State of Florida

Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: November 15, 2002
TO: Division of Economic Regulation (Kyle)
FROM: Division of Auditing and Safety (Vandiver)
RE: **Docket No.** 020071-WS; **Company Name:** Utilities Inc. of Florida; **Audit Purpose:** audit rate base, capital structure and net operating income for the approved historic test year ended December 31, 2001; **Audit Control No.** 02-249-3-1

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING

Orlando District Office

UTILITIES, INC. OF FLORIDA

PETITION FOR RATE RELIEF

MARION COUNTY
ORANGE COUNTY
PASCO COUNTY
PINELLAS COUNTY
SEMINOLE COUNTY

HISTORICAL PERIOD ENDED DECEMBER 31, 2001

DOCKET NO. 020071-WS
AUDIT CONTROL NO. 02-249-3-1

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DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT

NOVEMBER 5, 2002

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying schedules of Rate Base, Net Operating Income, and Capital Structure for the historical 12-month period ended December 31, 2001, for Utilities, Inc. of Florida's water and wastewater operations located in Marion, Orange, Pasco, Pinellas, and Seminole Counties, Florida. These schedules were prepared by the utility as part of its petition for rate relief in Docket No. 020071-WS.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report.

Scanned - The documents or accounts were read quickly looking for obvious errors.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Reviewed - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied and account balances were tested to the extent further described.

Verified - The item was tested for accuracy and compared to substantiating documentation.

RATE BASE: Examined account balances for utility-plant-in-service (UPIS), land, plant-held-for-future-use (PHFU), contributions-in-aid-of-construction (CIAC), accumulated depreciation (AD), accumulated amortization of CIAC (AAC), and working capital (WC) for the following counties and systems as of the indicated date. Reconciled rate base balances authorized in the indicated Commission Orders to the respective December 31, 2001 general ledger balance.

County	System(s)	Type	As of Date	Docket No.	Order No.	Issue Date
Marion	All	WS	12/31/1992	930826-WS	PSC-94-0739-FOF-WS	06/16/1994
Orange	All	WU	12/31/1993	940917-WS	PSC-95-0574-FOF-WS	05/09/1995
Pasco	Orangewood	WU	12/31/1993	940917-WS	PSC-95-0574-FOF-WS	05/09/1995
Pasco	Summertree PPW	WS	04/30/1991	920834-WS	PSC-93-0430-FOF-WS	03/22/1993
Pasco	WisBar/Bartelt	WS	06/15/2000	000793-WS	PSC-01-1655-PAA-WS	08/13/2001
Pinellas	All	WU	12/31/1992	930826-WS	PSC-94-0739-FOF-WS	06/16/1994
Seminole	All	WS	12/31/1993	940917-WS	PSC-95-0574-FOF-WS	05/09/1995

NET OPERATING INCOME: Compiled utility revenues and operating and maintenance accounts for the year ended December 31, 2001. Chose a judgmental sample of customer bills and recalculated using FPSC-approved rates. Chose a judgmental sample of operation and maintenance expenses (O&M) and examined the invoices for supporting documentation. Reviewed the allocation of O&M expenses from Water Service Corporation (WSC) and Utilities, Inc. of Florida (UIF) cost centers to the respective counties and verified the accuracy of company allocations based on company-provided allocation schedules. Tested the calculation of depreciation and CIAC amortization expense. Examined support for taxes other than income and income taxes.

CAPITAL STRUCTURE: Compiled the components of the capital structures for the year ended December 31, 2001. Agreed interest expense to the terms of the notes and the bonds. Reconciled note balances at December 31, 2001, to supporting documentation.

OTHER: Audited the utility's December 31, 2001, Regulatory Assessment Fee Returns.

Exception No. 1

Subject: **Rate Base Water - Adjustment to Prior Orders**

Statement of Fact: Commission Order No. PSC-93-0430-FOF-WS, issued March 22, 1993, established the following rate base balance for the Pasco County (Summertree PPW) water system as of April 30, 1991.

Utility-Plant-in-Service (UPIS)	$776,573
Land	4,685
Plant-Held-for-Future-Use (Net of Acc. Dep.)	20,075
Acc. Dep.	(200,300)
CIAC	(473,010)
Accumulated Amortization of CIAC	114,744
Rate Base	$242,767

Commission Order No. PSC-94-0739-FOF-WS, issued June 16, 1994, required the following rate base adjustments to the Marion and Pinellas Counties water systems.

	Action	Account	Amount
Marion County	Decrease	UPIS	$10,241
	Increase	Land	$4,467
	Decrease	Acc. Dep.	$1,005
Pinellas County	Decrease	UPIS	$27,671
	Decrease	Land	$3,701
	Increase	Acc. Dep.	$1,316

Commission Order No. PSC-95-0574-FOF-WS, issued May 9, 1995, required the following rate base adjustments to the Orange, Pasco (Orangewood), and Seminole Counties water systems.

	Action	Account	Amount
Orange County	Increase	UPIS	$10,805
	Increase	Acc. Dep.	$7,981
Pasco (Orangewood)	Increase	UPIS	$5,479
	Decrease	Land	$540
	Increase	Acc. Dep.	$803
Seminole	Increase	UPIS	$65,148
	Decrease	Land	$513
	Increase	Acc. Dep.	$54,589

Exception No. 1, continued

Commission Order No. PSC-01-1655-PAA-WS, issued August 13, 2001, established the following rate base balance for the Pasco County (WisBar/Bartelt) water systems as of June 15, 2000.

Utility-Plant-in-Service	$264,632
Land	2,910
Accumulated Depreciation	(191,029)
Contributions-in-Aid-of-Construction (CIAC)	(12,627)
Accumulated Amortization of CIAC	8,163
Rate Base	$72,049

Recommendation: The utility made several adjustments in its general ledger in 1995 to record the two ordered rate base adjustments discussed above. In several instances the utility incorrectly adjusted the wrong account or used an incorrect amount. The accounts affected and the audit staff's corrections to those adjustments are illustrated on Schedules A through E that follow.

According to utility records, it recorded the acquisition of the Pasco County(Summertree PPW) water system in its 1990 general ledger prior to rate base being established in Order No. PSC-93-0430-FOF-WS. The utility did not make any adjustments to that initial balance following the issuance of this Order. The accounts affected and the audit staff's corrections are illustrated on Schedule F that follows.

According to utility representatives, it did not record the acquisition of the Pasco County (WisBar/Bartelt) water system in its general ledger until 2002 which was after the test year ended December 31, 2001. The accounts affected and the audit staff's corrections are illustrated on Schedule G that follows.

Additionally, the above audit staff adjustments will affect the accumulated depreciation and accumulated amortization of CIAC balances as of December 31, 2001, as well as the depreciation expense and amortization of CIAC expense balances for the 12-month period ended December 31, 2001. Furthermore, the audit staff has calculated additional accumulated depreciation and accumulated amortization of CIAC adjustments for the Pasco County wastewater systems at Summertree PPW and WisBar based on its adjustments to rate base as of the respective transfer dates. These audit staff's adjustments can be found on Schedule H that follows.

The Commission should require the utility to record the calculated audit staff's adjustments to the prior Orders as indicated in the following schedules.

Schedule A, for Exception No. 1
Marion County - Water

Acct. No.	Acct. Description	Order Adjustment	Utility Adjustment	Audit Staff Adjustment
108	Accumulated Depreciation	$1,005	$0	$1,005
301	Organization	(2,192)	0	(2,192)
303	Land	4,467	0	4,467
304	Structures & Improvements	(12,125)	0	(12,125)
309	Supply Mains	1,371	0	1,371
310	Power Generation Equipment	19,696	0	19,696
311	Pumping Equipment	(21,978)	61	(22,039)
320	Water Treatment Equipment	(206)	126	(332)
330	Distribution Reservoirs & Standpipes	(3,599)	0	(3,599)
331	Transmission & Distribution Mains	19,052	0	19,052
333	Services	(2,694)	835	(3,529)
334	Meters & Meter Installations	0	3,051	(3,051)
340	Office Furniture & Equipment	1,016	0	1,016
341	Transportation Equipment	3,922	0	3,922
348	Other Tangible Plant	(12,504)	0	(12,504)
	Net Change	($4,769)	$4,073	($8,842)

Schedule B, for Exception No. 1
Orange County - Water

Acct. No.	Acct. Description	Order Adjustment	Utility Adjustment	Audit Staff Adjustment
108	Accumulated Depreciation	($7,981)	($16,273)	$8,292
301	Organization	7,734	7,734	0
303	Land	0	0	0
304	Structures & Improvements	25	25	0
311	Pumping Equipment	61	61	0
320	Water Treatment Equipment	201	201	0
330	Distribution Reservoirs & Standpipes	(361)	(361)	0
331	Transmission & Distribution Mains	(1,574)	(1,574)	0
333	Services	1,753	1,753	0
334	Meters & Meter Installations	9,994	9,994	0
335	Hydrants	28	28	0
343	Tools, Shop, & Garage Equipment	445	0	445
348	Other Tangible Plant	(7,501)	0	(7,501)
	Net Change	$2,824	$1,588	$1,236

Schedule C, for Exception No. 1
Pasco (Orangewood) County - Water

Acct. No.	Acct. Description	Order Adjustment	Utility Adjustment	Audit Staff Adjustment
108	Accumulated Depreciation	($803)	($32,526)	$31,723
272	Amortization of CIAC	0	13,837	(13,837)
303	Land	(540)	(540)	0
304	Structures & Improvements	1,495	1,495	0
307	Wells & Springs	11,398	11,398	0
311	Pumping Equipment	(2,966)	(2,840)	(126)
320	Water Treatment Equipment	263	305	(42)
333	Services	1,659	2,180	(521)
334	Meters & Meter Installations	8,100	11,578	(3,478)
340	Office Furniture & Equipment	254	254	0
343	Tools, Shop, & Garage Equipment	(1,817)	0	(1,817)
348	Other Tangible Plant	(12,907)	0	(12,907)
	Net Change	$4,136	$5,141	($1,005)

Schedule D, for Exception No. 1
Pinellas County - Water

Acct. No.	Acct. Description	Order Adjustment	Utility Adjustment	Audit Staff Adjustment
108	Accumulated Depreciation	($1,316)	($50)	($1,266)
301	Organization	(17,785)	0	(17,785)
303	Land	(3,701)	0	(3,701)
304	Structures & Improvements	3,701	0	3,701
307	Wells & Springs	0	1,500	(1,500)
310	Power Generation Equipment	1,170	0	1,170
311	Pumping Equipment	(1,307)	92	(1,399)
320	Water Treatment Equipment	0	31	(31)
330	Distribution Reservoirs & Standpipes	(1,176)	0	(1,176)
333	Services	0	382	(382)
334	Meters & Meter Installations	(31)	975	(1,006)
348	Other Tangible Plant	(12,243)	0	(12,243)
	Net Change	($32,688)	$2,930	($35,618)

Schedule E, for Exception No. 1
Seminole County - Water

Acct. No.	Acct. Description	Order Adjustment	Utility Adjustment	Audit Staff Adjustment
108	Accumulated Depreciation	($54,589)	($156,486)	$101,897
301	Organization	49,606	49,094	512
303	Land	(513)	0	(513)
304	Structures & Improvements	155	155	0
307	Wells & Springs	(4,890)	(6,390)	1,500
311	Pumping Equipment	1,056	1,056	0
320	Water Treatment Equipment	1,375	1,375	0
330	Distribution Reservoirs & Standpipes	(220)	(220)	0
331	Transmission & Distribution Mains	(6,467)	(6,467)	0
333	Services	14,151	14,151	0
334	Meters & Meter Installations	82,326	82,326	0
335	Hydrants	205	205	0
340	Office Furniture & Equipment	(2,527)	0	(2,527)
343	Tools, Shop, & Garage Equipment	4,437	0	4,437
348	Other Tangible Plant	(74,059)	0	(74,059)
	Net Change	$10,046	($21,201)	$31,247

Schedule F, for Exception No. 1
Pasco (Summertree PPW) County - Water

Acct. No.	Acct. Description	Order Balance	Utility Balance	Audit Staff Adjustment
103	Property Held for Future Use	$20,075	$0	$20,075
108	Accumulated Depreciation	(200,300)	(175,478)	(24,822)
271	CIAC	(473,010)	(374,778)	(98,232)
272	Amortization of CIAC	114,744	62,567	52,177
301	Organization	0	9,161	(9,161)
303	Land	4,685	5,500	(815)
304	Structures & Improvements	7,986	16,987	(9,001)
307	Wells & Springs	115,732	99,151	16,581
310	Power Generation Equipment	16,947	14,978	1,969
311	Pumping Equipment	0	58,218	(58,218)
320	Water Treatment Equipment	12,578	18,890	(6,312)
330	Distribution Reservoirs & Standpipes	88,413	3,245	85,168
331	Transmission & Distribution Mains	293,179	298,217	(5,038)
333	Services	75,864	71,961	3,903
334	Meters & Meter Installations	87,418	63,745	23,673
335	Hydrants	47,373	46,174	1,199
340	Office Furniture & Equipment	21,114	21,114	0
341	Transportation Equipment	8,188	8,188	0
348	Other Tangible Plant	1,781	1,781	0
	Rate Base	$242,767	$249,621	($6,854)

Schedule G, for Exception No. 1
Pasco County (WisBar/Bartelt)- Water

Acct. No.	Acct. Description	Order Balance	Utility Balance	Acct. No.
108	Accumulated Depreciation	($191,029)	$0	($191,029)
271	CIAC	(12,627)	0	(12,627)
272	Amortization of CIAC	8,163	0	8,163
303	Land	2,910	0	2,910
304	Structures & Improvements	0	0	0
307	Wells & Springs	15,174	0	15,174
309	Supply Mains	53,830	0	53,830
310	Power Generation Equipment	4,250	0	4,250
311	Pumping Equipment	4,800	0	4,800
320	Water Treatment Equipment	7,094	0	7,094
330	Distribution Reservoirs & Standpipes	22,972	0	22,972
331	Transmission & Distribution Mains	50,454	0	50,454
333	Services	26,526	0	26,526
334	Meters & Meter Installations	53,808	0	53,808
335	Hydrants	0	0	0
339	Other Plant & Miscellaneous Equipment	7,150	0	7,150
340	Office Furniture & Equipment	18,574	0	18,574
341	Transportation Equipment	0	0	0
348	Other Tangible Plant	0	0	0
	Rate Base	$72,049	$0	$72,049

Schedule H, for Exception No. 1
Accumulated Depreciation and Depreciation Expense
Accumulated Amortization of CIAC and Amortization of CIAC Expense
Adjustments for the 12-Month Period Ended December 31, 2001

County	Action	Accumulated Depreciation	Action	Depreciation Expense	Action	Accumulated Amtz. of CIAC	Action	CIAC Amtz. Expense
Marion	Decrease	$603	Decrease	$603	NA	$0	NA	$0
Orange	Decrease	199	Decrease	199	NA	0	NA	0
Pinellas	Decrease	905	Decrease	905	NA	0	NA	0
Seminole	Decrease	2,073	Decrease	2,073	NA	0	NA	0
Pasco (Orangewood)	Decrease	700	Decrease	700	NA	0	NA	0
Pasco (Summertree PPW)	Increase	38,201	Increase	3,820	Increase	35,896	Increase	3,590
Pasco (WisBar/Bartelt)	Increase	9,823	Increase	6,847	Increase	485	Increase	327
Total Pasco	Increase	$47,324	Increase	$9,967	Increase	$36,381	Increase	$3,917

Exception No. 2

Subject: **Rate Base Wastewater - Adjustment to Prior Orders**

Statement of Fact: Commission Order No. PSC-93-0430-FOF-WS, issued March 22, 1993, established the following rate base balance for the Pasco County (Summertree PPW) wastewater system as of April 30, 1991.

Utility-Plant-in-Service (UPIS)	$634,850
Land	8,454
Plant-Held-for-Future-Use (Land)	8,357
Accumulated Depreciation	(137,665)
Contributions-in-Aid-of-Construction (CIAC)	(443,503)
Accumulated Amortization of CIAC	125,359
Rate Base	$195,852

Commission Order No. PSC-94-0739-FOF-WS, issued June 16, 1994, required the following rate base adjustments for the Marion County wastewater system as of December 31, 1992.

	Action	Account	Amount
Marion County	Decrease	UPIS	$1,633
	Increase	Land	$720
	Decrease	Acc. Dep.	$220

Commission Order No. PSC-95-0574-FOF-WS, issued May 9, 1995, required the following rate base adjustments for the Seminole County wastewater system.

	Action	Account	Amount
Seminole	Decrease	UPIS	($35,230)
	Increase	Acc. Dep.	$5,428

Commission Order No. PSC-01-1655-PAA-WS, issued August 13, 2001, established the following rate base balance for the Pasco County (WisBar) wastewater system as of June 15, 2000.

Utility-Plant-in-Service	$114,133
Land	500
Accumulated Depreciation	(17,191)
CIAC	(17,232)
Accumulated Amortization of CIAC	8,234
Rate Base	$88,444

Exception No. 2, continued

Recommendation: The utility made several adjustments in its general ledger in 1995 to record the two ordered rate base adjustments discussed above. In several instances, the utility incorrectly adjusted the wrong account or used an incorrect amount. The accounts affected and the audit staff's corrections to those adjustments are illustrated on Schedules I and J that follow.

According to utility records, it recorded the acquisition of the Pasco County (Summertree PPW) wastewater system in its 1990 general ledger prior to rate base being established in Order No. PSC-93-0430-FOF-WS. The utility did not make any adjustments to that initial balance following the issuance of this Order. The accounts affected and the audit staff's corrections are illustrated on Schedule K that follows.

According to utility representatives, it did not record the acquisition of the Pasco County (WisBar) wastewater system in its general ledger until 2002 which was after the test year ended December 31, 2001. The accounts affected and the audit staff's corrections are illustrated on Schedule L that follows.

Additionally, the above audit staff's adjustments will affect the accumulated depreciation and accumulated amortization of CIAC balances as of December 31, 2001, as well as the depreciation expense and amortization of CIAC expense balances for the 12-month period ended December 31, 2001. Furthermore, the audit staff has calculated additional accumulated depreciation and accumulated amortization of CIAC adjustments for the Pasco County wastewater systems at Summertree PPW and WisBar based on its adjustments to rate base as of the respective transfer dates. These audit staff adjustments can be found on Schedule M that follows.

The Commission should require the utility to record the calculated audit staff's rate base adjustments to the prior Orders as indicated in the following schedules.

Schedule I, for Exception No. 2
Marion County - Wastewater

Acct. No.	Acct. Description	Order Adjustment	Utility Adjustment	Audit Staff Adjustment
108	Accumulated Depreciation	$220	$0	$220
351	Organization	0	0	0
353	Land	720	0	720
354	Structures & Improvements	0	0	0
360	Collecting Sewers - Force	0	0	0
361	Collecting Sewers - Gravity	0	0	0
363	Services	0	0	0
380	Treatment & Disposal Equipment	(3,314)	0	(3,314)
390	Office Furniture & Equipment	808	0	808
391	Transportation Equipment	873	0	873
398	Other Tangible Plant	0	0	0
	Net Change	($693)	$0	($693)

Schedule J, for Exception No. 2
Seminole County - Wastewater

Acct. No.	Acct. Description	Order Adjustment	Utility Adjustment	Audit Staff Adjustment
108	Accumulated Depreciation	$5,428	($42,390)	$47,818
351	Organization	0	0	0
353	Land	0	0	0
354	Structures & Improvements	0	0	0
360	Collecting Sewers - Force	0	0	0
361	Collecting Sewers - Gravity	(1,601)	0	(1,601)
363	Services	0	(101)	101
380	Treatment & Disposal Equipment	(452)	0	(452)
390	Office Furniture & Equipment	(601)	(1,471)	870
391	Transportation Equipment	0	0	0
393	Tools, Shop & Garage Equipment	2,078	0	2,078
398	Other Tangible Plant	(34,654)	0	(34,654)
	Net Change	($29,802)	($43,962)	$14,160

Schedule K, for Exception No. 2
Pasco County (Summertree PPW) - Wastewater

Acct. No.	Acct. Description	Order Balance	Utility Balance	Audit Staff Adjustment
103	Property Held for Future Use	$8,357	$0	$8,357
108	Accumulated Depreciation	(137,665)	(146,170)	8,505
271	CIAC	(443,503)	(355,044)	(88,459)
272	Amortization of CIAC	125,359	70,428	54,931
351	Organization	0	2,221	(2,221)
353	Land	8,454	10,000	(1,546)
354	Structures & Improvements	14,157	29,002	(14,845)
360	Collection Sewers - Force	72,403	101,035	(28,632)
361	Collection Sewers - Gravity	289,257	244,584	44,673
363	Services	55,614	55,286	328
370	Receiving Wells	172,336	190,991	(18,655)
380	Treatment & Disposal Equipment	0	0	0
381	Plant Sewers	0	0	0
390	Office Furniture & Equipment	21,114	21,114	0
391	Transportation Equipment	8,188	8,188	0
398	Other Tangible Plant	1,781	1,781	0
	Rate Base	$195,852	$233,416	($37,564)

Schedule L, for Exception No. 2
Pasco County (WisBar) - Wastewater

Acct. No.	Acct. Description	Order Balance	Utility Balance	Audit Staff Adjustment
108	Accumulated Depreciation	($17,191)	$0	($17,191)
271	CIAC	(17,232)	0	(17,232)
272	Amortization of CIAC	8,234	0	8,234
353	Land	500	0	500
361	Collection Sewers - Gravity	24,500	0	24,500
380	Treatment & Disposal Equipment	86,333	0	86,333
389	Other Plant & Miscellaneous Equipment	3,300	0	3,300
398	Other Tangible Plant	0	0	0
	Rate Base	$88,444	$0	$88,444

Schedule M, for Exception No. 2
Accumulated Depreciation and Depreciation Expense
Accumulated Amortization of CIAC and Amortization of CIAC Expense
Adjustments for the 12-Month Period Ended December 31, 2001

County	Action	Accumulated Depreciation	Action	Depreciation Expense	Action	Accumulated Amtz. of CIAC	Action	CIAC Amtz. Expense
Marion	Increase	$126	Increase	$126	NA	$0	NA	$0
Seminole	Decrease	955	Decrease	955	NA	0	NA	0
Pasco (Summertree PPW)	Decrease	11,454	Decrease	1,145	Increase	28,421	Increase	2,842
Pasco (WisBar/Bartelt)	Increase	4,118	Increase	2,733	Increase	626	Increase	411
Total Pasco	Decrease	$7,336	Increase	$1,588	Increase	$29,047	Increase	$3,253

Exception No. 3

Subject: **Utility-Plant-in-Service (UPIS) - Nonrecurring Plant**

Statement of Fact: Rule 25-30.433(8), F.A.C., requires that nonrecurring expenses shall be amortized over a five-year period unless a shorter or longer period of time can be justified.

NARUC Class A, Balance Sheet, Account 186, states that this account shall include all debits not elsewhere provided for, such as items deferred by authorization of the Commission.

The utility recorded the following additions in the indicated accounts for major repairs to its water and wastewater systems.

County	Date	Acct. No.	Amount	Description
Marion-Water	03/12/96	304	$1,122.23	Rebuild pump motor at Goldenhills
Marion-W/Water	08/19/99	380	$901.00	Refurbish 4M blower assembly.
Pasco-Water	12/30/98	311	$3,317.57	Pull & recondition pump at Orangewood.
Pasco-W/Water	10/24/00	354	$2,784.49	Pull & repair sewer grinder pump at Buena Vista
Pasco-W/Water	02/19/01	354	$3,387.68	Repair lift station control at Summertree PPW
Seminole-W/Water	04/26/94	361	$2,725.00	TV video inspection of sewer lines

Recommendation: The utility's water and wastewater UPIS accounts should be reduced by the above-indicated amounts to remove nonrecurring expenses and amortized over a five-year period per the Commission and NARUC rules cited above.

The utility's water and wastewater 12-month period ended December 31, 2001, accumulated depreciation and depreciation expenses should be reduced by the following amounts based on the audit staff's adjustments to UPIS above.

County	Acct. No.	Amount	Dep. Rate	Acc. Dep. & Dep. Exp Adj.	Amortized to O&M in 2001	Acct. No.
Marion-Water	304	$1,122.23	3.03%	$34.01		
Marion-W/Water	380	$901.00	2.86%	$25.74	$180.20	736
Pasco-Water	311	$3,317.57	5.00%	$165.88	$663.51	635
Pasco-W/Water	354	$2,784.49	2.63%	$73.28	$556.90	
Pasco-W/Water(a)	354	$3,387.68	2.63%	$44.58	$677.54	
Pasco-W/Water		$6,172.17		$117.86	$1,234.44	735
Seminole-W/Water	361	$2,725.00	2.22%	$60.56	$272.00	735

(a) Test year accumulated depreciation and depreciation expense are ½ of a normal year because of the half-year convention used for depreciation calculation.

Additionally, the utility should also increase its operations and maintenance (O&M) expenses for the 12-month period ended December 31, 2001, to record the amortization of the deferred UPIS adjustment over a five-year period as indicated above.

Exception No. 4

Subject: **Utility-Plant-in-Service (UPIS) - Replacement and Retirement of Plant**

Statement of Fact: NARUC, Class A, Accounting Instruction 27.B.(2) requires that, when a retirement unit is retired from utility plant with or without replacement, the book cost thereof shall be credited to the utility plant account in which it is included. The book cost shall be determined from the utility's records and if this cannot be done, it shall be estimated.

The utility's procedure for recording retirements of UPIS is to indicate on the invoice the amount retired and the calculations.

The utility's policy for retirement of UPIS describes the following four procedures.

1) If the amount of the old equipment is given and is less than $250 and the year the original equipment was purchased is 1990 -1996, do not retire.
2) If the amount of the old equipment is given and is greater than $100 and the year the original equipment was purchased is prior to 1990, retire the amount given for the old equipment.
3) If the amount of the old equipment is not given, but the year the equipment was purchased is provided, use the Handy Whitman Index. Multiply the percentage from the Handy Whitman Index by the total amount of the invoice and use this amount for your retirement.
4) If neither the amount of the old equipment or the year of purchase is given, retire 75 percent of the total amount of the invoice.

The utility recorded the following additions to its UPIS water and wastewater systems.

County	Date	Acct. No.	Amount
Marion-Water	06/15/98	330	$35,583.74
Pasco-Water	12/31/92	307	$11,223.75
Pasco-Water	01/15/99	330	$55,659.06
Pinellas-Water	10/31/98	331	$13,667.17
Seminole-Water	02/01/01	311	$7,480.25
Seminole-Water	various	330	$77,469.56
Seminole-Water	12/31/94	331	$8,241.39
Seminole-W/Water	various	361	$89,693.02

Recommendation: The above-mentioned utility additions should have included a corresponding retirement amount to UPIS and accumulated depreciation per the NARUC rule and the utility's retirement policy cited above.

The utility's water and wastewater UPIS should be reduced by the following amounts to properly account for retirement of UPIS that was added above. The utility's water and wastewater 12-month period ended December 31, 2001, accumulated depreciation and depreciation expenses should also be reduced by the following amounts based on the audit staff's adjustments to retire UPIS above.

Exception No. 4, continued

County	Date	Acct. No.	Amount	Adj. for Retirement(a)	Dep. Rate	Acc.Dep.& Dep. Exp. Adj.(b)
Marion-Water	06/15/98	330	$35,583.74	$26,687.81	2 703%	$721.29
Pasco-Water	12/31/92	307	$11,223.75	$8,417.81	3.333%	$280.59
Pasco-Water	01/15/99	330	$55,659.06	$41,744.30	2.703%	$1,128.22
Pasco-Water			$66,882.81	$50,162.11		$1,408.82
Pinellas-Water	10/31/98	331	$13,667.17	$10,250.38	2.326%	$238.38
Seminole-Water(c)	02/01/01	311	$7,480.25	$5,610.19	5.000%	$140.25
Seminole-Water	various	330	$77,469.56	$58,100.00	2.703%	$1,570 27
Seminole-Water	12/31/94	331	$8,241.39	$6,181.04	2.326%	$143.75
Seminole-Water			$93,191.20	$69,891.23		$1,854.27
Seminole-W/Water	various	361	$89,693.02	$67,269.76	2.222%	$1,494.88

a) Retirement adjustment to UPIS and accumulated depreciation is calculated as 75 percent of UPIS addition per utility policy.

b) Adjustment to remove the effect of the audit staff's adjustment on the test year accumulated depreciation and depreciation expense.

c) Test year accumulated depreciation and depreciation expense are ½ of a normal year because of the half-year convention used for depreciation calculation.

Exception No. 5

Subject: **Utility-Plant-in-Service (UPIS) - Reclassified Plant**

Statement of Fact: Utility records indicate a 1992 addition of $46,944 to Account No. 370, Receiving Wells, in Pasco County for the demolition and removal of the Summertree PPW wastewater treatment plant that was identified as Construction Project CW-625-116-91-04.

Utility records also indicate a 2001 addition of $101,518 to Account No. 353, Land, in Seminole County for engineering fees associated with the preliminary planning, design, modification and construction of a wastewater interconnection with the City of Sanford, Florida, that was identified as Construction Project CW-614-116-98-14.

NARUC, Accounting Instruction 27.B.(2), states that when a retirement unit is retired, the cost of removal and the salvage shall be charged to or credited, as appropriate, to such depreciation account.

NARUC, Class A, Accounting Instruction 27.H., states that when the early retirement of a major unit of property eliminates the existing depreciation reserve account, the Commission may authorize an alternative treatment such as transferring the balance to Account No. 186 and amortizing it in future periods.

NARUC, Balance Sheet Account, Account 183, states that this account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for determining the feasability of projects under contemplation. If the work is abandoned, the charge shall be to Account 426 - Miscellaneous Nonutility Expenses, or to the appropriate operating account expense account unless otherwise ordered by the Commission.

NARUC, Class A, Balance Sheet Account, Account 186, states that this account shall include all debits not elsewhere provided for, such as items the proper final disposition of which is uncertain.

NARUC, Class A, Income Account, Account 426, includes expenses disallowed in a proceeding before the Commission and expenses for preliminary survey and investigation expenses related to abandoned projects, when not written off to the appropriate expense account.

Rule 25-30.116(1)(d) 3, F.A.C., states that when a project is completed and ready for service, it shall be immediately transferred to the appropriate plant account(s) or Account 106, Completed Construction Not Classified, and may no longer accrue Allowance for Funds Used During Construction (AFUDC).

Recommendation: The $46,944 addition to Pasco County-Summertree PPW wastewater Account No. 370 should be removed per the NARUC rule cited above because it was a demolition cost that was related to the retirement of the wastewater treatment facility. However, there is no depreciation reserve account to transfer the balance to as required. The Commission, in Order No. PSC-93-0430-FOF-WS, retired the Pasco County-Summertree PPW wastewater plant from UPIS and eliminated

Exception No. 5, continued

the balance of the depreciation reserve in 1991. The utility has depreciated the $46,944 addition at a rate of 2.86 percent per year for a current balance of $12,755 as of December 31, 2001. ($46,944 x 2.86% x 9.5 years)

The Commission should require the utility to transfer the net unrecovered balance of $34,189 ($46,944 - $12,755) to Account No. 186 pending disposition by the Commission and remove the $46,944 and $12,755 from Accounts Nos. 370 and 108, respectively.

Additionally, the utility should be required to reduce its depreciation expense by $1,343 ($46,944 x 2.86%) for Pasco County wastewater for the 12-month period ended December 31, 2001, to account for the effect of the audit staff's adjustment above.

The $101,518 addition to Seminole County-wastewater land should be removed and reclassified as follows per the audit staff's determinations listed below.

Reclassify preliminary studies cost to Acct. No. 183.	$14,935
Reclassify wastewater discharge relocation cost to Acct. No. 354.	43,859
Reclassify wastewater utility main relocations to Acct. No. 361.	28,185
Reclassify interest during construction accruals to Acct. No. 426.	14,541
Total Audit Staff Adjustments	$101,519

The $14,935 represents engineering costs incurred to analyze and develop alternative methods for wastewater treatment at the Lincoln Heights wastewater plant given the anticipated condemnation and acquisition of utility property by the Florida Department of Transportation and Seminole County. These costs were for alternative projects that were studied and abandoned by the utility. Therefore, they should be charged to Account. No 183 pending final disposition by the Commission per the NARUC rule cited above. See Disclosure No. 1 of this report for further details on this issue.

The $43,859 represents engineering costs incurred to design and relocate the wastewater discharge facilities for the wastewater plant and perculation ponds because of the condemnation and acquisition of utility land. Therefore, it should be recorded in Account No. 354, Structures & Improvements, with an additional $577 recorded in the respective accumulated depreciation and depreciation expense accounts to reflect the corresponding effect on test year 2001. (($43,859 x 2.63%)/2)

The $28,185 represents engineering costs incurred to design and relocate the utility mains for the wastewater plant because of the condemnation and acquisition of utility land. Therefore, it should be recorded in Account No. 361, Collecting Sewers-Gravity, with an additional $313 recorded in the respective accumulated depreciation and depreciation expense accounts to reflect the corresponding effect on test year 2001. (($28,185 x 2.22%)/2)

Exception No. 5, continued

The $14,541 represents the Allowance for Funds Used During Construction (AFUDC) charged to the above project from March 2000 through December 2001. Construction project schedules indicate that the last recorded activity other than AFUDC accruals for this project was in February 2000. Since there was no subsequent activity after February 2000, the audit staff has concluded that the project should be deemed substantially complete at that time, and the total balance should have been transferred to a UPIS account or Account No. 106 per the NARUC and Commission rules cited above. Therefore, the $14,541 AFUDC accrued after February 2000 should be disallowed and charged to Account No. 426 per the NARUC rules cited above.

Exception No. 6

Subject: **Utility-Plant-in-Service (UPIS) - Organization Cost and Capitalized Labor**

Statement of Fact: Utility records indicate the following additions to Accounts Nos. 301 and 351, Organization Cost, for each of the respective counties.

County	Year	Water	Wastewater
Marion	1996	$263	$0
Pasco	1995	$872	$872
Pasco	2000	$24,667	$0
Seminole	2000	$2,952	$0

Utility records indicate the following additions to Account No. 380, Treatment and Disposal Equipment, for the Seminole County wastewater system.

County	Year	Water	Wastewater
Seminole	1999	$0	$9,724
Seminole	2000	$0	$9,579

NARUC, Utility Plant Accounts, Accounts Nos. 301 and 351 include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership or other enterprise and putting it into readiness to do business.

Commission Orders Nos. 25821 and PSC-94-0739-FOF-WS determined that the purchased cost of utility systems is to be charged as acquisition adjustments, not as organization cost.

NARUC Class A, Balance Sheet, Account 186, states that this account shall include all debits not elsewhere provided for, such as items the proper final disposition of which is uncertain.

Recommendation: The addition of $263 to Marion County in 1996 is an invoiced amount from the Florida Department of Revenue. The addition of $872 to each Pasco County system in 1995 is a reclassification of a vendor invoice initially recorded in 1991 that is undefined. Both of these amounts should be removed per the NARUC rule cited above.

The addition of $24,667 to Pasco County water in 2000 is capitalized executive salaries which are itemized as acquisition and transfer costs for the purchase of WisBar/Bartelt Enterprises. The capitalized executive salaries should be removed and recorded as an acquisition adjustment per the Commission Orders cited above.

The additions of $2,952, $9,724, and $9,579 to Seminole County in 1999 and 2000 are capitalized executive salaries described as time spent working on condemnation issues related to the Lincoln Heights wastewater treatment plant site. They should be removed and recorded in Account No. 186 pending final disposition by the Commission per the NARUC rule cited above. See Disclosure No. 1 of this report for further details on this issue.

Exception No. 6, continued

Additionally, the Seminole County wastewater 12-month period ended December 31, 2001, accumulated depreciation and depreciation expenses should be reduced by the following amounts based on the audit staff's adjustments to UPIS above.

County	Acct. No.	Amount	Dep. Rate	Acc. Dep. & Dep. Exp Adj.
Marion-Water	301	$263	2.50%	$7
Pasco-Water	301	$872	2.50%	$22
Pasco-Water	301	$24,667	2.50%	$617
Pasco-Water		$25,539		$638
Seminole-Water	301	$2,952	2.50%	$74
Pasco-W/Water	351	$872	2.50%	$22
Seminole-W/Water	380	$9,724	2.86%	$278
Seminole-W/Water	380	$9,579	2.86%	$274
Seminole-W/Water		$19,303		$552

Exception No. 7

Subject: **Utility-Plant-in-Service (UPIS) - Common Plant Allocations from Utilities, Inc. of Florida (UIF)**

Statement of Fact: UIF serves two roles for Utilities, Inc.'s operations in Florida. First, UIF is the administrative and operational headquarters for all of the parent's Florida operations. Second, UIF is the controlling and operating entity for the five counties that are parties for this rate proceeding.

UIF allocates a portion or all of its common rate base using a customer equivalent (CE) percentage for each of the five county operations from the following eight cost centers.

Cost Center	Description of Cost	Total Amount	UIF Percentage	Florida Percentage
600	Office Structures & Communication	$227,710	12.29%	87.71%
600	Tools & Lab	145,402	100.00%	0.00%
601	UIF Cost Center	817,131	12.29%	87.71%
603	Orlando Cost Center (Orange & Seminole Counties)	64,634	100.00%	0.00%
638	Ocala Cost Center (Marion County)	2,072	100.00%	0.00%
639	West Coast Cost Center (Pasco & Pinellas Counties)	25,312	100.00%	0.00%
600	Computer Allocation	90,771	12.29%	87.71%
600	UIF Transportation	537,085	95.26%	4.74%
		$1,910,117		

Included in the $227,710 amount for Office Structures and Communication listed above is an addition of $29,880 for Work Order CW-0600-117-00-02 that was for the purchase of a new Norstar voice mail system for the UIF office in 2000.

Included in the $64,634 amount for the Orlando Cost Center listed above is an addition of $6,722 for Work Order CW-602-117-97-09 that was for the purchase of a new cellular communications system for service personnel in 1997.

Recommendation: The additions listed above were UPIS additions that replaced existing systems that the utility was using at the time. However, the utility did not record any retirements to UPIS or accumulated depreciation when the new systems were installed.

The utility's common UPIS should be reduced by the following amounts to properly account for retirement of UPIS that was replaced above. The utility's water and wastewater 12-month period ended December 31, 2001, accumulated depreciation and depreciation expenses should also be reduced by the following amounts based on the audit staff's adjustments to retire common UPIS above.

Exception No. 7, continued

Cost Center	Date	Acct. No.	UPIS Amount	Acc. Dep. Retirement(a)	Dep. Rate	Test Year Dep. Exp. Adj.
Office Structures	2000	346	$29,880	$22,410	10.00%	$2,241
Orlando Cost Center	1997	346	$6,722	$5,041	5.00%	$252
	Total Retirement to UPIS and Acc. Dep.			$27,451		
	Test year 2001 accrual to Acc. Dep.			$1,625		$2,493
	Test year 2001 adjustments to Acc. Dep. and Dep.Exp.			$29,076		($1,625)

a) Retirements calculated as 75 percent of common UPIS additions per utility policy. See Exception No. 4.

The audit staff has recalculated the allocation of UIF common rate base for each of the five counties that are parties in this rate proceeding using the same allocation percentages presented by UIF in its common rate base schedule by incorporating the reductions of $5,041 and $22,410 to UIF common rate base, the reductions of $29,076 ($5,041 + $22,410 + $504 + $1,121) to UIF common accumulated depreciation, and the reduction of $1,625 to UIF common depreciation expense as referenced above. See Schedule N that follows.

hedule N, for Exception No. 7

F Common Plant Allocations

ounty		Marion		Orange	Pasco		Pinellas	Seminole		
ystem		Water	W/Water	Water	Water	W/Water	Water	Water	W/Water	Total
ustomer Count in CEs		463	70	327	2,717	1,003	552	2,645	1,430	9,207
ll Florida	74,832	0.62%	0.09%	0.44%	3.63%	1.34%	0.74%	3.53%	1.91%	12.30%
IF Only	9,207	5.03%	0.76%	3.55%	29.51%	10.89%	6.00%	28.73%	15.53%	100.00%
rlando Cost Center	4,402	0.00%	0.00%	7.43%	0.00%	0.00%	0.00%	60.09%	32.49%	100.00%
cala Cost Center	533	86.87%	13.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Vest Coast Cost Center	4,272	0.00%	0.00%	0.00%	63.60%	23.48%	12.92%	0.00%	0.00%	100.00%
IF Transportation	9,664	4.79%	0.72%	3.38%	28 11%	10.38%	5.71%	27.37%	14.80%	95.27%
IF Common Plant per Audit										
ffice Structures & Communication	$205,300	$1,270	$192	$897	$7,454	$2,752	$1,514	$7,257	$3,923	$25,259
ools & Lab	145,402	7,314	1,105	5,162	42,908	15,834	8,724	41,774	22,581	145,402
IF Cost Center	817,131	5,066	735	3,595	29,662	10,950	6,047	28,845	15,609	100,509
rlando Cost Center	59,593	0	0	4,427	0	0	0	35,807	19,359	59,593
cala Cost Center	2,072	1,800	272	0	0	0	0	0	0	2,072
Vest Coast Cost Center	25,312	0	0	0	16,089	5,943	3,270	0	0	25,302
omputer Allocation	90,771	563	82	399	3,295	1,216	672	3,204	1,733	11,164
IF Transportation	537,085	25,726	3,867	18,153	150,975	55,749	30,668	147,000	79,488	511,626
	$1,882,666	$41,739	$6,253	$32,633	$250,383	$92,444	$50,895	$263,887	$142,693	$880,927

Schedule N, for Exception No. 7, continued

UIF Common Plant per Company										
Office Structures & Communication	$227,710	$1,412	$205	$1,002	$8,266	$3,051	$1,685	$8,038	$4,349	$28,008
Tools & Lab	145,402	7,314	1,105	5,162	42,908	15,834	8,724	41,774	22,581	145,402
UIF Cost Center	817,131	5,066	735	3,595	29,662	10,950	6,047	28,845	15,609	100,509
Orlando Cost Center	64,634	0	0	4,801	0	0	0	38,839	20,992	64,632
Ocala Cost Center	2,072	1,800	272	0	0	0	0	0	0	2,072
West Coast Cost Center	25,312	0	0	0	16,089	5,943	3,270	0	0	25,302
Computer Allocation	90,771	563	82	399	3,295	1,216	672	3,204	1,733	11,164
UIF Transportation	537,085	25,726	3,867	18,153	150,975	55,749	30,668	147,000	79,488	511,626
	$1,910,117	$41,881	$6,266	$33,112	$251,195	$92,743	$51,066	$267,700	$144,752	$888,715
UIF Common Plant Adjustment										
Office Structures & Communication	($22,410)	($142)	($13)	($105)	($812)	($299)	($171)	($781)	($426)	($2,749)
Tools & Lab	0	0	0	0	0	0	0	0	0	0
UIF Cost Center	0	0	0	0	0	0	0	0	0	0
Orlando Cost Center	(5,041)	0	0	(374)	0	0	0	(3,032)	(1,633)	(5,039)
Ocala Cost Center	0	0	0	0	0	0	0	0	0	0
West Coast Cost Center	0	0	0	0	0	0	0	0	0	0
Computer Allocation	0	0	0	0	0	0	0	0	0	0
UIF Transportation	0	0	0	0	0	0	0	0	0	0
Audit Adjustment	($27,451)	($142)	($13)	($479)	($812)	($299)	($171)	($3,813)	($2,059)	($7,788)
Depreciation Expense Adj.	$1,625	$10	$2	$7	$59	$22	$12	$57	$31	$200
Accumulated Depreciation Adj.	$29,076	$147	$19	$517	$853	$315	$175	$4,161	$2,250	$8,437

Exception No. 8

Subject: **Utility-Plant-in-Service (UPIS) - Common Plant Allocations from Water Services Corporation (WSC)**

Statement of Fact: WSC, the service corporation for the parent company Utilities, Inc., allocates a portion of its common rate base to each subsidiary utility throughout the United States. UIF received $85,096, net of accumulated depreciation and accumulated deferred income taxes, or approximately 3.7 percent of the total WSC net rate base of $2,300,646. The allocation is based on a calculated customer equivalent (CE) percentage that equates all customers throughout the United States in terms of single family residential equivalent units. UIF then allocates the $85,096 it received from WSC to each of its five county systems based on the same customer equivalent formula.

The five UIF counties received the following allocated WSC net rate base amounts based on the indicated allocation percentages.

County	Total	Percent	Water	Percent	Wastewater	Percent
Marion	$5,872	6.90%	$5,111	6.01%	$761	0.89%
Orange	4,144	4.87%	4,144	4.87%	0	0.00%
Pasco	34,464	40.50%	26,262	30.86%	8,202	9.64%
Pinellas	7,003	8.23%	7,003	8.23%	0	0.00%
Seminole	33,613	39.50%	21,828	25.65%	11,785	13.85%
Total	$85,096	100.00%	$64,348	75.62%	$20,748	24.38%

The Commission's Division of Auditing and Safety, at the request of the Division of Economic Regulation, performed an undocketed affiliate transaction audit of Utilities, Inc. and its subsidiary WSC for the 12-month period ended December 31, 2001. The scope of the audit included an examination of the WSC rate base components that are allocated to all of its subsidiary operations in 2001. The audit report, issued October 23, 2001, included adjustments that increased UIF's allocated WSC net rate base allocation by $3,588 to $88,684.

Recommendation: The above-mentioned allocation percentages used to distribute WSC's net rate base to the five counties in this rate proceeding do not reconcile to any allocation methodology that was presented by the utility in its filing or its response to the audit staff's inquiries.

The audit staff has incorporated the increase of $3,588 to WSC's net rate base as referenced above and recalculated the allocation percentages for each of the five counties that are parties in this rate proceeding to be consistent with the methodology used by UIF to allocate its common rate base as described in Exception No. 7 of this report.

The Commission should require the utility to adjust the WSC allocated net rate base for each of the five counties in this rate proceeding by the amounts reflected in the accompanying Schedule O that follows.

Schedule O, for Exception No. 8

WSC Common Plant Allocations

County	Marion		Orange	Pasco		Pinellas	Seminole		
System	Water	W/Water	Water	Water	W/Water	Water	Water	W/Water	Total
Customer Count in CEs	463	70	327	2717	1003	552	2645	1430	9207
Percent of UIF	5.03%	0.76%	3.55%	29.51%	10.89%	6.00%	28.73%	15.53%	100.00%
Per Audit	$4,460	$674	$3,150	$26,171	$9,661	$5,317	$25,477	$13,774	$88,684
Per Utility	$5,111	$761	$4,144	$26,262	$8,202	$7,003	$21,828	$11,785	$85,096
Increase (Decrease)	($651)	($87)	($994)	($91)	$1,459	($1,686)	$3,649	$1,989	$3,588

Exception No. 9

Subject: **Utility-Plant-in-Service (UPIS) - Adjustments to Test Year Balance**

Statement of Fact: The audit staff performed a tour of utility property in Orange and Seminole Counties with a company representative on October 10, 2002.

Recommendation: The following events were noted on audit staff's plant tour.

ORANGE COUNTY - CRESCENT HEIGHTS & DAVIS SHORES

The Crescent Heights water system is interconnected with Orlando Utilities Commission for its potable water needs. The utility still has a building, hydro-pneumatic tank, pump, and well head at the site. All other equipment has been removed. The utility plans to dispose of the remaining equipment and demolish the building within the next six months. It does not anticipate any salvage value for the remaining equipment. The physical interconnection with Orlando Utilities is not located on utility property.

The Davis Shores water system is interconnected with Orange County Utilities for its potable water needs. The utility has removed all of its equipment from the Davis Shores site and disposed of the utility land.

The audit staff recommends that all land and water treatment plant be retired from service as illustrated below.

Acct.#	Description	UPIS @12/31/2001	Acc./Dep. @12/31/2001	Depreciation Rate	Dep. Exp. Adj.
302	Land & Land Rights	$2,783	$0	0.00%	$0
304	Structures & Improvements	$5,247	($2,357)	3.03%	($159)
307	Wells & Springs	$11,696	($3,934)	3.33%	($390)
311	Pumping Equipment	$19,894	($10,471)	5.00%	($995)
320	Treatment Equipment	$3,769	($2,297)	4.55%	($171)
	Unassigned Acc./Dep.	$0	($12,856)		$0
Total Retirement		$40,606	($31,915)		($1,715)
Disposition of excess balance to be determined by the Commission			$8,691		

Exception No. 9, continued

SEMINOLE COUNTY - LINCOLN HEIGHTS WASTEWATER PLANT

The Lincoln Heights wastewater system has been interconnected with the City of Sanford since July 2001. The wastewater plant and treatment facilities have been taken off line and will be disposed or demolished in the coming months. The only equipment remaining at the wastewater plant site is a new master lift station that transfers the untreated sewage to the interconnect site that is not located on utility property. The wastewater perculation ponds are to be cleaned and filled to grade level. The State Department of Transportation (DOT) and Seminole County have taken approximately 58.52 percent of the existing 14.90 acres of the original land site through condemnation action for road way improvements. The remaining utility land will contain the new transfer lift station (4.75 acres) and an undetermined future use (1.43 acres). The utility is still litigating the outcome of the condemnation with Seminole County and the DOT.

The audit staff recommends that 58.52 percent of the utility's wastewater land balance for Lincoln Heights, and 100 percent of the wastewater treatment plant be retired from service as illustrated below.

The wastewater land contained 14.90 acres prior to the condemnation proceedings and was recorded in Seminole County's books at an original cost of $11,597 for SUB614 Lincoln Heights G/L. The amount of wastewater land to be retired should be $6,787 or 58.52 percent of $11,597.

Utility records indicate a retirement of $6,000 to Account No. 353, Land, for Seminole County in 1999 which supports the audit staff's estimated retirement calculated above. Therefore, no additional retirement for utility land is recommended.

Acct.#	Description	UPIS @12/31/2001	Acc./Dep. @12/31/2001	Depreciation Rate	Dep. Exp. Adj.
354	Structures & Improvements	$57,100	($25,687)	2.63%	($1,503)
380	Treatment Plant	$341,752	($49,482)	2.86%	($9,764)
Total Retirement		$398,852	($75,169)		($11,267)
Disposition of excess balance to be determined by the Commission			$323,683		

Exception No. 10

Subject: **Contributions-in-Aid-of-Construction (CIAC)-Advances**

Statement of Fact: The utility's records reflect balances of $52,000 and $48,000 in Accounts Nos. 2525000 and 2526000, Advances-in-Aid of Construction, in Seminole County as of December 31, 2001.

The water and wastewater account balances have been inactive and on the utility's books prior to 1992.

The utility's response to the audit staff's inquiries is as follows.

> The Utility has researched all available information relating to the accounts noted in this request. However, there is no supporting information pertaining to these balances. However, the Utility has no record of this money ever being paid out. Therefore, it remains in the Advances-in-Aid accounts.

NARUC, Class A, Balance Sheet, Account 252 includes advances by or in behalf of customers for construction which are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to Account 271, Contributions-in-Aid-of-Construction.

Recommendation: The Commission should require the utility to reclassify the above balances to Account No. 271, CIAC, as indicated in the NARUC rule cited above.

Seminole County's water and wastewater CIAC should be increased by $52,000 and $48,000, respectively.

Additionally, Seminole County's water and wastewater accumulated amortization of CIAC should be increased by $2,225 and $1,085, respectively, as of December 31, 2001, to record the additional amortization of the above balances for the test year. ($52,000 x 4.278% composite rate for Seminole County water and $48,000 x 2.260% composite rate for Seminole County wastewater)

Furthermore, Seminole County's water and wastewater CIAC amortization expense should be increased by $2,225 and $1,085, respectively, for the 12-month period ended December 31, 2001, to record the additional CIAC amortization expenses for the test year.

Exception No. 11

Subject: **Accumulated Depreciation - Depreciation Rates**

Statement of Fact: Rule 25-30.140(2), F.A.C., establishes an average service life and corresponding depreciation rates for UPIS asset additions.

Orders Nos. PSC-93-0430-FOF-WS, PSC-94-0739-FOF-WS, and PSC-95-0574-FOF-WS, by reference, incorporated the above rule in the last rate proceedings for Pasco County (Summertree PPW), Marion and Pinellas Counties, and Orange, Pasco (Orangewood), and Seminole Counties, respectively.

The above-referenced rule establishes the following average service lives for Class A utilities for the indicated NARUC accounts.

Account No.	Account Description	Average Life	Depreciation Rate
371	Pumping Equipment	18 years	5.56%
380	Treatment & Disposal Equipment	18 years	5.56%

Recommendation: The audit staff's analysis of the utility's test year 2001 depreciation rates from its Annual Reports indicate that for wastewater Accounts Nos. 371 and 380 it used the incorrect depreciation rates when calculating depreciation expense and the respective accruals to accumulated depreciation. The utility used the following rates.

Account No.	Account Description	Average Life	Depreciation Rate
371	Pumping Equipment	25 years	4.00%
380	Treatment & Disposal Equipment	35 years	2.86%

The audit staff recalculated accumulated depreciation balances for Accounts Nos. 371 and 380 using the rule rates described above. The utility should be required to increase its accumulated depreciation balance as of December 31, 2001, for Marion, Pasco, and Seminole County by $21,744, $57,828 and $83,141, respectively. See Schedule P on the following page.

Additionally, the audit staff's recalculation will increase test year depreciation expense for the 12-month period ended December 31, 2001, for Marion, Pasco and Seminole Counties by $2,632, $7,972, and $11,988, respectively.

Schedule P, for Exception No. 11

Marion County						
Year	Acct. No.	Dep. Rate	Avg. Balance	Per Audit	Per Company	Adjustment
1993	371	5.56%	$264	$15	$11	$4
	380	5.56%	83,994	4,666	2,400	2,266
1994	371	5.56%	264	15	11	4
	380	5.56%	84,210	4,678	2,406	2,272
1995	371	5.56%	264	15	11	4
	380	5.56%	84,587	4,699	2,417	2,282
1996	371	5.56%	264	15	11	4
	380	5.56%	84,665	4,704	2,419	2,285
1997	371	5.56%	264	15	11	4
	380	5.56%	86,006	4,778	2,457	2,321
1998	371	5.56%	264	15	11	4
	380	5.56%	90,960	5,053	2,599	2,454
1999	371	5.56%	264	15	11	4
	380	5.56%	95,806	5,323	2,737	2,586
2000	371	5.56%	264	15	11	4
	380	5.56%	96,961	5,387	2,770	2,617
2001	371	5.56%	264	15	11	4
	380	5 56%	97,388	5,410	2,783	2,627
Marion County Adjustment				$44,831	$23,087	$21,744

Pasco County						
Year	Acct. No.	Dep. Rate	Avg. Balance	Per Audit	Per Company	Adjustment
1993	371	5.56%	$78,290	$4,349	$3,142	$1,218
	380	5.56%	162,002	9,000	4,629	4,371
1994	371	5 56%	79,719	4,429	3,189	1,240
	380	5.56%	162,210	9,012	4,635	4,377
1995	371	5 56%	82,892	4,605	3,316	1,289
	380	5.56%	164,538	9,141	4,701	4,440
1996	371	5.56%	84,730	4,707	3,389	1,318
	380	5 56%	167,318	9,295	4,781	4,514
1997	371	5.56%	101,811	5,656	4,072	1,584
	380	5.56%	169,575	9,421	4,845	4,576
1998	371	5.56%	119,453	6,636	4,778	1,858
	380	5.56%	173,821	9,657	4,966	4,691
1999	371	5.56%	126,058	7,003	5,042	1,961
	380	5.56%	184,622	10,257	5,275	4,982
2000	371	5.56%	134,199	7,456	5,368	2,088
	380	5.56%	198,264	11,015	5,665	5,350
2001	371	5.56%	141,347	7,853	5,654	2,199
	380	5.56%	213,946	11,886	6,113	5,773
Pasco County Adjustment				$141,378	$83,560	$57,828

Schedule P, for Exception No. 11, continued

Seminole County						
Year	Acct. No.	Dep. Rate	Avg. Balance	Per Audit	Per Company	Adjustment
1993	371	5.56%	$91,883	$5,105	$3,675	$1,429
	380	5.56%	121,543	6,752	3,473	3,279
1994	371	5.56%	94,166	5,231	3,767	1,464
	380	5.56%	130,527	7,252	3,729	3,523
1995	371	5.56%	96,473	5,360	3,859	1,501
	380	5.56%	145,947	8,108	4,170	3,938
1996	371	5.56%	159,335	8,852	6,373	2,479
	380	5.56%	367,945	20,441	10,513	9,928
1997	371	5.56%	164,303	9,128	6,572	2,556
	380	5.56%	390,342	21,686	11,153	10,533
1998	371	5.56%	169,065	9,393	6,763	2,630
	380	5.56%	311,776	17,321	8,908	8,413
1999	371	5.56%	176,367	9,798	7,055	2,743
	380	5.56%	229,414	12,745	6,555	6,190
2000	371	5.56%	180,954	10,053	7,238	2,815
	380	5.56%	286,564	15,920	8,188	7,732
2001	371	5.56%	183,796	10,211	7,352	2,859
	380	5.56%	338,310	18,795	9,666	9,129
Pasco County Adjustment				$202,151	$119,009	$83,141

Exception No. 12

Subject: Accumulated Amortization of Contributions-in-Aid-of-Construction (CIAC) - Amortization Rates

Statement of Fact: Rule 25-30.140 (8), F.A.C., states that the CIAC amortization rate shall be that of the appropriate account or function where supporting documentation is available to identify the account or function of the related CIAC plant. Otherwise, the composite plant amortization rate shall be used.

Utility records indicate that it uses the latter method of calculating its amortization of CIAC for the five counties in this rate proceeding.

Recommendation: The audit staff's analysis of the utility's accumulated amortization of CIAC and CIAC amortization expense balances from its MFRs indicate that it used incorrect composite amortization rates when calculating its CIAC amortization expense for the 12-month period ended December 31, 2001.

The audit staff recalculated accumulated amortization of CIAC and CIAC amortization expense by applying the correct composite depreciation rates per the rule cited above. The utility should be required to record the audit staff's adjustments detailed in Schedule Q that follows for the 12-month period ended December 31, 2001.

Schedule Q for Exception No. 12

	Per Utility		Per Audit		Audit Adjustment	
	WATER	W/WATER	WATER	W/WATER	WATER	W/WATER
MARION COUNTY						
Depreciation Expense	$20,933	$4,155	$20,933	$4,155		
Average Plant Balance	639,911	149,912	639,911	149,912		
Composite Depreciation Rate	3.271%	2 772%	3 271%	2 772%		
Amortization of CIAC Expense	3,999	12	4,394	12	$395	$0
Average CIAC Balance	134,337	450	134,337	450		
Composite CIAC Rate	2.977%	2.667%	3 271%	2 772%		
ORANGE COUNTY						
Depreciation Expense	$7,229		$7,229			
Average Plant Balance	192,409		192,409			
Composite Depreciation Rate	3.757%		3 757%			
Amortization of CIAC Expense	1,265		1,443		$178	
Average CIAC Balance	38,403		38,403			
Composite CIAC Rate	3 294%		3 757%			
PASCO COUNTY						
Depreciation Expense	$64,149	$30,452	$64,149	$30,452		
Average Plant Balance	1,625,381	996,546	1,625,381	996,546		
Composite Depreciation Rate	3.947%	3.056%	3.947%	3.056%		
Amortization of CIAC Expense	14,575	13,238	18,420	14,149	$3,845	$911
Average CIAC Balance	466,708	463,032	466,708	463,032		
Composite CIAC Rate	3 123%	2 859%	3 947%	3 056%		
PINELLAS COUNTY						
Depreciation Expense	$12,220		$12,220			
Average Plant Balance	370,675		370,675			
Composite Depreciation Rate	3.297%		3 297%			
Amortization of CIAC Expense	3,792		4,532		$785	
Average CIAC Balance	138,847		138,847			
Composite CIAC Rate	2.731%		3 297%			
SEMINOLE COUNTY						
Depreciation Expense	$105,343	$51,967	$105,343	$51,967		
Average Plant Balance	2,462,259	2,299,836	2,462,259	2,299,836		
Composite Depreciation Rate	4.278%	2 260%	4.278%	2 260%		
Amortization of CIAC Expense	24,109	16,666	31,535	13,785	$7,429	($2,881)
Average CIAC Balance	737,162	610,051	737,162	610,051		
Composite CIAC Rate	3.271%	2 732%	4 278%	2 260%		

Exception No. 13

Subject: Accumulated Amortization of Contributions-in-Aid-of-Construction (CIAC) - General Ledger Balance

Statement of Fact: Order No. PSC-93-0430-FOF-WS established accumulated amortization of CIAC balances of $114,744 and $125,359 for the Pasco County (Summertree PPW) water and wastewater systems, respectively, as of April 30, 1991, as previously discussed in Exception No. 1 of this report.

The Order states that the utility presented balances of $68,939 and $59,402, for water and wastewater accumulated amortization of CIAC as of October 30, 1990, in its filing for Docket No. 920834-WS for Pasco County (Summertree PPW).

The utility's 1994 general ledger reflects balances of $34,854 and $33,018, for water and wastewater accumulated amortization of CIAC, respectively, as of December 31, 1993, when Accounts Nos. 276-00 and 277-00, Accumulated Amortization CIAC-Water and Accumulated Amortization CIAC-Wastewater, first appeared in its general ledger. The 1994 entries also included yearly accruals of $11,618 and $10,154 for 1994.

Prior to 1994, the utility's policy was to record its accumulated amortization of CIAC as a direct offset to yearly accruals of accumulated depreciation in its accumulated depreciation accounts.

There is no general ledger record of the above policy taking place for the Pasco County (Summertree PPW) systems since it was initially recorded on the utility's books in 1990.

Recommendation: The utility's conflicting balances for accumulated amortization of CIAC in its filing for Docket No. 920834-WS and in its 1994 general ledger balance above, along with its inadequate records for the period 1990 through 1994, provide sufficient evidence to question its accumulated amortization of CIAC balance of $130,438 and $125,703 as of December 31, 2001, for Pasco County in its MFRs filing.

The audit staff, using information from the utility's filings in Docket No. 920834-WS and its 1990 through 1994 general ledgers, has reconstructed the utility's water and wastewater accumulated amortization of CIAC balances of $62,567 and $70,428, as of April 30, 1991, for its Pasco County (Summertree PPW) systems. This balance is presented in Exception No. 1 of this report.

As stated above, there is no evidence of the utility accruing amortization of CIAC for the Pasco County (Summertree PPW) systems prior to 1994. The audit staff submits that the $34,854 and $33,018 accumulated amortization of CIAC balances recorded as of December 31, 1993, in its 1994 general ledger are correcting journal entries to record three years of amortization of CIAC since the utility purchased the Pasco County (Summertree PPW) systems in 1990. The $34,854 and $33,018 divided by three years equal $11,618 and $11,006, respectively, which are the same amounts the utility recorded for amortization of CIAC in 1994. The beginning accumulated amortization of CIAC balances that should have been transferred with the accrual in 1994 may still be combined in

Exception No. 13, continued

the utility's accumulated depreciation balances. Without sufficient utility records, it is impossible to determine.

The audit staff recommends that the utility's accumulated amortization of CIAC balance for Pasco County (Summertree PPW) be increased by $27,713 and $37,410, which is the difference between the amount recorded as of December 31, 1993, and the utility's beginning balances as of April 30, 1991. ($62,567 - $34,854 and $70,428 - $33,018) This adjustment, at a minimum, will restate the utility's general ledger balances for water and wastewater accumulated amortization of CIAC to its initial balances as of April 30, 1991.

Exception No. 14

Subject: **Working Capital**

Statement of Fact: The utility's MFRs filing indicates the following amounts for working capital to be included in rate base as of December 31, 2001, which were calculated as one-eighth of the operation and maintenance expenses for the 12-month period ended December 31, 2001.

County	Working Capital
Marion-Water	$114,826
Marion-Wastewater	44,914
Orange-Water	80,701
Pasco-Water	244,252
Pasco-Wastewater	255,410
Pinellas-Water	31,122
Seminole-Water	397,399
Seminole-Wastewater	465,807
Total Adjustment	$1,634,431

Recommendation: The audit staff has recommended specific adjustments to the utility's O&M expenses in Exceptions Nos. 18 through 22 of this report that require the following adjustments to the utility's working capital balance for the five counties indicated above.

Exception	Marion		Orange	Pasco		Pinellas	Seminole	
Number	Water	W/Water	Water	Water	W/Water	Water	Water	W/Water
E-3	$0	$180	$0	$664	$1,234	$0	$0	$272
E-18	(818)	0	(3,200)	(600)	6,750	0	(175)	(9,300)
E-18	0	0	0	0	(23,770)	0	0	23,770
E-18	0	0	0	0	(719)	(1,894)	0	0
E-18	0	0	0	0	2,199	812	0	0
E-19	0	0	(121)	(574)	(212)	(117)	(978)	(529)
E-21	(7,304)	(1,037)	(2,753)	(14,066)	(2,535)	(9,310)	(36,824)	(19,800)
E-22	(3,739)	(545)	(1,472)	14,487	6,231	(24,424)	9,418	5,106
E-22	(949)	(139)	(375)	3,407	1,498	(6,201)	2,389	1,294
E-23	0	0	0	0	0	0	0	(80,751)
Total	(12,810)	(1,541)	(7,921)	3,318	(9,324)	(41,134)	(26,170)	(79,938)
1/8 of Total	($1,601)	($193)	($990)	$415	($1,166)	($5,142)	($3,271)	($9,992)

Exception No. 15

Subject: **Utility Adjustments to Rate Base in the Test Year**

Statement of Fact: The utility's MFRs filing includes the following rate base adjustments to its December 31, 2001, general ledger that it describes as adjustments related to its last rate case proceeding.

County	Description	Action	Amount
Marion-Water	UPIS	Increase	$4,405
	Acc. Dep.	Increase	$1,463
	CIAC	Increase	$4,550
Marion-Wastewater	UPIS	Decrease	$4,402
	Acc. Dep.	Increase	$484
Orange-Water	UPIS	Increase	$36
	Acc. Dep.	Decrease	$7,187
	CIAC	Increase	$17,592
	Acc. Amtz. of CIAC	Increase	$10,709
Pasco-Water	UPIS	Increase	$56,381
	Acc. Dep.	Increase	$36,576
	Acc. Amtz. of CIAC	Decrease	$35,680
Pasco-Wastewater	UPIS	Decrease	$56,382
	Acc. Dep.	Decrease	$37,729
Pinellas-Water	Acc. Dep.	Decrease	$4,121
	CIAC	Increase	$3,791
	Acc. Amtz. of CIAC	Increase	$3,791
Seminole-Water	UPIS	Increase	$523,080
	Acc. Dep.	Decrease	$70,111
	CIAC	Increase	$1,400
Seminole-Wastewater	UPIS	Decrease	$532,959
	Acc. Dep.	Decrease	$36,889
	Acc. Amtz. of CIAC	Increase	$59,721

Exception No. 15, continued

Recommendation: The audit staff has determined that the utility's filing was prepared from its 2001 Annual Report and that the adjustments above adjust the utility's general ledger balances to its 2001 Annual Report and MFRs filing. See Exception No. 1 of this report for details.

The adjustments to UPIS for Marion, Orange, Seminole, and Pasco Counties are adjustments that redistribute common UPIS between the water and wastewater systems, or they have a minimal impact on overall rate base and should be approved.

The adjustments to accumulated depreciation for all the counties above are a combination of the effect of the above-described redistributions and the inclusion of an accumulated depreciation balance for Accounts Nos. 301 and 351, Organization Cost, which the utility does not reflect in its 2001 Annual Report which was used to prepare its MFRs filing and should be approved.

The adjustments to CIAC and accumulated amortization of CIAC for Orange County above are adjustments that add back $17,592 and $10,709 of utility retirements for the Druid Isle water system that was sold in 1999. The utility properly recorded the retirements in its general ledger but not in its Annual Report which was used to prepare its MFRs filing. The MFRs adjustments of $17,592 and $10,709 would misstate the actual balances for Orange County CIAC and accumulated amortization of CIAC and should be removed.

The adjustment to CIAC for Marion County above increases the MFRs filing by $4,550 to the utility's general ledger balance of $138,914. The audit staff's analysis of the activity in the utility's CIAC account agrees that CIAC should be increased by $4,550.

The adjustments to accumulated amortization of CIAC for Pasco County above reduce its general ledger balance by $35,608 to its 2001 Annual Report balance. The adjustments are a combination of the following two amounts.

1) The utility recorded $13,837 to its general ledger which increased the Orangewood balance in 1995. This amount was reported as a test year adjustment in a previous rate proceeding in Docket No. 940917-WS. The utility properly recorded the adjustment in its general ledger but not in its Annual Report which was used to prepare its MFRs filing. The MFRs adjustment of $13,837 would incorrectly report the actual balance for Pasco County CIAC and should be removed.

2) The utility's general ledger balance exceeds its 2001 Annual Report balance by $21,843 for the Summertree PPW system. The utility reclassified its accumulated amortization of CIAC balance for the Summertree PPW system in 1994 when it created a separate account for these balances. The audit staff asserts in Exception No. 13 of this report that the utility did not properly transfer the correct beginning balance for Pasco County, Summertree PPW and recommends corrective action that would make the $21,843 requested utility adjustment moot. Therefore, the utility's adjustment should be removed.

Exception No. 15, continued

The adjustments to CIAC and accumulated amortization of CIAC for Pinellas County above increase the respective balances by $3,791 as described below.

1) The audit staff's analysis of the CIAC account balance since its last rate proceeding in Docket No. 930826-WS, indicates that the general ledger balance reflected as of December 31, 2001, is the correct balance and that the $3,791 adjustment to increase CIAC is not warranted and should be removed.

2) The utility's $3,791 adjustment to accumulated amortization of CIAC in its filing is for a perceived difference between its general ledger and its 2001 Annual Report which was used to prepare its MFRs filing and should be removed.

3) The audit staff's analysis of the accumulated amortization of CIAC balance indicates that it never recorded a reported test year adjustment that decreased its accumulated amortization of CIAC balance by $2,139 in its last rate proceeding in Docket No. 930826-WS. The Commission should require the utility to reduce its accumulated amortization of CIAC balance by $2,139 to record the prior test year adjustment approved in its last rate proceeding.

The utility's adjustments to its Seminole County CIAC water and accumulated amortization of CIAC wastewater accounts above increase the respective balances by $1,400 and $59,721 as of December 31, 2001. The audit staff has reconciled the adjusted utility balances of $738,562 and $448,273 to its general ledger and agrees with the utility's adjustment.

Exception No. 16

Subject: **Cost of Capital - Parent**

Statement of Fact: The utility's filing indicates that it has calculated the following weighted average cost of capital as of December 31, 2001, for each of the UIF counties.

Marion	9.34%
Orange	9.10%
Pasco	9.29%
Pinellas	9.19%
Seminole	9.29%

Recommendation: The Division of Auditing and Safety conducted an affiliate transaction audit of Water Service Corporation (WSC), the service operating company for UIF's parent, for the 12-month period ended December 31, 2001, Audit Control No. 02-122-3-1. The audit report was issued on October 23, 2002.

Exception No. 10 of the above-mentioned audit report recommends specific adjustments to the components of the Requested Cost of Capital for the parent, Utilities, Inc. and each of the UIF counties in this rate proceeding. The audit staff has incorporated these recommendations in their entirety as Schedule R that follows.

Schedule R, for Exception No. 16

Exception No. 10

Subject: **Cost of Capital**

Statement of Fact: The company included a credit for accumulated deferred taxes of $339,113 in rate base. This is the portion of deferred taxes that relates to Water Service Corp. and is not the consolidated Utilities, Inc. balance. Order No. PSC-98-0524-FOF-SU removed these taxes in the past.

In calculating the cost of capital, the company did not include consolidated deferred taxes. In all counties except Marion, in Docket No. 020071-WS of Utilities, Inc. of Florida's Minimum Filing Requirements (MFRs) Schedule D-1 included $2,788 for deferred taxes. This is believed to be the average of the Account 237 for one division which is accrued interest.

The company did have a regulatory asset that offset deferred taxes. The average balance for the consolidated Utilities, Inc. deferred income tax is $16,345,859 net of the regulatory asset. The company also has unamortized investment tax credits averaging $1,318,251.

All counties used an amount for customer deposits that did not agree with the division's general ledger. The amounts follow:

	Per Filing	Per Ledger
Orange County	$ 4,765	$ 4,862
Marion County	(4,865)	5,026
Seminole County	43,948	43,789
Pasco County	14,973	15,276
Pinellas County	3,413	3,723

The notes related to short-term debt were reviewed. It was determined that the amounts in MFRs Schedule D-4 for short-term debt did not agree to the MFRs Schedule D-1. The company corrected this in the revised filing but included an adjustment to interest that removed interest related to acquisitions.

Long-term debt in MFRs Schedule D-5 was traced to the notes. It could not be reconciled to the lead schedules. In addition, a note paid off during the year was left off of MFRs Schedule D-5.

The company used different rates of return for equity for each division. The equity ratio is the same for all companies and thus using the formula provides the same rate for all companies.

Schedule R for Exception No. 16

Recommendation: The audit staff-prepared revised cost of capital exhibits that incorporated the correct general ledger amounts and the corrected interest rates which were computed from the company's outstanding notes and bank statements. See Exhibits VI through X of this report.

The revised cost of capital exhibits also include consolidated Utilities, Inc.'s deferred taxes net of the regulatory assets.

The MFRs Schedule D-4 of short-term debt was recalculated. The actual effective rate for short-term debt calculated by the audit staff using bank statements is 5.18 percent. The 13-month average balances from the general ledger were used.

The MFRs Schedule D-5 of debt was recalculated using all notes and the 13-month average balances from the general ledger. The effective rate is 8.63 percent.

The general ledger balances for the customer deposits for the five counties are included in the revised cost of capital Exhibits VII through X of this report.

The equity rate for all companies was changed to 10.914 percent based on Order PSC-02-1252-CO-WS, issued September 11, 2002.

The weighted cost rate for Utilities, Inc. is 8.42 percent.

The weighted cost rates for the five Utilities, Inc. of Florida counties are:

Marion	8.39%
Orange	8.29%
Pasco	8.40%
Pinellas	8.38%
Seminole	8.39%

Exception No. 17

Subject: **Revenues - Adjustment to Test Year**

Statement of Fact: The utility's general service tariff for the Crownwood wastewater system in Marion County states that a customer with a 2-inch general service connection will be charged the following rate on a bimonthly basis.

Base Facility Charge of $464.51 - Gallonage Charge of $5.46 per 1,000 gallons

On December 28, 1999, the utility executed a Bulk Sewer Service Agreement with BFF Corporation to provide wastewater treatment services in accordance with its tariff and sewer service policy.

Recital No. 7 of the agreement states that the company shall read the sewer meter(s) and deliver a billing to BFF monthly.

BFF Corporation's 2001 Annual Report indicates that it has 98 residential customers and that it purchased $20,892 of sewer treatment services from UIF in the 12-month period ended December 31, 2001.

Recommendation: The audit staff's review of UIF's billing records indicates that BFF Corporation is the sole general service customer for UIF's Crownwood system and that it began providing wastewater treatment service, through a 2-inch wastewater meter, to BFF Corporation as of May 2001.

The purchase wastewater agreement between UIF and BFF Corporation, cited above, is in direct conflict with the utility's authorized tariff's stated bimonthly billing period.

The utility's billing registers reflected that it collected $20,813 of wastewater revenues from BFF Corp. for the eight-month period ended December 31, 2001.

A normalized 12-month period would be expected to produce approximately $32,187 in wastewater revenues when calculated using the utility's authorized tariff and a six-month historical average gallonage charge.

Base Facility Charge of $464.51 times 6 billing periods equals	$2,787
7-month historical average of $2,450 per month times 2 months times 6 billing periods equals (May 2001 was a partial month and was excluded)	$29,400
Total Annualized Wastewater Revenues	$32,187
Utility 8-Month Historical	$20,813
Adjustment to increase Marion County Test Year Wastewater Revenues	$11,374

Exception No. 18

Subject: **Operation and Maintenance Expense - Direct**

Statement of Fact: The utility's MFRs filing reflects balances of $48,782, $7,905, $4,768 in Account No. 610, Purchased Water Expense, for Orange, Pasco, and Seminole Counties for the 12-month period ended December 31, 2001.

The utility's MFRs filing reflects a balance of $10,852 in Account No. 615, Purchased Power, for Marion County for the 12-month period ended December 31, 2001.

The utility's MFRs filing reflects balances of $116,142 and $209,720 in Account No 710, Purchased Wastewater Treatment, in Pasco and Seminole Counties, respectively, for the 12-month period ended December 31, 2001.

The utility's accounting system actively records monthly accruals and reversals for internal financial reporting purposes.

NARUC Accounting Instruction 2.A. states that each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of accounts so as to be able to furnish readily full information as to any item included in any account.

Recommendation: The audit staff's analysis of the utility's purchased power, purchased water and purchased wastewater treatment accounts identified above indicates that the utility failed to remove the excess accrual or reversal for its MFRs filing. The following adjustments are required to properly report the actual invoiced amounts for the 12-month period ended December 31, 2001.

County	Account	Action	Amount
Marion-Water	615	Decrease to remove accrual	$818.30
Orange-Water	610	Decrease to remove accrual	$3,200.00
Pasco-Water	610	Decrease to remove accrual	$600.00
Pasco-Wastewater	710	Increase to remove reversal	$6,750.00
Seminole-Water	610	Decrease to remove accrual	$175.00
Seminole-Wastewater	710	Decrease to remove accrual	$9,300.00

The audit staff's analysis of the purchased wastewater account for Pasco County indicates that it includes three invoices totaling $23,770 from the City of Sanford, Florida. The $23,770 should be removed and recorded in the Seminole County purchased wastewater account.

The audit staff's sample of utility operation and maintenance expenses for the 12-month period ended December 31, 2001, revealed three journal entries for invoices totaling $2,614 that the utility could not supply any supporting documentation. Per the NARUC rule cited above, the following adjustments are required to remove the following amounts in the indicated account.

Exception No. 18, continued

County	Account	Action	Amount
Pasco-Wastewater	720	Decrease to remove missing invoice	$380.00
Pasco-Wastewater	720	Decrease to remove missing invoice	$339.20
Seminole-Water	610	Decrease to remove missing invoice	$1,894.44

The audit staff's analysis of UIF Cost Center 600, which is discussed in detail in Exception No. 20 of this report, indicates that it includes $3,010 in legal fees that should have been directly charged to Accounts Nos. 633 and 733 of the Summertree PPW water and wastewater system in Pasco County. The utility should increase Accounts Nos. 633 and 733 by $2,198.50 and $811.50, respectively, based on the percentage of water and wastewater customers in Pasco County, to properly record the legal fees incurred for the Summertree PPW system.

Exception No. 19

Subject: **Operation and Maintenance Expense - Cost Centers 603 and 639**

Statement of Fact: The utility's accounting system includes the following two cost centers that are used to accrue and distribute common cost to the specified county systems below using a calculated customer equivalent (CE) percentage.

Cost Center	Code	County
Orlando Office	Sub 603	Orange and Seminole
West Coast Office	Sub 639	Pasco and Pinellas

The utility's records reflect that $20,540 and $9,049 of operation and maintenance expenses were recorded in UIF Cost Centers 603 and 639, respectively, for the 12-month period ended December 31, 2001.

Recommendation: The audit staff's analysis of the two cost centers above revealed the following information.

1) That Cost Center 603 included invoices totaling $1,626 for travel and advertising expenses that were not related to any Orange or Seminole County system.

2) That Cost Center 639 included invoices totaling $591 for travel expenses that were not related to any Pasco or Pinellas County system and $312 of missing invoices.

The travel expenses were for employee travel to Panama City, Stuart, and Ft. Myers for work related to other Florida utilities and should be removed from Orange, Pasco, Pinellas, and Seminole Counties operation and maintenance expenses accounts.

The advertising expense was for a classified advertisement to recruit wastewater plant operators in Ft. Myers and Panama City which are other Florida utilities and should be removed from the Orange and Seminole Counties operation and maintenance expenses accounts. The missing invoices should be removed per the audit staff's treatment of similar missing invoices in Exception No. 18 of this report.

The audit staff recommends the following adjustments to the indicated accounts for the indicated amounts to remove all costs that are not associated with the UIF counties in this rate proceeding. See Schedule S that follows.

Schedule S for Exception No. 19

Orlando Office Center Sub 603

Acct. No.	Invoice	System Involved	Amount	Action
620	Panama City hotel	Bayside/Sandy Creek	$494.30	Remove
620	Panama City hotel	Bayside/Sandy Creek	281.00	Remove
620	Stuart City hotel	Miles Grant	347.78	Remove
620	Panama City hotel	Bayside/Sandy Creek	153.28	Remove
620	Classified advertisement	Panama City	350.70	Remove
			$1,627.06	
Orange-Water CE percentage		7.43%	$120.87	Remove
Seminole-Water CE percentage		60.09%	$977.64	Remove
Seminole-Wastewater CE percentage		32.49%	$528.55	Remove

West Coast Office Cost Center Sub 639

Acct. No.	Invoice	System Involved	Amount	Action
620	Panama City hotel	Bayside/Sandy Creek	$197.62	Remove
620	Panama City hotel	Bayside/Sandy Creek	229.91	Remove
620	Panama City hotel	Bayside/Sandy Creek	163.29	Remove
620	Missing invoice		150.00	Remove
620	Missing invoice		162.36	Remove
			$903.18	
Pasco-Water CE percentage		63.60%	$574.42	Remove
Pasco-Wastewater CE percentage		23.48%	$212.05	Remove
Pinellas-Water CE percentage		12.92%	$116.70	Remove

Exception No. 20

Subject: **Operation and Maintenance Expense - Cost Center 600**

Statement of Fact: The utility's accounting system includes the following cost center that is used to accrue and distribute common cost to the specified county systems below using a calculated customer equivalent (CE) percentage.

Cost Center	Code	County
UIF Office	Sub600	Orange, Marion, Pasco, Pinellas, and Seminole

The utility's records reflect that $750,857 of operation and maintenance expenses were recorded in UIF Cost Center 600 for the 12-month period ended December 31, 2001.

NARUC Class A, Balance Sheet, Account 186, states that this account shall include all debits not elsewhere provided for, such as items the proper final disposition of which is uncertain.

Rule 25-30.433 (8), F.A.C., requires that nonrecurring expenses shall be amortized over a five-year period unless a shorter or longer period of time can be justified.

Recommendation: The audit staff's analysis of the above-mentioned cost center revealed that it includes the following costs.

1) Invoices totaling $20,825 for extraordinary insurance settlements during the test year that should be removed , deferred and amortized over a five-year period, per the rule cited above.

2) Invoice totaling $3,010 for legal expenses incurred for the Summertree PPW utility system in Pasco County that should be charged directly to the Pasco County systems. See Exception No. 18.

3) Invoices totaling $2,399 for legal fees incurred for the continuing lawsuit involving condemnation proceedings in Seminole County that should be deferred pending final disposition and Commission determination per the NARUC rule cited above.

4) Invoice for $3,000 for a yearly computer maintenance program that was performed twice during the test year. It should be removed to normalize the expense to an annual recurring cost.

5) Invoice for $1,219 for a permit application fee for Sandalhaven Utilities, Inc. which should be removed from UIF's books and transferred to Sandalhaven's books.

6) Journal entry for $5,801 for Nextel Communications that no supporting invoice was provided. The missing invoices should be removed per the audit staff's treatment of similar missing invoices in Exception No. 18 of this report.

Exception No. 20, continued

7) Deferred rate case expense of $19,345 that involves the amortization of $71,287 of legal fees related to the condemnation proceedings in Seminole County mentioned in Item 3 above, $3,003 of capitalized executive salaries, and $5,066 in fees and capitalized executive time of company officers working on Florida rate case issues. The Seminole County legal fees should be deferred pending final disposition and Commission determination per the NARUC rule cited above. See Disclosure No. 1 of this report for further discussion on this issue. The $3,003 of capitalized salaries consists of $2,153 in legal fees for a pending lawsuit that should be reclassified to Account No. 186 pending final disposition and $850 for the sale of property at the Altamonte Springs, FL office that should be reclassified to Account 426 because it was an unsuccessful preliminary survey cost.

The audit staff recommends that UIF Office Cost Center 600 be reduced by $50,167 for the 12-month period ended December 31, 2001. The audit staff's adjustments are described in Schedule T on the following page. The audit staff will include this adjustment in its recalculation of common cost allocations addressed in Exception No. 21 of this report.

Schedule T for Exception No. 20

UIF Office Center Sub 600

Acct. No.	Invoice	System Involved	Amount	Action
620/720	Missing	UIF	($5,801.12)	Remove
631/631	Permit fee	Sandalhaven Utilities, Inc	(1,219.17)	Remove
635/735	Legal fees	Seminole easement	(1,342.26)	Remove
635/735	Legal fees	Summertree PPW system	(3,010.00)	Remove
635/735	Legal fees	Seminole condemnation lawsuit	(1,056.33)	Remove
635/735	Computer	UIF	(3,000.00)	Remove
659/759	Insurance loss	UIF	(10,000.00)	Remove
659/759	Insurance loss	UIF	(10,825.00)	Remove
659/759	Per audit	UIF amortization of 5 years	4,165.00	Add
666/766	Rate case amortization	Seminole condemnation lawsuit	(19,345.00)	Remove
666/677	Per audit	UIF amortization of 4 years	1,266.50	Add
			($50,167.38)	

Exception No. 21

Subject: **Operation & Maintenance (O&M) Expense - Allocations**

Statement of Fact: The utility's accounting system includes the following two cost centers that are used to accrue and distribute common operation and maintenance expenses to the specified county operations.

Cost Center	Code	County
UIF Office-Internal	Sub 600	Marion, Orange, Pasco, Pinellas, and Seminole (UIF)
UIF Office External	Sub 600	UIF and all other Florida systems
Florida Office-Internal	Sub 601	Marion, Orange, Pasco, Pinellas, and Seminole (UIF)
Florida Office-External	Sub 601	UIF and all other Florida systems

Utility records indicate that it allocated the common cost for the two cost centers described above to each of the five counties in this rate proceeding based on the following customer equivalent (CE) percentages.

System	UIF Percent	Water Percent	Wastewater	Total County
Marion	6.94%	87.04%	12.96%	100.00%
Orange	2.29%	100.00%	0.00%	100.00%
Pasco	36.22%	76.20%	23.80%	100.00%
Pinellas	7.70%	100.00%	0.00%	100.00%
Seminole	46.86%	64.94%	35.06%	100.00%
Total UIF	100.00%			

Utility records reflect that the Sub600 Cost Center includes $750,857 of expenses for the 12-month period ended December 31, 2001. Of this amount, $311,304 is for accrued operator payroll and benefits. The customer equivalent (CE) percentage incorporates the system(s) where each operator is assigned to work. The balance of $439,553 is allocated to the UIF counties using the CE percentages discussed above.

Utility records reflect that the Sub601 Cost Center includes $53,534 of expenses for the 12-month period ended December 31, 2001. The entire balance is allocated to the UIF counties using the CE percentages discussed above.

UIF serves as the regional operations center for Utilities Inc.'s (parent) Florida operations. UIF accrues the common O&M costs of its yearly operations in the two cost centers indicated above. Within each cost center, there are specific accounts that accrue the common O&M costs incurred

Exception No. 21, continued

by UIF in its role as the regional operations center. These costs are allocated to all Florida operations, including UIF, using Schedule SE90 for reporting purposes. The allocations are based on customer equivalent percentages. UIF was allocated $158,166, approximately 13 percent, of SE90 common cost for the 12-month period ended December 31, 2001.

Water Service Corporation (WSC), the parent's administrative operations company, allocated $14,640, $36,137 and $98,408 of common cost to UIF which are reflected in WSC Schedules SE51 for computer cost, SE52 for insurance cost, and SE60 for general and administrative cost for the 12-month period ended December 31, 2001. UIF recorded these allocations in the Sub 600 Cost Center described above.

Recommendation: The utility's common costs which are allocated to the UIF systems are overstated by $88,560. Additionally, the utility's allocation of common costs to the UIF systems are materially misstated because of errors in the calculation of its CE percentages for those systems.

The $88,560 above is determined by the following audit staff adjustments.

1) Exception No. 20 of this report removed $50,167 of expenses from Sub600 Cost Center and should be reflected in this adjustment.

2) The Division of Auditing and Safety conducted an affiliate transaction audit of Water Service Corporation (WSC), the service operating company for UIF's parent, for the 12-month period ended December 31, 2001, Audit Control No. 02-122-3-1. The audit report was issued on October 23, 2002. In Exceptions Nos. 2 through 9 of the report, the audit staff reduced the common allocations UIF receives from WSC in Schedule SE51 by $2,728 to $11,912, in Schedule SE52 by $3,963 to $32,174 and Schedule SE60 by $31,702 to $66,706. The total reduction amounts to $38,393 for the 12-month period ended December 31, 2001

The audit staff's analysis of the utility's CE allocation schedule presented above indicates that it did not include 610 customers from the Orangewood water system and understated by 11 the number of wastewater customers in its Summertree PPW system, both of which are located in Pasco County.

The audit staff has recalculated the CE percentages as follows.

System	UIF Percent	Water Percent	Wastewater	Total County
Marion	6.39%	86.87%	13.13%	100.00%
Orange	2.10%	100.00%	0.00%	100.00%
Pasco	41.30%	73.04%	26.96%	100.00%
Pinellas	7.08%	100.00%	0.00%	100.00%
Seminole	43.12%	64.91%	35.09%	100.00%
Total UIF	100.00%			

Exception No. 21, continued

The audit staff has determined that the adjustments calculated on Schedule U that follows are required to properly reflect the actual cost allocations to the UIF systems in this rate proceeding. The schedule incorporates the reduction of Sub600 common cost by $88,560 which is composed of the $50,167 reduction discussed in Exception No. 20 of this report and $38,393 from Exceptions Nos. 2 through 9 of the affiliate transaction audit discussed above. Additionally, the audit staff has recalculated the common cost allocations to each of the UIF systems using the corrected CE percentages presented above.

Schedule U for Exception No. 21

Per Company		Marion		Orange	Pasco		Pinellas	Seminole		
		Water	W/Water	Water	Water	W/Water	Water	Water	W/Water	
Total of all UIF		6.94%		2.29%	36.22%		7.70%	46.86%		100.00%
Total County		87.04%	12.96%	100.00%	76.20%	23.80%	100.00%	64.94%	35.06%	
UIF OfficeSub600	$439,553.00	$26,532.40	$3,950.60	$10,043 79	$121,315.05	$37,891.05	$33,845.58	$133,759.86	$72,214.67	$439,553.00
Florida Office Sub601	53,534.22	3,231.45	481.15	1,223.26	14,775.25	4,614.84	4,122.13	16,290.94	8,795.20	53,534.22
Total	493,087.22	29,763.85	4,431.75	11,267.05	136,090.30	42,505.89	37,967.71	150,050.80	81,009.87	493,087.22
Per Audit		Marion		Orange	Pasco		Pinellas	Seminole		
		Water	W/Water	Water	Water	W/Water	Water	Water	W/Water	
Total of all UIF		6.39%		2.10%	41.30%		7.08%	43.12%		100.00%
Total County		86.87%	13.13%	100.00%	73.04%	26.96%	100.00%	64.91%	35 09%	
UIF OfficeSub600	350,993.00	19,487.16	2,945.40	7,387.43	105,875.71	39,080.08	24,865.01	98,242.72	53,109.49	350,993.00
Florida Office Sub601	53,534.22	2,972.22	449.24	1,126.75	16,148.39	5,960.58	3,792.47	14,984.20	8,100.38	53,534.22
Total	404,527 22	22,459.38	3,394 64	8,514.18	122,024.10	45,040.66	28,657.48	113,226.92	61,209.87	404,527.22
		Marion		Orange	Pasco		Pinellas	Seminole		
Audit Adjustment		Water	W/Water	Water	Water	W/Water	Water	Water	W/Water	
UIF OfficeSub600	(88,560 00)	(7,045.24)	(1,005.20)	(2,656.36)	(15,439.34)	1,189.03	(8,980.57)	(35,517.14)	(19,105.18)	(88,560.00)
Florida Office Sub601	0.00	(259.22)	(31.91)	(96.51)	1,373.14	1,345.74	(329.67)	(1,306.74)	(694.82)	0.00
Total	($88,560 00)	($7,304.46)	($1,037 11)	($2.752.87)	($14,066.20)	$2,534.77	($9,310.24)	($36,823.88)	($19,800.00)	($88,560.00)

Exception No. 22

Subject: **Operation and Maintenance (O&M) Expense - Adjustment to Test Year**

Statement of Fact: The utility's MFRs filing includes the following O&M adjustments to its 12-month period ended December 31, 2001.

County	Salary Expense	Pension & Benefits
Marion-Water	($13,606)	$808
Marion-Wastewater	(2,026)	(1,754)
Orange-Water	21,497	388
Pasco-Water	35,309	(1,422)
Pasco-Wastewater	11,028	(8,537)
Pinellas-Water	41,346	7,218
Seminole-Water	24,481	(3,835)
Seminole-Wastewater	13,217	(2,071)
Total Adjustment	$131,246	($9,205)

The utility's filing states that the salary expense and associated pension and benefit (PB) expense adjustments reflect the difference between year-end expense and present year expense for the utility system operators and UIF office staff.

Recommendation: The utility provided the audit staff with detailed schedules that compared the year-end 2001 salary and PB expense to the present year actual expense and calculated the proposed test year adjustments. The schedules illustrated its adjustments for utility system operators, UIF office staff and WSC office staff salaries and PB expenses.

The audit staff's review of the utility's schedules revealed two errors that materially misstate what the proposed salary and PB expense adjustments should be.

1) The utility prepared five separate schedules to calculate the salary and PB expense adjustment for each of the five counties in this rate proceeding. All of the counties except for Pasco County were allocated 14 percent of the UIF office salary and PB expense based on a revised customer equivalent (CE) percentage.

2) The utility allocated the UIF office staff and WSC office staff salaries and PB expense to the five counties in this rate proceeding based on the regional vice president's estimate of time that he spends on each Florida utility system. The current test year UIF office staff and WSC office staff salaries and PB expense are allocated based on CE percentages.

The audit staff has recalculated the utility's adjustment to O&M salary and PB expense and corrected the above-mentioned errors. See Schedules U and V on the following pages for details.

Schedule U for Exception No. 22
Adjustment to Test Year O&M - Salaries

County		Marion		Orange	Pasco		Pasco	Pinellas	Seminole		Totals
System		Water	W/Water	Water	Water	W/Water	Error	Water	Water	W/Water	
Customer Count	9,207	6.94%		2.29%	36.22%			7.70%	46.86%		100.00%
		87.04%	12.96%	100.00%	76.20%	23.80%		100.00%	64.94%	35.06%	
Adjusted Salary Expense per Audit											
Operators Salaries	$410,576	$37,877	$5,640	$21,146	$93,087	$29,074		$15,225	$135,417	$73,110	$410,576
UIF Office Salaries	70,477	3,544	536	2,503	20,798	7,678	0	4,225	20,247	10,946	70,477
WSC Salaries	31,307	1,574	238	1,112	9,239	3,411	0	1,877	8,994	4,862	31,307
Total Adjusted	512,360	42,995	6,414	24,761	123,124	40,162	0	21,327	164,658	88,919	512,360
Adjusted Salary Expense per Utility											
Operators Salaries	410,576	37,877	5,640	21,146	93,087	29,074		15,225	135,417	73,110	410,576
UIF Office Salaries	70,477	6,132	913	3,522	9,586	2,994	5,062	21,134	13,724	7,410	70,477
WSC Salaries	31,307	2,725	406	1,565	5,964	1,863	0	9,392	6,099	3,293	31,307
Total Adjusted	512,360	46,734	6,959	26,233	108,637	33,931	5,062	45,751	155,240	83,813	512,360
Adjusted Salary Expense Audit Adjustment											
Operators Salaries	0	0	0	0	0	0	0	0	0	0	0
UIF Office Salaries	0	(2,588)	(377)	(1,019)	11,212	4,684	(5,062)	(16,909)	6,523	3,536	0
WSC Salaries	0	(1,151)	(168)	(453)	3,275	1,548	0	(7,515)	2,895	1,569	0
Total Adjusted	$0	($3,739)	($545)	($1,472)	$14,487	$6,231	($5,062)	($24,424)	$9,418	$5,106	$0

Schedule V for Exception No. 22
Adjustment to Test Year O&M - Pension and Benefits

County		Marion		Orange	Pasco		Pasco	Pinellas	Seminole		Totals
System		Water	W/Water	Water	Water	W/Water	Error	Water	Water	W/Water	
Customer Count	9,207	6.94%		2.29%	36.22%			7.70%	46.86%		100.00%
		87.04%	12.96%	100.00%	76.20%	23.80%		100.00%	64.94%	35.06%	
Adjusted Pension and Benefit Expense per Audit											
Operators Benefits	$70,293	$6,372	$949	$3,445	$15,886	$4,962		$2,267	$23,646	$12,766	$70,293
UIF Office Benefits	12,973	652	99	461	3,828	1,413	0	778	3,727	2,015	12,973
WSC Benefits	12,860	647	98	457	3,795	1,401	0	771	3,694	1,997	12,860
Total Adjusted	96,126	7,671	1,145	4,362	23,509	7,776	0	3,816	31,067	16,778	96,126
Adjusted Pension and Benefit Expense per Utility											
Operators Benefits	70,293	6,372	949	3,445	15,886	4,962		2,267	23,646	12,766	70,293
UIF Office Benefits	12,973	1,129	168	649	1,766	551	926	3,892	2,527	1,365	12,973
WSC Benefits	12,860	1,119	167	643	2,450	765	0	3,858	2,505	1,353	12,860
Total Adjusted	96,126	8,620	1,284	4,737	20,102	6,278	926	10,017	28,678	15,484	96,126
Adjusted Pension and Benefit Expense Audit Adjustment											
Operators Benefits	0	0	0	0	0	0	0	0	0	0	0
UIF Office Benefits	0	(477)	(69)	(188)	2,062	862	(926)	(3,114)	1,200	650	0
WSC Benefits	0	(472)	(69)	(186)	1,345	636	0	(3,087)	1,189	644	0
Total Adjusted	$0	($949)	($139)	($375)	$3,407	$1,498	($926)	($6,201)	$2,389	$1,294	$0

Exception No. 23

Subject: **Operation and Maintenance (O&M) Expense - Adjustment to Test Year Seminole County**

Statement of Fact: The utility's wastewater treatment plant at Lincoln Heights in Seminole County was removed from service on July 1, 2001. The utility at that time began purchasing wastewater treatment services from the City of Sanford, Florida.

The utility's MFRs filing includes an adjustment that increases test year O&M expense for the 12-month period ended December 31, 2001, by $100,296 in Seminole County.

The utility's MFRs filing states that the adjustment was to reflect an increase in O&M expense due to the wastewater interconnection with the city.

Recommendation: The audit staff's analysis of the effect of the wastewater interconnection with the City of Sanford, Florida, has determined that the following adjustments to 2001 test year O&M expenses for Seminole County should be recorded for this rate proceeding to properly account for the change in utility service described above.

Acct. No.		Description of Adjustment	Amount
710	(a)	Normalize purchased wastewater expense.	$55,032
715	(b)	Remove purchased power expense for treatment plant and include normalized purchased power expense for the new transfer lift station.	($8,461)
720	(c)	Remove perculation pond maintenance expense.	($2,700)
720	(c)	Remove sludge hauling expense.	($17,830)
742	(c)	Remove wastewater testing expense.	($6,496)
		Total adjustment	$19,545

a) The audit staff used the utility's actual 14-month average purchased wastewater expense of $11,840.52 (July 2001 to August 2002) to calculate a 12-month average total of $142,086.24 less test year 2001 actual purchased wastewater treatment expense of $87,054.38 equals $55,031.82 adjustment to purchased wastewater treatment expense.

b) The audit staff used the utility's actual 6-month average purchased power for the new transfer station of $61.85 (July 2001 to December 2001) to calculate 12-month average total of $742.18 less test year 2001 actual of $9,203.64 for wastewater treatment plant purchased power equals (8,461.46) adjustment to total purchased power expense.

c) The audit staff removed all expenses related to the wastewater treatment plant that are no longer required.

The utility's adjustment to test year O&M expense for Seminole County wastewater should be reduced by $80,751 per the audit staff's estimated expense adjustment indicated above. ($100,296 - $19,545)

Exception No. 24

Subject: **Taxes Other Than Income - Property**

Statement of Fact: The utility's MFRs filing includes the following amounts for property taxes for the five counties that are party to this rate proceeding.

County	Property Tax Expense
Marion-Water	$6,499
Marion-Wastewater	968
Orange-Water	3,943
Pasco-Water	26,298
Pasco-Wastewater	8,214
Pinellas-Water	1,304
Seminole-Water	914
Seminole-Wastewater	494
	$48,634

The above property taxes are composed of real estate and tangible personal property taxes levied on the utility's property in the five counties that are party to this rate proceeding for the test year 2001. Included in the above amount is a reduction of $3,102 against the tangible property taxes levied on UIF's administrative office that is located in Seminole County. This amount was allocated to the other Florida utility operations in Schedule SE90.

Recommendation: The audit staff's analysis of the utility's property taxes indicates that, of the $48,634 of property taxes mentioned above, $39,034 can be directly traced to a specific utility system. The balance, $9,600, is composed of $7,069 in real property taxes and $3,564 in tangible personal property taxes on the UIF administrative office, $2,069 for allocated property taxes from WSC and the reduction of $3,102 in the tangible personal property tax which is allocated to the other Florida utility operations in Schedule SE90. ($7,069 + $3,564 + $2,069 - $3,102)

The audit staff has determined that the following adjustments are required to properly reflect the actual property tax expense incurred for each respective system.

1) The utility should record the $39,034 of property taxes mentioned above directly to each UIF system as indicated below.

2) The WSC allocated property taxes of $2,069 should be allocated to each UIF system using the audit staff's corrected allocation formula discussed in Exception No. 21 of this report.

3) The UIF administrative office real property taxes of $7,069 should be reduced by 87 percent or $6,150, which is the allocation method used by the utility in Schedule SE90, to allocate the real property taxes to all of the other Florida systems that it supports. The balance of $919 should then be allocated to each UIF system using the audit staff's corrected allocation formula discussed in Exception No. 19 of this report.

Exception No. 24, continued

The audit staff's calculations and adjustments are displayed below.

		Allocated Property Taxes			Direct	Total	MFRs	Audit
County	Tangible	SE90	WSC	Office(a)	Taxes	Taxes	Balance	Adjustment
Marion-Water	$198	($172)	$115	$51	$2,082	$2,274	$6,499	($4,225)
Marion-Wastewater	30	(26)	17	8	330	359	968	(609)
Orange-Water	75	(65)	44	19	1,917	1,990	3,943	(1,953)
Pasco-Water	1,075	(936)	624	277	17,969	19,010	26,298	(7,288)
Pasco-Wastewater	397	(345)	230	102	13,417	13,801	8,214	5,587
Pinellas-Water	252	(220)	146	65	324	568	1,304	(736)
Seminole-Water	998	(868)	579	257	2,894	3,860	914	2,946
Seminole-Wastewater	539	(469)	313	139	99	621	494	127
Totals	$3,564	($3,102)	$2,069	$919	$39,034	$42,483	$48,634	($6,150)

a) Office taxes are calculated as 13 percent of the 2001 real estate tax bill for the UIF office in Seminole County.

Exception No. 25

Subject: **Taxes Other Than Income - Adjustments to Test Year**

Statement of Fact: The utility's MFR filing includes the following payroll tax expense adjustments to its 12-month period ended December 31, 2001.

County	Payroll Tax
Marion-Water	$4,359
Marion-Wastewater	649
Orange-Water	2,453
Pasco-Water	10,060
Pasco-Wastewater	3,142
Pinellas-Water	5,756
Seminole-Water	13,860
Seminole-Wastewater	7,484
Total Adjustment	$47,763

The utility's MFRs filing states that the payroll tax expense adjustments reflect the difference between year-end expense and present year expense for the utility system operators and UIF office staff.

Recommendation: The utility provided the audit staff with detailed schedules that compared the year-end 2001 payroll tax expense to the present year actual expense and calculated the proposed test year adjustments. The schedules illustrated the adjustments for the utility system operators, UIF office staff and WSC office staff.

The audit staff's review of the utility's schedules revealed two errors that materially misstate what the proposed salary and PB expense adjustments should be.

a) The utility prepared five separate schedules to calculate the payroll tax expense adjustment for each of the five counties in this rate proceeding. All of the counties except for Pasco County were allocated 14 percent of the UIF office and WSC office payroll tax expense based on a revised customer equivalent (CE) percentage.

b) The utility allocated the UIF office staff and WSC office staff salaries and PB expense to the five counties in this rate proceeding based on the regional vice president's estimate of time that he spends on each Florida utility system. The current test year UIF office staff and WSC office staff payroll tax expense are allocated based on CE percentages.

The audit staff has recalculated the utility's proposed adjustment to payroll tax expense and corrected the above-mentioned errors. See Schedule W on the following page for details.

Schedule W for Exception No. 25
Adjustment to Test Year Taxes Other Than Income- Payroll Tax Expense

County		Marion		Orange	Pasco		Pasco	Pinellas	Seminole		Totals
System		Water	W/Water	Water	Water	W/Water	Error	Water	Water	W/Water	
Customer Count (CEs)	9,207	6.94%		2.29%	36.22%			7.70%	46.86%		100.00%
		87.04%	12.96%	100.00%	76.20%	23.80%		100.00%	64.94%	35.06%	
Adjusted Pension and Benefit Expense per Audit											
Operators Payroll Tax	$33,022	$3,041	$453	$1,696	$7,484	$2,338	$0	$1,211	$10,909	$5,890	$33,022
UIF Office Payroll Tax	5,710	287	43	202	1,682	621	0	342	1,638	885	5,701
WSC Payroll Tax	9,448	475	72	336	2,788	1,029	0	566	2,714	1,467	9,448
Total Adjusted Payroll Tax	48,171	3,803	568	2,234	11,954	3,988	0	2,119	15,261	8,234	48,171
Adjusted Pension and Benefit Expense per Utility											
Operators Payroll Tax	33,022	3,041	453	1,696	7,484	2,338	0	1,211	10,909	5,890	33,022
UIF Office Payroll Tax	5,701	496	74	285	776	342	408	1,710	1,110	600	5,701
WSC Payroll Tax	9,448	822	122	472	1,800	562	0	2,835	1,841	994	9,448
Total Adjusted Payroll Tax	48,171	4,359	649	2,453	10,060	3,142	408	5,756	13,860	7,874	48,171
Adjusted Pension and Benefit Expense Audit Adjustment											
Operators Payroll Tax	0	0	0	0	0	0	0	0	0	0	0
UIF Office Payroll Tax	0	(209)	(31)	(83)	906	379	(408)	(1,368)	528	285	0
WSC Payroll Tax	0	(347)	(50)	(136)	988	467	0	(2,269)	873	473	0
Total Adjusted Payroll Tax	$0	($556)	($81)	($219)	$1,894	$846	($408)	($3,637)	$1,401	$759	$0

Exception No. 26

Subject: **Books and Records**

Statement of Fact: The Division of Auditing and Safety conducted an undocketed compliance investigation of Wedgefield Utilities, Inc.'s books and records as of December 31, 2001, Audit Control No. 01-166-3-2. The audit report was issued on August 23, 2002.

The scope of the compliance investigation included the determination of Wedgefield Utilities, Inc.'s compliance with Orders Nos. PSC-00-1528-PAA-WU, issued August 23, 2000, and Order No. PSC-00-2388-AS-WU, issued December 13, 2000.

Order No. PSC-00-1528-PAA-WU required the utility to show cause as to why it should not be fined $3,000 for its apparent violation of Rule 25-30.115, F.A.C. The utility filed a timely response and offer of settlement on September 13, 2000.

Order No. PSC-00-2388-AS-WU incorporated the above-mentioned settlement offer with other specific requirements and waived the fine imposed in the Order to Show Cause. Specifically, the utility was ordered to, "correct any remaining areas of noncompliance with the NARUC USOA by January 31, 2001."

Exception No. 1 of the above-mentioned audit report determined that Wedgefield Utilities, Inc. was not in substantial compliance with the above Orders and deferred its recommendation to this rate case proceeding.

The utility's position illustrated in Exception No. 1 of the audit report is included below in its entirety.

> This letter is in response to the Wedgefield Compliance Audit request number 1. I have reviewed the correspondence file, related orders and miscellaneous supporting documentation relating to the previously mentioned audit request. Consistent with Utilities, Inc.'s correspondence to *(FPSC legal Staff)* dated October 26, 2000 and the Florida Public Service Commission's Order No. PSC-00-2388-AS-WU, the utility believes that its books and records are in substantial compliance with NARUC USOA. In addition, the previously mention order also states that the Utility "promised to sufficiently correct these differences by January 31, 2001, if given some guidance by our audit staff." Emphasis added.
>
> The Utility is not aware of any specific corrections required by Staff or the PSC. If Staff is aware of any specific differences that need to be corrected the Utility will work with Staff to correct these differences. The Utility requests that any of the alleged differences that Staff believes still exist be communicated in writing.
>
> The Utility believes that its books and records are in substantial compliance with NARUC USOC, and the Utility will work diligently with Staff to correct any specific issues raised.

Exception No. 26, continued

The settlement offer, approved in Order No. PSC-00-2388-AS-WU, states that,

> The utility has determined that there are a few accounts remaining, especially Utility Account Nos. 620 and 675, which the Utility may not be utilizing totally in accordance with NARUC Uniform System of Accounts.
>
> The Utility further promises to sufficiently correct these differences by January 31, 2001, if given some guidance by the FPSC audit staff.

Additionally, Order No. PSC-00-2388-AS-WU states that,

> The utility shall correct any remaining areas of non-compliance with the NARUC USOA by January 31, 2001. Further, the utility and its parent shall file, in future rate proceedings before this Commission, MFRs which begin with utility book balances, and show all adjustments to book balances after the "per book" column in the MFRs. The utility shall file a statement which affirms that the MFRs begin with actual book balances.

Recommendation: The utility's book and records are not in substantial compliance with the NARUC USOA, and the utility has not complied with Order Nos. PSC-00-1528-PAA-WU and PSC-00-1528-PAA-WU, referenced above.

The audit staff purports the following findings.

1. The audit staff's Exception No. 1 for the compliance investigation mentioned above determined that the utility was not in substantial compliance with the stipulated agreement approved in Order No. PSC-00-2388-AS-WU. The audit staff determined that the utility's response indicated that no changes have been made to the accounting system in order to comply with the Commission Order.

2. Order No. PSC-00-2388-AS-WU, by reference, incorporates the filing requirements for future rate proceedings to the parent and all of its Florida operations.

3. In this rate proceeding the utility's MFRs filing does not comply with filing requirements in the Orders mentioned above. Rate Base Schedules A1, Column (2) Balance per Books, which should be the balance in the utility's general ledger, begins with the balances that the utility reports in its 2001 Annual Report. Column (3) Utility Adjustments, which should show all utility adjustments to its general ledger balance, is, in most cases, the adjustment required to make the utility's general ledgers agree to its 2001 Annual Report and MFRs filing.

4. In this rate proceeding, the utility did not adequately record the correct adjustments to prior Commission Orders as detailed in Exceptions Nos. 1 and 2 of this report.

Exception No. 26, continued

5. Order No. PSC-00-1528-PAA-WU, specifically addressed the utility's noncompliance with NARUC, Accounting Instruction 2. A. and Rule 25-30.450, F.A.C., concerning supporting documentation for the utility's books and records, schedules, and data that it files in rate proceedings.

   A. In this rate proceeding, the audit staff requested supporting documentation for the utility's allocation methodologies three different times and was given two additional schedules that did not reconcile to the filing.

   B. The Division of Auditing and Safety conducted an affiliate transaction audit of Water Service Corporation (WSC), the service operating company for UIF's parent, for the 12-month period ended December 31, 2001. Audit Control No. 02-122-3-1. The audit report was issued on October 23, 2002. Disclosure No. 2 of the report determined that the utility lacked sufficient supporting documentation, that should have been readily available, to adequately determine the reasonableness of the utility's methodology in calculating its customer equivalent (CE) percentages which are used to allocate common rate base and cost.

   C. The structure of the utility's accounting system continues to require significant amounts of the audit staff's time to reconcile its MFRs filing to its books and records. The combined MFRs filings for all UIF systems readily reconciles to UIF's consolidated general ledger. However, UIF's distributions and allocations from and between the five counties, its other Florida operations and its parent are of concern to the audit staff.

      Accounts Nos. 620/720, Materials and Supplies, and 675/775, Miscellaneous Expenses, which were specifically identified in the utility's offer of settlement, discussed above, continued to require extraordinary audit staff attention to audit because of the number of utility accounts involved and the allocation methodologies applied.

      Example: Account No. 620/720 includes the following 45 utility accounts

      401.1u - 6759200, 6759210, 6759220, 6759230, 6759240, 6759250, 6759260, 6759290, and 6759295
      401.1x - 6755070, 6755090, 6759503, 6759506-7, and 6759509
      401.1y - 7754003, 7754006, 7754007, 7754009, 7755070, and 7758490
      401.1z - 6205003, 6751009, 6753008, 6753011, 6754007, 6759017-19, 6759080, 6759081, 6759401-2, 6759405-6, 6759410, 6759412-16, 6759430, 6759490, 6759498, and 7202003

      401.1u - These accounts are allocated to MFRs Accounts Nos. 620 and 720.
      401.1x - These accounts are allocated to MFRs Account No. 620.
      401.1y - These accounts are allocated to MFRs Account No 720.
      401.1z - These accounts are allocated to MFRs Accounts Nos. 620 and 720.

      All of the above account balances are allocated to the water and wastewater systems of the five counties in this rate proceeding based on the CE percentages described in Exception No. 21 of this report. However, the following accounts are first reduced by the Schedule SE90

Exception No. 26, continued

allocation discussed in Exception No. 21 of this report. The remaining balance is then allocated as previously indicated.

401.1u - 6759210, 6759220 and 6759290
401.1z - 6205003, 6759018, 6759416 and 6759430

The audit staff continued to encounter problems conducting an efficient audit of the utility's books and records for this filing and expended a considerable amount of time reconciling the filing to the utility's MFRs and prior Orders. The Commission should readdress this issue and require the utility to maintain its books and records per the NARUC USOA and Commission rules.

Disclosure No. 1

Subject: **Lincoln Heights - Land Condemnation Proceedings**

Statement of Fact: Utility records reflect that it has been involved in a lawsuit involving the condemnation and subsequent acquisition of a significant portion of its land located at the Lincoln Heights system in Seminole County.

The utility began incurring legal and engineering fees related to the condemnation as early as February 1998 when it created Construction Project (CP) Account No. 614-116-98-14 to accrue its consulting, engineering, legal, and relocation costs for the condemnation issue. At that time, the utility projected a total cost of $145,000.

Utility records indicate that in 2001 the utility closed out the above CP by transferring a balance of $101,518 to Seminole County wastewater Account No. 353, Land. The audit staff made specific adjustments to this transaction in Exception No. 5 of this report. The audit staff reclassified the entire balance of $101,518 to other utility accounts. Specifically, the audit staff transferred $14,935 of preliminary cost studies to Account No. 183.

Utility records indicate that in 2000 the utility recorded $2,952 to Account No 301, Organization Cost, and in 1999 and 2000 the utility recorded $9,724 and $9,579 to Account No. 380, Treatment and Disposal Equipment, for capitalized executive time that related to the condemnation proceeding described above. The audit staff made specific adjustments to these transactions in Exception No. 6 of this report. The audit staff reclassified the entire balance for all three transactions to Account No. 186, Miscellaneous Deferred Debits.

Utility records indicate a balance of $71,287 in Account No. 1863030, Deferred Rate Case Expense, as of December 31, 2001, for legal fees related to the condemnation proceeding described above and $3,003 of capitalized salaries described in Exception No. 20. These balances, along with a balance of $5,006 recorded in Account No. 186321, Deferred Rate Case Expense, was amortized to the five counties in this rate proceeding as described in Exception No. 20 of this report. The audit staff made specific adjustments that removed $19,345 of test year amortization expense related to the condemnation legal fees and deferred a net amortized balance of $38,687.

Recommendation: The audit staff's Exceptions Nos. 5, 6 and 20 of this report have reclassified and deferred $94,319 of costs related to the condemnation lawsuit per the NARUC and Commission rules cited in Exception No. 5 of this report.

Exception No. 5	Acct. No. 183	$14,935
Exception No. 6	Acct. No. 186	$22,255
Exception No. 20	Acct. No. 186	$36,728
Exception No. 20	Accts. Nos. 635/735	$1,056
Exception No. 20	Accts. Nos. 666/667	$19,345
Total Deferred		$94,319

Disclosure No. 1, continued

The audit staff has discovered the following additional information related to this issue.

I. The utility properly retired $6,000 of land from Account No. 351 to record the effects of its land being acquired by the Department of Transportation (DOT) as discussed in Exception No. 9 of this report. However, the audit staff has discovered that the utility received $154,190.33 on June 22, 1999, from the DOT as compensation for the land it acquired from the utility. The utility does not reflect this event anywhere in its MFRs filing.

II. The utility closed out CP Account No. 614-116-98-14 for $101,518 as of December 31, 2001. However, utility representatives indicate that the lawsuit is still ongoing. The audit staff has not determined where the additional legal fees are being recorded.

The audit staff recommends that the above costs and all future costs related to this issue be reviewed for prudency and relevance to the five counties in this rate proceeding.

The audit staff defers the final disposition of this issue to the staff analyst and engineers in Tallahassee.

Disclosure No. 2

Subject: WisBar/Bartelt - Interconnection With Orangewood

Statement of Fact: The utility's records reflect that the WisBar/Bartelt water system operation and maintenance expense Account No. 610, Purchased Water, included $7,904.54 of expenses from Holiday Gardens Utility, Inc. for the 12-month period ended December 31, 2001.

On October 10, 2002, the audit staff conducted a tour of selected utility systems with UIF's assistant operations manager. He informed the audit staff that the WisBar/Bartelt system has been interconnected with the utility's Orangewood water system as of this summer and that UIF would no longer need to purchase water from the Holiday Gardens system in the future.

However, he also stated that the interconnection with Holiday Gardens will remain in place as an emergency source of supply for either system.

The utility's construction ledgers indicate that the utility had incurred costs of $12,908 to interconnect the Orangewood and WisBar/Bartelt systems as of December 31, 2001, in Work Order No. 614-116-98-14.

Recommendation: The audit staff defers this issue to the analyst and engineers in Tallahassee for final disposition.

EXHIBIT I

Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Water Rate Base

Florida Public Service Commission

Company: Utilities Inc. of Florida - Marion County
Docket No.: 020071-WS
Schedule Year ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule A-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments.
All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Balance Per Books YE 12/31/01		(3) Utility Adjustments	(4) Adjusted Utility Balance YE 12/31/01	(5) Year End 12/31/00	(6) Test Year Average 12/31/01	(5) Supporting Schedule(s)
1	Utility Plant in Service	$ 650,348	[a]	$ 4,405	$ 654,754	$ 632,029	$ 639,911	A-5
2	Utility Land & Land Rights	12,615			12,615	12,615	12,615	A-5
3	Less: Non-Used & Useful Plant			0	-		-	A-7
4	Construction Work in Progress	-	[b]	-	-	-	-	-
5	Less: Accumulated Depreciation	(311,574)	[a]	(1,463)	$ (313,036)	(294,262)	(302,255)	A-9
6	Less CIAC	(134,364)	[a]	(4,550)	$ (138,914)	(134,014)	(134,337)	A-12
7	Accumulated Amortization of CIAC	46,137	[a]	(0)	46,137	42,138	44,137	A-14
8	Allocated Plant	5,111	[c]		5,111	4,657	4,925	-
9	Working Capital Allowance	13,283	[d]	101,543	114,826	114,826	114,826	A-17
10	Total Rate Base	$ 281,556		$ 99,935	$ 381,492	$ 377,989	$ 379,821	

Notes:

[a] Includes adjustments reflected in last rate case.

[b] WIP that should be completed within twelve months.

[c] Water Service Corporation allocates a portion of its total rate base to each operating subsidiary to which it provides service.

[d] Working Capital is calculated by using the Balance Sheet approach

EXHIBIT I

Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Water Rate Base

Florida Public Service Commission

Company: Utilities Inc. of Florida - Orange County
Docket No.: 020071-WS
Schedule Year ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule A-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments.
All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Balance Per Books YE 12/31/01		(3) Utility Adjustments	(4) Adjusted Utility Balance YE 12/31/01	(5) Year End 12/31/00	(6) Test Year Average 12/31/01	(5) Supporting Schedule(s)
1	Utility Plant In Service	$ 192,732	[a]	$ 36	$ 192,768	$ 192,131	$ 192,409	A-5
2	Utility Land & Land Rights	2,783			2,783	2,783	2,783	A-5
3	Less: Non-Used & Useful Plant			0	-		-	A-7
4	Construction Work in Progress	-		-	-	-	-	-
5	Less: Accumulated Depreciation	(110,251)	[a]	7,187	$ (103,064)	(101,250)	(105,540)	A-9
6	Less: CIAC	(38,403)	[a]	(17,592)	$ (55,995)	(38,403)	(38,403)	A-12
7	Accumulated Amortization of CIAC	21,969	[a]	10,709	32,678	20,705	21,337	A-14
8	Allocated Plant	4,144	[c]		4,144	3,776	3,994	-
9	Working Capital Allowance	9,335	[d]	71,366	80,701	80,701	80,701	A-17
10	Total Rate Base	$ 82,311		$ 71,705	$ 154,015	$ 160,443	$ 157,280	

Notes: [a] Includes adjustments reflected in last rate case.

[c] Water Service Corporation allocates a portion of its total rate base to each operating subsidiary to which it provides service.

[d] Working Capital is calculated by taking by using the balance sheet method

EXHIBIT I
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Water Rate Base

Florida Public Service Commission

Company: Utilities Inc. of Florida - Pasco County
Docket No.: 020071-WS
Schedule Year ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule A-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments
All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Balance Per Books YE 12/31/01		(3) Utility Adjustments	(4) Adjusted Utility Balance YE 12/31/01	(5) Year End 12/31/00	(6) Test Year Average 12/31/01	(5) Supporting Schedule(s)
1	Utility Plant in Service	$ 1,721,781	[a]	$ 56,381	$ 1,778,162	$ 1,583,431	$ 1,625,381	A-5
2	Utility Land & Land Rights	6,713			6,713	6,713	6,713	A-5
3	Less: Non-Used & Useful Plant			0	-		-	A-7
4	Construction Work in Progress	17,432	[b]	179,502	196,934	14,065	42,635	-
5	Less: Accumulated Depreciation	(608,176)	[a]	(36,576)	$ (644,752)	(539,779)	(573,642)	A-9
6	Less: CIAC	(466,708)	[a]	(0)	$ (466,708)	(466,708)	(466,708)	A-12
7	Accumulated Amortization of CIAC	166,118	[a]	(35,680)	130,438	151,543	158,830	A-14
8	Allocated Plant	26,262	[c]		26,262	31,400	25,310	-
9	Working Capital Allowance	28,254	[d]	215,998	244,252	244,252	244,252	A-17
10	Total Rate Base	$ 891,676		$ 379,624	$ 1,271,300	$ 1,024,918	$ 1,062,772	

Notes:

[a] Includes adjustments reflected in last rate case.

[b] WIP that should be completed within twelve months

[c] Water Service Corporation allocates a portion of its total rate base to each operating subsidiary to which it provides service.

[d] Working Capital is calculated by taking 1/8 of Operations and Maintenance Expenses. Plus 1/8 of $150,000 for the cost of interconnection with the City of Sanford.

EXHIBIT I

Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Water Rate Base

Florida Public Service Commission

Company: Utilities Inc. of Florida - Pinellas County
Docket No.: 020071-WS
Schedule Year ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule A-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments
All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Balance Per Books YE 12/31/01		(3) Utility Adjustments	(4) Adjusted Utility Balance YE 12/31/01	(5) Year End 12/31/00	(6) Test Year Average 12/31/01	(5) Supporting Schedule(s)
1	Utility Plant in Service	$ 384,421	[a]	$ (0)	$ 384,421	$ 367,319	$ 374,376	A-5
2	Utility Land & Land Rights	6,106			6,106	6,106	6,106	A-5
3	Less: Non-Used & Useful Plant			0	-		-	A-7
4	Construction Work In Progress	-	[b]	-	-	-	-	-
5	Less: Accumulated Depreciation	(79,497)	[a]	4,121	$ (75,376)	(71,735)	(69,149)	A-9
6	Less: CIAC	(138,847)	[a]	(3,791)	$ (142,638)	(138,847)	(138,847)	A-12
7	Accumulated Amortization of CIAC	44,318	[a]	3,791	48,110	40,527	42,423	A-14
8	Allocated Plant	7,003	[c]		7,003	6,381	6,750	-
9	Working Capital Allowance	3,612	[d]	27,610	31,222	31,222	31,222	A-17
10	Total Rate Base	$ 227,115		$ 31,732	$ 258,847	$ 240,972	$ 252,881	

Notes:

[a] Includes adjustments reflected in last rate case.

[b] WIP that should be completed within twelve months

[c] Water Service Corporation allocates a portion of its total rate base to each operating subsidiary to which it provides service.

[d] Working Capital is calculated by using the Balance Sheet approach.

EXHIBIT I
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Water Rate Base

Florida Public Service Commission

Company: Utilities Inc. of Florida - Seminole County
Docket No.: 020071-WS
Schedule Year ended 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule A-1
Page 1 of 1

Preparer: Steven M Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments.
All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Balance Per Books YE 12/31/01		(3) Utility Adjustments	(4) Adjusted Utility Balance YE 12/31/01	(5) Year End 12/31/00	(6) Test Year Average 12/31/01	(5) Supporting Schedule(s)
1	Utility Plant in Service	$ 2,415,090	[a]	$ 523,080	$ 2,938,169	$ 2,340,909	$ 2,462,506	A-5
2	Utility Land & Land Rights	16,778			16,778	16,778	16,778	A-5
3	Less: Non-Used & Useful Plant			0	-		-	A-7
4	Construction Work in Progress	209,593	[b]	178,154	387,747	192,102	375,277	-
5	Less: Accumulated Depreciation	(1,156,108)	[a]	70,111	$ (1,085,997)	(1,047,998)	(1,224,197)	A-9
6	Less: CIAC	(737,162)	[a]	(1,400)	$ (738,562)	(737,162)	(737,162)	A-12
7	Accumulated Amortization of CIAC	487,272	[a]	0	487,272	463,163	475,217	A-14
8	Allocated Plant	21,828	[c]		21,828	19,887	21,037	-
9	Working Capital Allowance	45,970	[d]	351,429	397,399	397,399	397,399	A-17
10	Total Rate Base	$ 1,303,261		$ 1,121,373	$ 2,424,634	$ 1,645,077	$ 1,786,854	

Notes:

[a] Includes adjustments reflected in last rate case.

[b] WIP that should be completed within twelve months

[c] Water Service Corporation allocates a portion of its total rate base to each operating subsidiary to which it provides service.

[d] Working Capital is calculated by using the Balance Sheet method.

EXHIBIT II

Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Sewer Rate Base

Florida Public Service Commission

Company: Utilities Inc. of Florida - Marion County
Docket No.: 020071-WS
Schedule Year ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule A-2
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments.
All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Balance Per Books YE 12/31/01		(3) Utility Adjustments	(4) Adjusted Utility Balance YE 12/31/01	(5) Year End 12/31/00	(6) Test Year Average 12/31/01	(5) Supporting Schedule(s)
1	Utility Plant in Service	$ 161,810	[a]	$ (4,402)	$ 157,408	$ 148,200	$ 149,912	A-6
2	Utility Land & Land Rights	10,080			10,080	10,080	10,080	A-6
3	Less: Non-Used & Useful Plant		[b]	(17,812)	(17,812)		(17,812)	A-7
4	Construction Work in Progress	-	[c]	-	-	-	-	-
5	Less: Accumulated Depreciation	(65,199)	[a]	484	(64,715)	(62,482)	(64,041)	A-10
6	Less: CIAC	(450)	[a]	-	(450)	(450)	(450)	A-12
7	Accumulated Amortization of CIAC	24	[a]	-	24	12	18	A-14
8	Allocated Plant	761	[d]		761	693	733	-
9	Working Capital Allowance	5,196	[e]	39,718	44,914	44,914	44,914	A-17
10	Total Rate Base	$ 112,221		$ 17,988	$ 130,210	$ 140,967	$ 123,355	

Notes:

[a] Includes adjustments reflected in last rate case.

[b] Reduced by Non-Used &Useful of Treatment & Disposal Plant accounts for Crownwood (630/635)

[c] WIP that should be completed within twelve months.

[d] Water Service Corporation allocates a portion of its total rate base to each operating subsidiary to which it provides service.

[e] Working Capital is calculated by using the Balance Sheet approach.

EXHIBIT II

Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Sewer Rate Base

Florida Public Service Commission

Company: Utilities Inc. of Florida - Pasco County
Docket No.: 020071-WS
Schedule Year ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule A-2
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments.
All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Balance Per Books YE 12/31/01		(3) Utility Adjustments	(4) Adjusted Utility Balance YE 12/31/01	(5) Year End 12/31/00	(6) Test Year Average 12/31/01	(5) Supporting Schedule(s)
1	Utility Plant in Service	$ 1,048,810	[a]	$ (56,382)	$ 992,428	$ 979,651	$ 996,546	A-6
2	Utility Land & Land Rights	10,000			10,000	10,000	10,000	A-6
3	Less: Non-Used & Useful Plant			-	-		-	A-7
4	Construction Work in Progress	485	[b]	52,268	52,753	-	11,042	-
5	Less: Accumulated Depreciation	(342,922)	[a]	(37,729)	(305,193)	(305,898)	(323,941)	A-10
6	Less: CIAC	(463,032)	[a]	-	(463,032)	(463,032)	(463,032)	A-12
7	Accumulated Amortization of CIAC	125,703	[a]	(0)	125,703	112,466	119,079	A-14
9	Allocated Plant	8,202	[c]		8,202	7,473	7,905	-
10	Working Capital Allowance	29,545	[d]	225,865	255,410	255,410	255,410	A-17
11	Total Rate Base	$ 416,791		$ 184,022	$ 676,271	$ 596,070	$ 613,009	

Notes:

[a] Includes adjustments reflected in last rate case.

[b] WIP that should be completed within twelve months.

[c] Water Service Corporation allocates a portion of its total rate base to each operating subsidiary to which it provides service.

[d] Working Capital using the Balance Sheet approach

EXHIBIT II

Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Sewer Rate Base

Florida Public Service Commission

Company: Utilities Inc. of Florida - Seminole County
Docket No.: 020071-WS
Schedule Year ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule A-2
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments.
All non-used and useful items should be reported as Plant Held For Future Use.

Line No.	(1) Description	(2) Balance Per Books YE 12/31/01		(3) Utility Adjustments	(4) Adjusted Utility Balance YE 12/31/01	(5) Year End 12/31/00	(6) Test Year Average 12/31/00	(5) Supporting Schedule(s)
1	Utility Plant in Service	$ 3,107,924	[a]	$ (532,959)	$ 2,574,965	$ 2,104,842	$ 2,299,836	A-6
2	Utility Land & Land Rights	117,991			117,991	16,472	24,281	A-6
3	Less: Non-Used & Useful Plant			-	-		-	A-7
4	Construction Work in Progress	23,438	[b]	226,214	249,652	92,351	581,322	-
5	Less: Accumulated Depreciation	(813,034)	[a]	36,889	(776,146)	(749,345)	(774,978)	A-10
6	Less: CIAC	(610,051)	[a]	(0)	(610,051)	(610,051)	(610,051)	A-12
7	Accumulated Amortization of CIAC	388,552	[a]	59,721	448,273	371,885	380,218	A-14
8	Allocated Plant	11,785	[c]		11,785	10,737	11,358	-
9	Working Capital Allowance	53,883	[d]	411,924	465,807	465,807	465,807	A-17
10	Total Rate Base	$ 2,280,488		$ 201,789	$ 2,482,276	$ 1,702,699	$ 2,377,793	

Notes:

[a] Includes adjustments reflected in last rate case.

[b] WIP that should be completed within twelve months.

[c] Water Service Corporation allocates a portion of its total rate base to each operating subsidiary to which it provides service.

[d] Working Capital is calculated by using the Balance Sheet method.

EXHIBIT III

Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Utilities Inc. of Florida - Marion County
Docket No.: 020071-WS
Schedule Year Ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule B-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Utility Test Year	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	Supporting Schedules
1	OPERATING REVENUES	151,712	0	151,712	49,509	201,221	B-3 & B-4
2	Operation & Maintenance	106,262	10,911	117,173		117,173	B-3 & B-5
3	Depreciation	20,933	200	21,133		21,133	B-3 & B-13
4	CIAC Amortization	(3,999)	0	(3,999)		(3,999)	B-3
5	PAA Amortization	161	(161)	0		0	
6	Taxes Other Than Income	16,742	1,027	17,769	2,228	19,997	B-3 & B-15
7	Provision for Income Taxes	(4,954)	(1,379)	(6,333)	17,793	11,460	B-3 & C-1
8	OPERATING EXPENSES	135,145	10,598	145,743	20,021	165,764	
9	NET OPERATING INCOME	16,567	(10,598)	5,969	29,488	35,457	
11	RATE BASE	281,556		381,492		379,821	
12	RATE OF RETURN	5.88%		1.56%		9.34%	

Note: Descriptions of the adjustments made above are detailed on page B-3.

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Utilities Inc. of Florida - Orange County
Docket No.: 020071-WS
Schedule Year Ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule B-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No	(1) Description	(2) Utility Test Year	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	Supporting Schedules
1	OPERATING REVENUES	86,186	(1,282)	84,904	76,950	161,854	B-3 & B-4
2	Operation & Maintenance	74,682	48,587	123,269		123,269	B-3 & B-5
3	Depreciation	7,229	2	7,231		7,231	B-3 & B-13
4	CIAC Amortization	(1,265)	0	(1,265)		(1,265)	B-3
5	PAA Amortization	0	0	0		0	
6	Taxes Other Than Income	9,323	862	10,185	3,463	13,648	B-3 & B-15
7	Provision for Income Taxes	(6,592)	(16,396)	(22,988)	27,653	4,665	B-3 & C-1
8	OPERATING EXPENSES	83,377	33,055	116,432	31,116	147,548	
9	NET OPERATING INCOME	2,808	(34,337)	(31,528)	45,834	14,306	
11	RATE BASE	82,311		154,015		157,280	
12	RATE OF RETURN	3 41%		(20 47%)		9 10%	

Note: Descriptions of the adjustments made above are detailed on page B-3.

EXHIBIT III
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Utilities Inc. of Florida - Pasco County
Docket No.: 020071-WS
Schedule Year Ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule B-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Utility Test Year	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	Supporting Schedules
1	OPERATING REVENUES	422,996	(6,784)	416,212	110,293	526,505	B-3 & B-4
2	Operation & Maintenance	226,035	56,889	282,924		282,924	B-3 & B-5
3	Depreciation	64,149	2,565	66,714		66,714	B-3 & B-13
4	CIAC Amortization	(14,575)	0	(14,575)		(14,575)	B-3
5	PAA Amortization	3,072	(3,072)	0		0	
6	Taxes Other Than Income	55,109	(15)	55,094	4,963	60,057	B-3 & B-15
7	Provision for Income Taxes	38,814	(45,840)	(7,026)	39,636	32,610	B-3 & C-1
8	OPERATING EXPENSES	372,603	10,527	383,131	44,599	427,730	
9	NET OPERATING INCOME	50,393	(17,312)	33,081	65,694	98,775	
11	RATE BASE	891,676		1,271,300		1,062,772	
12	RATE OF RETURN	5.65%		2.60%		9.29%	

Note: Descriptions of the adjustments made above are detailed on page B-3.

EXHIBIT III
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Utilities Inc. of Florida - Pinellas County
Docket No.: 020071-WS
Schedule Year Ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule B-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Utility Test Year	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	Supporting Schedules
1	OPERATING REVENUES	55,088	949	56,037	102,494	158,531	B-3 & B-4
2	Operation & Maintenance	28,893	76,205	105,098		105,098	B-3 & B-5
3	Depreciation	12,220	(0)	12,220		12,220	B-3 & B-13
4	CIAC Amortization	(3,792)	0	(3,792)		(3,792)	B-3
5	PAA Amortization	2,602	(2,602)	0		0	
6	Taxes Other Than Income	4,767	4,811	9,578	4,612	14,190	B-3 & B-15
7	Provision for Income Taxes	2,077	(31,332)	(29,255)	36,833	7,578	B-3 & C-1
8	OPERATING EXPENSES	46,767	47,082	93,849	41,445	135,294	
9	NET OPERATING INCOME	8,321	(46,133)	(37,812)	61,049	23,237	
11	RATE BASE	227,115		258,847		252,881	
12	RATE OF RETURN	3 66%		(14 61%)		9 19%	

Note: Descriptions of the adjustments made above are detailed on page B-3.

EXHIBIT III
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: Utilities Inc. of Florida - Seminole County
Docket No.: 020071-WS
Schedule Year Ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule B-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Utility Test Year	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	Supporting Schedules
1	OPERATING REVENUES	590,605	13,592	604,197	184,949	789,146	B-3 & B-4
2	Operation & Maintenance	367,760	44,747	412,507		412,507	B-3 & B-5
3	Depreciation	105,343	23,800	129,143		129,143	B-3 & B-13
4	CIAC Amortization	(24,109)	0	(24,109)		(24,109)	B-3
5	PAA Amortization	84	(84)	0		0	
6	Taxes Other Than Income	39,401	3,000	42,401	8,323	50,724	B-3 & B-15
7	Provision for Income Taxes	6,560	(18,123)	(11,563)	66,464	54,901	B-3 & C-1
8	OPERATING EXPENSES	495,039	53,340	548,379	74,787	623,166	
9	NET OPERATING INCOME	95,565	(39,747)	55,818	110,162	165,980	
11	RATE BASE	1,303,261		2,424,634		1,786,854	
12	RATE OF RETURN	7.33%		2.30%		9.29%	

Note: Descriptions of the adjustments made above are detailed on page B-3.

EXHIBIT IV
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Sewer Net Operating Income

Florida Public Service Commission

Company: Utilities Inc. of Florida - Marion County
Docket No.: 020071-WS
Schedule Year Ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule B-2
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Utility Test Year	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	Supporting Schedules
1	OPERATING REVENUES	58,529	0	58,529	5,309	63,838	B-3 & B-4
2	Operation & Maintenance	41,564	(398)	41,166		41,166	B-3 & B-5
3	Depreciation	4,155	(1,157)	2,999		2,999	B-3 & B-13
4	CIAC Amortization	(12)	0	(12)		(12)	B-3
5	PAA Amortization	0	0	0		0	
6	Taxes Other Than Income	4,151	153	4,304	239	4,543	B-3 & B-15
7	Provision for Income Taxes	2,178	(461)	1,717	1,908	3,625	B-3 & C-1
8	OPERATING EXPENSES	52,037	(1,863)	50,174	2,147	52,321	
9	NET OPERATING INCOME	6,492	1,863	8,355	3,162	11,517	
11	RATE BASE	112,221		130,210		123,355	
12	RATE OF RETURN	5 79%		6.42%		9.34%	

Note: Descriptions of the adjustments made above are detailed on page B-3.

EXHIBIT IV
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Sewer Net Operating Income

Florida Public Service Commission

Company: Utilities Inc. of Florida - Pasco County
Docket No.: 020071-WS
Schedule Year Ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule B-2
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Utility Test Year	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	Supporting Schedules
1	OPERATING REVENUES	286,769	18,482	305,251	59,118	364,369	B-3 & B-4
2	Operation & Maintenance	236,361	9,675	246,037		246,037	B-3 & B-5
3	Depreciation	30,452	(2,565)	27,887		27,887	B-3 & B-13
4	CIAC Amortization	(13,238)	0	(13,238)		(13,238)	B-3
5	PAA Amortization	701	(701)	0		0	
6	Taxes Other Than Income	24,372	922	25,293	2,660	27,954	B-3 & B-15
7	Provision for Income Taxes	(24,974)	22,480	(2,494)	21,245	18,751	B-3 & C-1
8	OPERATING EXPENSES	253,674	29,811	283,485	23,905	307,390	
9	NET OPERATING INCOME	33,095	(11,329)	21,766	35,213	56,979	
11	RATE BASE	416,791		676,271		613,009	
12	RATE OF RETURN	7.94%		3.22%		9.29%	

Note: Descriptions of the adjustments made above are detailed on page B-3.

EXHIBIT IV
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Sewer Net Operating Income

Florida Public Service Commissio

Company: Utilities Inc. of Florida - Seminole County
Docket No.: 020071-WS
Schedule Year Ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule B-2
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Utility Test Year	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	Supporting Schedules
1	OPERATING REVENUES	386,850	12,141	398,992	510,847	909,839	B-3 & B-4
2	Operation & Maintenance	431,066	124,454	555,520		555,520	B-3 & B-5
3	Depreciation	51,967	(24,250)	27,717		27,717	B-3 & B-13
4	CIAC Amortization	(16,666)	0	(16,666)		(16,666)	B-3
5	PAA Amortization	0	0	0		0	
6	Taxes Other Than Income	24,276	1,836	26,112	22,988	49,100	B-3 & B-15
7	Provision for Income Taxes	(66,831)	(43,573)	(110,404)	183,581	73,177	B-3 & C-1
8	OPERATING EXPENSES	423,812	58,467	482,279	206,569	688,848	
9	NET OPERATING INCOME	(36,962)	(46,325)	(83,287)	304,278	220,991	
11	RATE BASE	2,280,488		2,482,276		2,377,793	
12	RATE OF RETURN	(1.62%)		(3.36%)		9.29%	

Note: Descriptions of the adjustments made above are detailed on page B-3.

EXHIBIT V
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Requested Cost of Capital
Beginning and Year End Average

Florida Public Service Commission

Company: Utilities Inc. of Florida - Marion County
Docket No.020071-WS
Schedule Year ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule D-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Explanation: Provide a schedule which calculates the requested Cost of Capital on a 13-month average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base AYE 12/31/01	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	231,463	46.02%	8.73%	4.02%
2	Short-Term Debt	42,320	8.41%	3.01%	0.25%
3	Preferred Stock	0	0.00%		0.00%
4	Common Equity	234,258	46.56%	11.02%	5.13%
5	Customer Deposits	(4,865)	-0.97%	6.00%	-0.06%
6	Tax Credits - Zero Cost	0	0.00%		0.00%
7	Tax Credits - Wtd. Cost	0	0.00%		0.00%
8	Accum. Deferred Income Tax	0	0.00%		0.00%
9	Other (Explain)	0	0.00%		0.00%
			0.00%		0.00%
10	Total	503,176	100.00%		9.34%

Supporting Schedules: D-2
Recap Schedules: A-1, A-2

Note: Leverage Formula: 9.10% + 0.896/ER

EXHIBIT V
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Requested Cost of Capital
Beginning and Year End Average

Florida Public Service Commission

Company: Utilities Inc. of Florida - Orange County
Docket No. 020071-WS
Schedule Year ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule D-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Simple average capital structure.

Explanation: Provide a schedule which calculates the requested Cost of Capital on a 13-month average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base AYE 12/31/01	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	68,216	43.39%	8.73%	3.79%
2	Short-Term Debt	12,472	7.93%	3.01%	0.24%
3	Preferred Stock	0	0.00%		0.00%
4	Common Equity	69,039	43.90%	11.14%	4.89%
5	Customer Deposits	4,765	3.03%	6.00%	0.18%
6	Tax Credits - Zero Cost	0	0.00%		0.00%
7	Tax Credits - Wtd. Cost	0	0.00%		0.00%
8	Accum. Deferred Income Tax	2,788	1.77%		0.00%
9	Other (Explain)	0	0.00%		0.00%
			0.00%		0.00%
10	Total	157,280	100.00%		9.10%

Supporting Schedules: D-2
Recap Schedules: A-1, A-2

Note: Leverage Formula: 9.10% + 0.896/ER

EXHIBIT V
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Requested Cost of Capital
Beginning and Year End Average

Florida Public Service Commission

Company: Utilities Inc. of Florida - Pasco County
Docket No. 020071-WS
Schedule Year ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule D-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Simple average capital structure.

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

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base AYE 12/31/01	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	755,394	45.10%	8.73%	3.94%
2	Short-Term Debt	138,113	8.24%	3.01%	0.25%
3	Preferred Stock	0	0.00%		0.00%
4	Common Equity	764,513	45.62%	11.06%	5.05%
5	Customer Deposits	14,973	0.89%	6.00%	0.05%
6	Tax Credits - Zero Cost	0	0.00%		0.00%
7	Tax Credits - Wtd. Cost	0	0.00%		0.00%
8	Accum. Deferred Income Tax	2,788	0.17%		0.00%
9	Other (Explain)	0	0.00%		0.00%
			0.00%		0.00%
10	Total	1,675,781	100.00%		9.29%

Supporting Schedules: D-2
Recap Schedules: A-1, A-2

Note: Leverage Formula: 9.10% + 0.896/ER

EXHIBIT V
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Requested Cost of Capital
Beginning and Year End Average

Florida Public Service Commission

Company: Utilities Inc. of Florida - Pinellas County
Docket No. 020071-WS
Schedule Year ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule D-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Simple average capital structure.

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

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base AYE 12/31/01	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	112,387	44.46%	8.73%	3.88%
2	Short-Term Debt	20,548	8.13%	3.01%	0.24%
3	Preferred Stock	0	0.00%		0.00%
4	Common Equity	113,744	44.98%	11.09%	4.99%
5	Customer Deposits	3,413	1.35%	6.00%	0.08%
6	Tax Credits - Zero Cost	0	0.00%		0.00%
7	Tax Credits - Wtd. Cost	0	0.00%		0.00%
8	Accum. Deferred Income Tax	2,788	1.10%		0.00%
9	Other (Explain)	0	0.00%		0.00%
			0.00%		0.00%
10	Total	252,880	100.00%		9.19%

Supporting Schedules: D-2
Recap Schedules: A-1, A-2

Note: Leverage Formula: 9.10% + 0.896/ER

EXHIBIT V
Utility MFRs
3rd Revision
Received 10/03/02

Schedule of Requested Cost of Capital
Beginning and Year End Average

Florida Public Service Commission

Company: Utilities Inc. of Florida - Seminole County
Docket No 020071-WS
Schedule Year ended: 12/31/01
Interim [ ] Final [x]
Historical [x] Projected [ ]

Schedule D-1
Page 1 of 1

Preparer: Steven M. Lubertozzi

Simple average capital structure.

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

Line No.	Class of Capital	(1) Reconciled To Requested Rate Base AYE 12/31/01	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	1,876,120	45.07%	8.73%	3.94%
2	Short-Term Debt	343,022	8.24%	3.00%	0.25%
3	Preferred Stock	0	0.00%		0.00%
4	Common Equity	1,898,769	45.59%	11.07%	5.04%
5	Customer Deposits	43,948	1.06%	6.00%	0.06%
6	Tax Credits - Zero Cost	0	0.00%		0.00%
7	Tax Credits - Wtd. Cost	0	0.00%		0.00%
8	Accum. Deferred Income Tax	2,788	0.06%		0.00%
9	Other (Explain)	0	0.00%		0.00%
			0.00%		0.00%
10	Total	4,164,647	100.02%		9.29%

Supporting Schedules: D-2
Recap Schedules: A-1, A-2

Note: Leverage Formula: 9.10% + 0.896/ER