docket No. 940109-WU  
St. George Island Utility Company, LTD (SGI)  
Application for Increased Rates in Franklin County

Eastpoint Water Works  
3005 Island Drive  
Eastpoint, FL 32328

INVOICE

Assisted St. George Island Utility Company employees to repair  
leaks at:

Well #1 (2 men)	\$200.00
8" Main leak right before Bridge (3 men)	<u>\$300.00</u>
Total	\$500.00

Paid 2-26-92  
Check #1705



A B MANAGEMENT ACCOUNT

838 KILLEARN ACCOUNT  
TALLAHASSEE, FL 32308

1705

83-88/831  
BRANCH 003

PAY TO THE ORDER OF

*Cash*

*2-26* 19 *92*

*Five Hundred &*

\$ *500.00*



FIRST NATIONAL BANK  
CAPITAL CITY GROUP  
588 THOMASVILLE ROAD  
TALLAHASSEE, FLORIDA 32308

**PAID**  
FEB 27 92

CAPITAL CITY BANK GROUP

000822 02 27 92  
005310 7623  
0295 \$500.00 CC

FOR

*LABOR FOR ER*

⑆001705⑆ ⑆063100688⑆

6215672101

⑆0000050000⑆

RESPONSE TO AUDIT EXCEPTION NO. 25

SUBJECT: BACKHOE

COMMENTS:

SGI does not take issue with this exception.



RESPONSE TO AUDIT EXCEPTION NO. 26

SUBJECT: ADJUSTMENT TO MISCELLANEOUS EXPENSE

COMMENTS:

S&I does not take issue with this exception.

RESPONSE TO AUDIT EXCEPTION NO. 27

SUBJECT: PER BOOK 1992 DEPRECIATION EXPENSE

COMMENTS:

1. PSC Auditor Statement of Fact: The utility reported its per book depreciation expense in MFR B-1 Schedule 1 as \$39,026. According to the utility general ledger, 1992 depreciation expense was \$40,276

PSC Auditor Opinion: The utility failed to report its per book depreciation expense in its filing.

Utility Response: The statement of fact is incorrect. The \$ 39,026 referred to on MFR Schedule B-1, is depreciation expense, net of CIAC amortization. The amount of depreciation expense reported is \$65,874 and is shown on MFR Schedule B-13, page 1. The amount reported in the general ledger is 67,124. The difference of \$1,250 is all related to Account 341.5, Transportation Equipment and is composed of the following:

Recoding of a loss related to a retired truck	\$ 937.17
Accrued expense on the truck after it was retired	<u>312.87</u>
	\$1,250.04

The \$65,874 reflects the correct depreciation expense, although staff is technically correct in that it is not the amount reflected in the general ledger. SGI takes issue with the characterization that it "failed" to report its per book depreciation expense. SGI did show the per book depreciation expense without the aforementioned adjustments related to one subaccount.

2. PSC Auditor Opinion: Also the auditor contends the utility's per book depreciation expense in (sic) incorrect. The auditor's recalculated 1992 depreciation expense as (sic) \$44,548.

Utility Response: SGI does not disagree that the annual depreciation expense does not reflect the depreciable lives allowed in the last case. If those lives are applied to the 1992 primary account average balances, the depreciation expense calculation is \$75,193. This calculation (copy attached) was provide to the auditor on October 24, 1993. I assume that the \$44,548 is supposed to be net of CIAC amortization. If so, we would disagree with that amount and substitute \$37,676 as reflected on the attachment.

Net Water Depreciation Expense  
 Company: St. George Island Utility Co., Ltd  
 Docket No.: 930770-WU  
 Test Year Ended: 12/31/92  
 Historic [X] or Projected [ ]

Explanation: Provide a schedule of test year depreciation expense non-used & useful by primary account.

Recap Schedules: B-1

Florida Public Service Commission  
 Schedule B-13  
 Page 1 of 4  
 Preparer: Seidman, F.  
 Supporting Schds: A-5, B-13

Line No.	(1) Account No. and Name	(2) 1992 Avg. Plant in Service <i>UNADJUSTED</i>	(3) Life	(4) Depreciation Rate Rate %	(5) 1992 Depreciation Expense Per Book	(6) Adjustment	(7) Calculated Expense <i>ON UNADJUSTED BALANCE</i>
1	INTANGIBLE PLANT						
2	301.1 Organization						
3	302.1 Franchises						
4	339.1 Other Plant & Misc. Equipment						
5	SOURCE OF SUPPLY AND PUMPING PLANT						
6	303.2 Land & Land Rights	15,455					
7	304.2 Structures & Improvements	33,538	26	3.85%	1,055	235	1,290
8	305.2 Collect. & Impound. Reservoirs						
9	306.2 Lake, River & Other Intakes						
10	307.2 Wells & Springs	98,496	27	3.70%	3,316	332	3,648
11	308.2 Infiltration Galleries & Tunnels						
12	309.2 Supply Mains	210,024	32	3.13%	5,928	635	6,563
13	310.2 Power Generation Equipment	14,406	17	5.88%	741	106	847
14	311.2 Pumping Equipment	43,961	17	5.88%	2,263	323	2,586
15	339.2 Other Plant & Misc. Equipment						
16	WATER TREATMENT PLANT						
17	303.3 Land & Land Rights	5,000					
18	304.3 Structures & Improvements						
19	320.3 Water Treatment Equipment	19,711	17	5.88%	924	235	1,159
20	339.3 Other Plant & Misc. Equipment						
21	TRANSMISSION & DISTRIBUTION PLANT						
22	303.4 Land & Land Rights	11,587					
23	304.4 Structures & Improvements						
24	330.4 Distr. Reservoirs & Standpipes	350,557	33	3.03%	8,320	2,303	10,623
25	331.4 Transm. & Distribution Mains	1,363,508	38	2.63%	32,399	3,483	35,882
26	333.4 Services	168,472	35	2.86%	4,302	511	4,813
27	334.4 Meters & Meter Installations	82,872	17	5.88%	4,041	834	4,875
28	335.4 Hydrants	73,506	40	2.50%	1,664	174	1,838
29	339.4 Other Plant & Misc. Equipment	26	15	6.67%		2	2
30	GENERAL PLANT						
31	303.5 Land & Land Rights						
32	304.5 Structures & Improvements						
33	340.5 Office Furniture & Equipment	10,264	15	6.67%	593	91	684
34	340.51 Computer Hardware/Software						
35	341.1 Transportation Equipment						
36	342.5 Stores Equipment						
37	343.5 Tools, Shop & Garage Equipment	441	15	6.67%	28	1	29
38	344.5 Laboratory Equipment						
39	345.5 Power Operated Equipment						
40	346.5 Communication Equipment						
41	347.5 Miscellaneous Equipment	5,302	15	6.67%	300	53	353
42	348.5 Other Tangible Plant						
43	TOTAL DEPRECIATION EXPENSE				65,874	9,319	75,193
44	LESS: AMORTIZATION OF CIAC				26,848	11,915	37,517
45	LESS: NON-USED AND USEFUL				0	0	0
46	NET DEPRECIATION EXPENSE-WATER				39,026	( 2,595)	37,676



From Page 8

Col 7

(Modified Spreadsheet Use Same)

RESPONSE TO AUDIT EXCEPTION NO. 28

SUBJECT: TAXES OTHER THAN INCOME

COMMENTS:

S&I does not take issue with this exception.

RESPONSE TO AUDIT DISCLOSURES

COMMENTS:

1. St. George Island Utility Company does not agree with many of the "disclosures" and may want to respond at a later date, if any of these items develop as issues in the rate case.