

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: October 8, 2007
TO: Shannon J. Hudson, Regulatory Analyst IV, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 070394-WU; Company Name: Holiday Utility Company;
Audit Purpose: Staff Assisted Rate Case;
Audit Control No: 07-214-2-1

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

DNV:sbj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Gary Deremer, President
Holiday Utility Company, Inc.
P.O. Box 398
New Port Richey, FL 34656-0398

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FLORIDA PUBLIC SERVICE COMMISSION

***DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
BUREAU OF AUDITING***

Tampa District Office

HOLIDAY UTILITY COMPANY

STAFF ASSISTED RATE CASE

HISTORICAL YEAR ENDED JUNE 30, 2007

**DOCKET NO. 070394-WU
AUDIT CONTROL NO. 07-214-2-1
Report Issued October 2, 2007**

A handwritten signature in black ink, appearing to read "Tomer".

Tomer Kopelovich, Audit Manager

A handwritten signature in black ink, appearing to read "Daniel Acheampong".

Daniel Acheampong, Staff Auditor

A handwritten signature in black ink, appearing to read "Joseph W. Rohrbacher".

Joseph W. Rohrbacher, District Audit Supervisor

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**DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
AUDITOR'S REPORT**

OCTOBER 2, 2007

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by the audit staff in support of the Holiday Utility Company Staff Assisted Rate Case in Docket No. 070394-WU.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES

AUDIT PLANNING:

NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS UNIFORM SYSTEM OF ACCOUNTS (NARUC USOA)

Objective: To determine that the utility maintains its accounts and records in conformity with the 1996 NARUC USOA.

Procedures: We reviewed the utility's chart of accounts. We found that the utility does not maintain its accounts and records in conformity with the 1996 NARUC USOA. Audit Finding No. 1 addresses this issue.

Prior Audit Adjustments

Objective: To verify that the adjustments to rate base as ordered by Order No. PSC-05-0621-PAA-WU were booked and are reflected in the utility records.

Procedures: We reviewed the adjustments mentioned above. The utility did not make all the necessary adjustments. Audit Finding below addresses this issue.

RATE BASE:

Utility Plant In Service (UPIS)

Objective: To determine that property exists and is owned by the utility. To determine that additions are authentic, recorded at original cost, and properly classified as a capital item in compliance with Commission Rules and Uniform System of Accounts. To verify that the proper retirements were made when a replacement item was put in service. To determine that the land is owned by the utility and included in rate base at original cost.

Procedures: We tested all major plant additions and retirements for the period July 1, 2004 through June 30, 2007 for compliance with the objectives stated above. We prepared a schedule of UPIS, by account, from the last order with year to year additions and retirements. We verified that there have been no changes to utility land since its last rate case. We found that the utility did not make the appropriate retirements to utility plant in service. Audit Finding No. 2 addresses this issue.

Contributions In Aid Of Construction (CIAC)

Objective: To test CIAC additions and adjustments since July 1, 2004. To verify that CIAC additions are reflective of the utility's Commission approved service availability tariff.

Procedures: We verified all CIAC additions for the period July 1, 2004 through June 30, 2007 for compliance with the objectives stated above. We reviewed the utility's records and determined that not all CIAC were properly recorded in the utility's books. Audit Finding No. 4 addresses this issue.

Accumulated Depreciation

Objective: To verify that accumulated depreciation and depreciation expense are calculated using the Commission authorized rates and that the calculations are correct.

Procedures: We tested annual accruals to accumulated depreciation based on adjusted plant, using rates prescribed by Rule 25-30.140, F.A.C. for the test year. We prepared a schedule of accumulated depreciation balances by plant account from the last order with year to year additions and retirements using FPSC approved rates and compared them to company amounts. We verified that the utility did not record plant retirements in accumulated depreciation as required by NARUC USOA nor did the utility use Commission approved rates under Rule 25-30.140 F.A.C. Additionally, the utility recorded the wrong amount of depreciation for the period January to June 2007. Audit Finding No. 3 addresses this issue.

Accumulated Amortization of CIAC

Objective: To determine that accruals to accumulated amortization of CIAC are properly recorded in compliance with Commission rules. To verify that CIAC amortization expense accruals are properly recorded and calculated by applying annual depreciation composite rates.

Procedures: We recalculated accumulated amortization of CIAC account balances for the test period applying annual composite depreciation rates. The accumulated amortization of CIAC is understated because the utility did not record the balances, as of June 30, 2004, approved by Commission Order No. PSC-05-0621-PAA-WU. Additionally, it did not record amortization for the period January to June 2007. Audit Finding No. 4 addresses this issue.

Working Capital

Objective: To determine the working capital allowance.

Procedures: We determined the working capital allowance by using 1/8 of operation and maintenance expenses methodology.

REVENUES AND EXPENSES

Revenues

Objectives: To verify that revenues earned during the test year are properly recorded. To perform billing analysis for the test year.

Procedures: We tested revenue transactions with tariff rates and performed a simple calculation to determine what test year revenues should be. We compiled revenues following a billing report summary on a monthly basis. We prepared a billing analysis schedule. We verified that the utility overstated revenues by \$3,421. Audit Finding No. 5 addresses this issue.

Expenses

Objectives: Sample test year operation and maintenance expense accounts. Examine the expense for the proper period, amount, classification, support documentation and whether non-utility related, non-recurring, unreasonable or imprudent.

Procedures: We tested 100% of the general ledger expenses. We reviewed the accounts for proper amount, classification and period. We examined invoices and supporting documentation to determine if the above objectives were met. We examined and listed all miscellaneous expenses. Included in the expense amount were invoices for items that should have been capitalized, as well as unsupported items and other adjustments. Audit Finding No. 6 addresses these adjustments.

Objectives: Review the prudence of any allocation methodology for O & M expenses used by the utility. Determine whether the original amounts to be allocated and the methodology are reasonable.

Procedures: No allocation methodology for O & M was used.

Objectives: To obtain a schedule of contracted services for the test year that separates engineering, accounting, legal, billing, testing, operating, and management. Test documentation for amounts paid, period of service, and that the service was related to utility operations.

Procedures: We prepared a schedule of all contractual services for the test year. We reviewed those accounts for proper amount, classification, and whether non-utility related, non-recurring, unreasonable or imprudent. We examined invoices and supporting documentation to determine if the above objectives were met. We verified that professional services were overstated and some services needed to be capitalized. Audit Finding No. 6 addresses this issue.

Objectives: To provide the number of hours per month that employees and/or contracted vendors spend on operating, billing, testing, maintenance, and general management activities.

Procedures: The utility did not have any employees during the test year.

Objectives: To note expense areas where the utility has no costs assigned, but where benefits to utility are evident.

Procedures: We discussed this issue with utility management. Based on these discussions and our observations, we found no unrecorded costs.

Objectives: To note all related party relationships and transactions.

Procedures: We noted that the utility paid rent to its parent company, (US Water). We adjusted the rent expense based on Order No. PSC-05-0621-PAA-WU .

Objectives: To review Taxes Other Than Income.

Procedures: We obtained the 2006 Regulatory Assessment Fee (RAF) filing and reconciled it to the general ledger. We obtained and reviewed the property tax bills to determine if the amount booked reflects the discounted amount.

CAPITAL STRUCTURE

Objective: To determine that capital structure represents utility debt, capital stock, retained earnings, deferred taxes, customer deposits and other funds available for investment in utility plant and operations.

Procedures: We examined capital structure components to assure that they represent utility debt, capital stock, retained earnings and customer deposits. We reviewed long-term debt balances to the original documents and verified the terms and interest rate of each note payable.

Audit Finding No. 1

Subject: Utility Books And Records

Statement of Fact: Commission Rule 25-30.115, F.A.C states that water and wastewater utilities shall maintain its accounts and records in conformity with the NARUC Uniform System of Accounts (USOA). The NARUC USOA provides account numbers to be used for balance sheet and income statement accounts. The utility does not use NARUC USOA chart of account. The audit staff was provided a chart of accounts used by the utility and was able to convert the account numbers to NARUC account numbers.

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED : The utility should use the NARUC USOA account numbers in its General Ledger.

EFFECT ON RATE CASE IF FINDING IS ACCEPTED: There is no effect on the rate case filing because the audit staff was able to convert the General Ledger account numbers to prepare the ratemaking schedules attached to this report.

Audit Finding No. 2

Subject: Utility Plant in Service (UPIS)

Summary: The utility's UPIS is overstated by \$138,497 as of June 30, 2007.

Statement of Fact: The utility reported Utility Plant in Service (UPIS) of \$864,452. Audit review of the utility plant balances found the following:

- ❖ Utility did not correct plant beginning balance \$261,555 (June 2004) per Order No. PSC-05-0621PAA-WU
- ❖ The utility did not record retirements appropriately when it made assets additions and/or replacements to existing plant.

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED: The following journal entry should be made to correct the utility's general ledger balances.

Utility Acct No.	Description	Debit	Credit
304	Structures & Improvements	187	
307	Wells & Springs		15,839
309	Supply Mains		122,886
311	Pumping Equipment		17,700
320	Water Treatment Plant	1,651	
330	Distr Reserv & Standpipes	7,761	
331	Transmiss. & Dist. Main		4,435
333	Services		2
334	Meter & Meter Installations	13,157	
631	Professional Services		13,157
334	Meter & Meter Installations	12,767	
215	Retained Earnings	138,496	

EFFECT ON RATE CASE IF FINDING IS ACCEPTED: The utility's plant in service should be reduced by \$138,497.

Audit Finding No. 3

Subject: Adjustment to Accumulated Depreciation

Summary: The utility's accumulated depreciation balance is overstated by \$7,724 as of June 30, 2007.

Statement of Fact: The utility overstated its utility plant assets by not retiring replaced assets. Also, the Utility did not record plant retirement in accumulated depreciation as required by Order No. PSC-05-0621-PAA-WU.

Accumulated Depreciation Per Audit	Accumulated Depreciation Per Utility Depreciation Schedule	Difference
\$274,611	\$282,335	\$7,724

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED: The following journal entry should be made to correct the utility's general ledger balances.

Acct No.	Description	Debit	Credit
215	Retained Earnings		7,724
108	Accumulated Depreciation -Structures & Improvements		1,655
108	Accumulated Depreciation - Wells & Springs		79
108	Accumulated Depreciation - Supply Mains	9,030	
108	Accumulated Depreciation - Power Generation Equipment		127
108	Accumulated Depreciation - Pumping Equipment	18,716	
108	Accumulated Depreciation - Water Treatment Plant	1,020	
108	Accumulated Depreciation - Distr Reserv Standpipes		5,410
108	Accumulated Depreciation - Transmission & Dist Main		4,570
108	Accumulated Depreciation - Services	43	
108	Accumulated Depreciation - Meters & Meter Insta.		9,367
108	Accumulated Depreciation - Backflow Prevention		136
108	Accumulated Depreciation - Misc Equip.	258	

EFFECT ON RATE CASE IF FINDING IS ACCEPTED: The utility's accumulated depreciation should be reduced by \$7,724.

Audit Finding No. 4

Subject: Accumulated Amortization of CIAC / CIAC

Summary: The utility's accumulated amortization of CIAC balances is understated by \$2,937 as of June 30, 2007. Also, the utility understated the CIAC Balance by \$682.

Statement of Fact: The utility did not record the balances, as of June 30, 2004, approved by Commission Order No. PSC-05-0621-PAA-WU in accumulated amortization. Additionally, it did not record amortization for the period January to June 2007. The company recorded an estimated CIAC amount of \$203,774 to reflect donated plant. The actual value of the CIAC was \$204,456. Therefore, CIAC should be increased by \$682

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED: The following journal entry should be made to correct the utility's general ledger balances.

<u>Acct No Description</u>	<u>Debit</u>	<u>Credit</u>
272 Accumulated Amort. of CIAC	2,937	
406 Amort Expense		2,439
215 Retained Earnings		498
309 Supply Mains	682	
271 CIAC		682

EFFECT ON RATE CASE IF FINDING IS ACCEPTED : The utility's rate base should be increased by \$2,255.

Audit Finding No. 5

Subject: Revenues

Summary: The utility recorded total revenues of \$129,853.92 in its general ledger for the 12 month period ended June 30, 2007.

Statement of Fact: The utility overstated its December revenues by \$3,421.18. The utility recorded \$3,421.18 as other revenues for the month of December in its General Ledger, to adjust a prior year adjustment to balance its cash subsidiary account.

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED: The following journal entry should be made to correct the Utility's general ledger balances.

420.4 Other Revenue	3,421.18	
215 Retained Earnings		3,421.18

EFFECT ON RATE CASE IF FINDING IS ACCEPTED: The Utility Net Operating Income should be reduced by \$3,421.18.

Audit Finding No. 6

Subject: Operation and Maintenance Expenses

Summary: The utility's operation and maintenance expense accounts are overstated by \$37,305 as of June 30, 2007.

Statement of Fact: The utility's general ledger reflects operation and maintenance expense of \$126,634.76, for the 12-month period ended June 30, 2007. Included in the above expense amounts were the following invoices in the indicated accounts.

- ◆ The utility recorded \$378.25 for purchased water but the bills obtained from the utility supports \$328.30. The account should be adjusted to reflect actual bills.
- ◆ The utility recorded \$8,624.68 for purchased power. The audit reveals a total purchased power, account 615 amount of \$7,098.56. The difference of \$1,526.12 resulted from Street Lighting account(426 Miscellaneous Non Utility Expense) amount of \$854.39 and a total of \$671.73 overstatement resulting from May and other months. The month of May bill was recorded twice.
- ◆ Materials and Supplies account 620 was understated by \$36.92, Utility provided invoices totaling \$569.04 but recorded \$532.12.
- ◆ Utility recorded interest expense of \$ 24,522.04 in account 622.2 Interest Expense-Other on its long term loan as part of O&M expenses, as well as interest expense on customer deposits of \$467.40 in account 622.4 Interest on Customer Deposits, We reclassified these expenses as non utility expenses and removed them from O&M expenses.
- ◆ Utility recorded \$70,008.57 in its Contractual Services-Professional. Upon consultation with US Water Engineer;
 - \$5,607.92 was classified as General Engineering Services to;
 - address permitting and compliance issues with the FDEP and SWFWMD
 - territory issues
 - customer complaint requested by PSC
 - maps requested by developers
 - service territory requested by PSC
 - \$4,930.32 was reclassified as non-utility expenses: feasibility studies for future well development;
 - \$13,157.10 was capitalized: locating meters for meter replacements.
- ◆ The utility recorded \$2,155.36 as insurance expense. An adjustment of \$34.81 was made to arrive at \$2,190.17 to annualize expenses over the test year. This reflects the 6 months for 2006 and the 6 months for 2007
- ◆ The utility recorded \$2,625.16 for Rent/Land Leases. Per PSC Order No. PSC-05-0621-PAA-WU, utility is allowed \$1,830.00. for Rent/Land Leases 640. An adjustments of \$795.16 should be made in audit.
- ◆ Utility never booked bad debt expense. However its current policy is to write off accounts over 90 days as uncollectible. Based on its current policy, Bad Debt Expense of \$847.19 should have been written off. An audit adjustment of \$847.19, should be made to Bad Debt Expense account.
- ◆ Utility recorded a credit balance of \$11,590.15 in its Miscellaneous account. Utility invoices and bills support \$1,241.68 miscellaneous charges. Utility made a credit entry of \$14,133.75 to reclassify fees paid to Florida Capital Bank for loan application, this should be charged to account

No. 224 Other Long-Term Debt as part of the loan. Utility also charged occupational fees to miscellaneous, this was reclassified as other taxes.

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

215 Retained Earnings	49.95		
610 Purchased Water		49.95	
(To adjust purchased water to reflect billing)			
426 Street Lighting	854.39		
215 Retained Earnings	671.73		
615 Purchased Power		1,526.12	
(To adjust purchased power and reclassify into street lighting)			
620 Materials & Supplies	36.92		
Account Payable		36.92	
(to record material and supplies)			
215 Retained Earnings	795.16		
640 Rent/Land Leases		795.16	
(to adjust the rent charged to comply with PSC order and out of period amount)			
670 Bad Debt Expense	847.19		
Account Receivables		847.19	
(to write off worthless account receivables, but Utility should reinstate A/R if it is collected)			
215 Retained Earnings		1,278.53	
408 Taxes other Than Income		23.44	
675 Miscellaneous Expenses			1,301.97
(to adjust miscellaneous expenses)			
675 Miscellaneous Expenses		14,133.75	
224 Other Long-Term Debt			14,133.75
(to adjust loan application fee)			
334 Meter Installation		13,157.10	
630.2 Contractual Professional Services			13,157.10
(for locating meters)			
655 Insurance Expense		34.81	
215 Retained Earnings			34.81

186 Miscellaneous Deferred Debits	10,538.24	
630.2 Contractual Professional Services		4,930.32
630.2 Contractual Professional Services		5,607.92
(to adjust professional services)		
Account Reclassified to Non utility Account		
427 Interest on customer Deposits	467.40	
427 Interest Expense –Other (on loan)	24,522.04	
622.2 Interest Expense –Other (on loan)		24,522.04
622.4 Interest on customer Deposits		467.40
(to reclassified from O&M Expense to Non Utility account)		

EFFECT ON RATE CASE IF FINDING IS ACCEPTED : The utility’s Net Operating Income should be increased by \$37,305.

Audit Finding No. 7

Subject: Taxes Other Than Income

Summary: Utility overstated Taxes Other Than Income by \$5,259

Statement of Fact: The utility recorded \$7,372 as Regulatory Assessment Fees for the 12 month period ending June 30, 2007. This included \$2,400 for accrual of RAF for January-June 2007, while \$4,972 applies to Regulatory Assessment Fees for the 12 months period ended December 31, 2006.

The audited revenue for the test period was \$126,432. Therefore, we decreased the Regulatory Assessment Fee by \$1,682 to a total of \$5,689 to reflect the RAF for the test period (Total Revenue of \$126,432 X .045).

We also increased Taxes Other Than Income by \$23 to reflect Licensing fees recorded as Miscellaneous Expense (Disclosure No. 6) and reduced tangible taxes by \$3,600 to remove the accrual entries by utility.

Below are the adjustments made to Taxes Other Than Income

Account No.	Description	Audit Adjustments
	Occupational Licenses	23.44
666	Regulatory Assessment Fee	(1,682.53)
682.1	Tangible Taxes	<u>(3,600.00)</u>
		<u><u>(5,259.09)</u></u>

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

408 Taxes other Than Income	23.44	
675 Miscellaneous Expenses (to reclassified Miscellaneous to taxes)		23.44
215 Retained Earnings	5,282.53	
Regulatory Assessment Fee		1,682.53
Tangible Taxes		3,600.00
(to adjust regulatory assessment fee and tangible taxes)		

EFFECT ON RATE CASE IF FINDING IS ACCEPTED: The Utility's Net Operating Income should be increased by \$5,259.

Audit Finding No. 8

Subject: Amortized Expenses

Audit Analysis: Commission Order No. PSC-05-0621-PAA-WU issued June 6, 2005, Docket No. 041145-WU, required the utility to amortize certain O&M expenses. The expense amounts and yearly amortization amounts are as follows:

<u>Description</u>	<u>Total Amortization</u>	<u>Yearly Amortization</u>	<u>Balance – Years Left</u>
Contractual Services – Transfer Costs - Legal	\$15,682	\$3,136	\$3,138 - 1
Non-recurring Engineering	3,699	740	740 - 1
Non-recurring Hurricane Repairs	7,077	1,769	Fully Amortized
Rate Case Expense	1,975	493	Fully Amortized
Transfer Costs - Other	2,250	450	250 - 1
		\$6,588	

Additionally, the utility provided invoices totaling \$23,008 for legal services and \$3,910 from U.S. Water Services for engineering and administrative charges in connection with the previous Transfer and SARC dockets. The utility did not expense these amounts. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a four year period. Therefore, these amounts should be amortized yearly in the amounts of \$5,752 ($\$23,008/4$) for the legal fees and \$977 ($\$3,910/4$) for the U.S. Water charges.

The utility amortized the Commission required amounts. The legal fees were amortized at \$5,492 yearly for three years through June 30, 2007. Staff's computation reflected yearly amortization of \$5,752, a difference of \$260 yearly. The U.S. Water charges were not amortized.

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

Contractual Services – Professional (A/C 631) should be increased by \$780 ($\260×3) for the legal services and \$977 for the U.S. Water charges.

EFFECT ON RATE CASE IF FINDING IS ACCEPTED: Contractual Services – Professional should be increased by \$1,757 (\$780 plus \$977).

Holiday Utility Company
Docket No.: 070394-WU
Rate Base
As of 06/30/07

DESCRIPTION	PER	DIFFERENCE	PER	Average
	BOOKS		AUDIT	Balance
	6/30/2007		6/30/2007	6/30/2007
UTILITY PLANT IN SERVICE	864,452	(138,497)	725,955	795,204
LAND	0	0	0	0
PLANT HELD FOR FUTURE USE	0	0	0	0
CIAC	(203,774)	(682)	(204,455)	(204,115)
AMORTIZATION OF CIAC	33,063	2,937	36,000	34,531
ACCUMULATED DEPRECIATION	(282,335)	7,724	(274,611)	(278,473)
WORKING CAPITAL	0	11,166	11,166	5,583
TOTAL	411,406	(117,352)	294,054	352,730

1. Working Capital Formula: 1/8 Operating and Maintenance Expense.

Holiday Utility Company
Docket No.: 070394-WU
NOI
As of June 30, 2007

DESCRIPTION	W/P REF	PER BOOKS 6/30/2007	AUDIT ADJUST	AUDITED BALANCE 06/30/07
OPERATING REVENUES	41	129,853.92	(3,421.18)	126,432.74
OPERATING EXPENSES				
OPERATION AND MAINTENANCE EXPENSE	43	126,634.76	(37,305.26)	89,329.50
DEPRECIATION EXPENSE	22	48,751.00	(20,974.00)	27,777.00
CIAC AMORTIZATION	23	(7,642.00)	(353.00)	(7,995.00)
PSC AMORTIZATION EXPENSE	43-17	12,080.00	1,757.00	13,837.00
TAXES OTHER THAN INCOME	53	18,882.61	(5,259.09)	13,623.52
INCOME TAXES	54	(5,765.00)	5,765.00	0.00
TOTAL OPERATING EXPENSES		192,941.37	(56,369.35)	136,572.02
NET OPERATING INCOME / LOSS		(63,087.45)	52,948.17	(10,139.28)

Holiday Utility Company
 Docket No.: 070394-WU
 Capital Structure
 As of June 30, 2007

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	BALANCE	BALANCE	SIMPLE	AUDIT	BALANCE	SIMPLE		COST	WEIGHTED
	PER T/B	PER T/B	AVERAGE	ADJUST-	PER AUDIT	AVERAGE	RATIO	RATE	COST OF
DESCRIPTION	@06/30/06	@06/30/07	PER T/B	MENTS	@06/30/07	PER AUDIT			CAPITAL
COMMON EQUITY (1)	221,227	364,840	293,033	0	364,840	293,033	47.67%	9.10%	4.34%
COMMON STOCK	34,500	246,500	140,500	0	246,500	140,500			
RETAINED EARNINGS	(4,869)	(83,857)	(44,363)	0	(83,857)	(44,363)			
PD IN CAPITAL	191,596	202,197	196,897	0	202,197	196,897			
L/T DEBT- Note Payable	324,027	311,864	317,946	0	311,864	317,946	51.72%	7.50%	3.88%
CUSTOMER DEPOSITS	4,889	2,673	3,781	0	2,673	3,781	0.62%	6.00%	0.04%
OTHER	0	0	0	0	0	0	0.00%	0.00%	0.00%
TOTAL	550,143	679,377	614,760	0	679,377	614,760	100.00%		8.25%