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

DATE: December 27, 2007
TO: Lydia Roberts; Division of Economic Regulation
FROM: Denise Vandiver; Bureau Chief of Auditing *DW*
RE: **Docket No. 070627-WU; Company Name:** Raintree Utilities, Inc.; **Audit Purpose:** Staff Assisted Rate Case; **Audit Control No.:** 07-287-1-1

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 and Administrative Services. There are no confidential work papers associated with this audit.

Attachment

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

Mr. Keith J. Shamrock
Mr. Fred Brown
Raintree Utilities, Inc.
2100 Lake Eustis Drive
Tavares, FL 32778-2064

DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
BUREAU OF AUDITING

Tallahassee District Office

RAINTREE UTILITIES, INC.

STAFF ASSISTED RATE CASE

AS OF SEPTEMBER 30, 2007

DOCKET NO. 070627-WU

AUDIT CONTROL NO. 07-289-1-1

Michael Buckley
Michael Buckley, Audit Manager

Lynn M. Deamer
Lynn M. Deamer, District Supervisor

DOCUMENT NUMBER - DATE

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

DECEMBER 19, 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 dated October 8, 2007. We have applied these procedures to the attached schedules prepared by the audit staff in support of Raintree Utilities, Inc.'s request for a Staff Assisted Rate Case in Docket No. 070627-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.

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OBJECTIVES AND PROCEDURES

RATE BASE

Utility-Plant-in-Service (UPIS)

Objective: To determine that property exists and is owned by the utility. To determine that additions to UPIS are authentic, recorded at original cost, and properly classified in compliance with Commission rules and the NARUC Uniform System of Accounts. To verify that the proper retirements of UPIS were made when a replacement item was put in service. To obtain original documentation for the construction of the new Bentwood facility.

Procedures: We compiled UPIS additions for the period December 31, 1991 through September 30, 2007 to determine the utility's UPIS balance for this proceeding. We recorded retirements to UPIS when a capital item was removed or replaced. We toured the utility plant sites to observe whether asset additions were completed and to ascertain if asset retirements were needed. Audit Finding No. 1 discusses the new plant. Audit Finding No. 2 discusses our findings and recommended UPIS balance as of September 30, 2007.

Land and Land Rights

Objective: To determine that utility land is recorded at original cost and is owned or secured under a long-term lease.

Procedures: We verified that the utility owns the land and determined its original cost when it was first dedicated to utility service. Audit Finding No. 3 discusses our findings and recommended Land balance as of September 30, 2007.

Contributions-in-Aid-of-Construction (CIAC)

Objective: To determine that additions to CIAC are properly recorded in compliance with Commission rules and the NARUC Uniform System of Accounts. To verify and insure that all donated property is properly accounted for and recorded as CIAC and UPIS.

Procedures: We compiled CIAC additions for the period December 31, 1991 through September 30, 2007 to determine the utility's CIAC balance for this proceeding. We recorded retirements to CIAC when a donated capital item was removed or replaced. We scanned the utility's 2006 Federal Income Tax return for unrecorded cash and property contributions. Audit Finding No. 4 discusses our findings and recommended CIAC balance as of September 30, 2007.

Accumulated Depreciation

Objective: To determine that accruals to accumulated depreciation are properly recorded in compliance with Commission rules and the NARUC Uniform System of Accounts. To verify that depreciation expense accruals are calculated using the Commission authorized rates and that retirements are properly recorded.

Procedures: We compiled accumulated depreciation accruals for the period December 31, 1991 through September 30, 2007 to determine the Utility's

accumulated depreciation balance for this proceeding. We recorded retirements to accumulated depreciation when a capital item was removed or replaced. Audit Finding No. 2 discusses our findings and recommended accumulated depreciation balance as of September 30, 2007.

Accumulated Amortization of CIAC

Objective: To determine that accruals to accumulated amortization of CIAC are properly recorded in compliance with Commission rules and the NARUC Uniform System of Accounts.

Procedures: We compiled accumulated amortization of CIAC for the period December 31, 1991 through September 30, 2007 to determine the Utility's accumulated amortization of CIAC balance for this proceeding. We recorded retirements to accumulated amortization of CIAC when a capital item was removed or replaced. Audit Finding No. 4 discusses our findings and recommended accumulated amortization of CIAC balance as of September 30, 2007.

Working Capital

Objective: To determine that the Utility's working capital balance is properly calculated in compliance with Commission rules.

Procedures: We calculated the Utility's working capital balance as of September 30, 2007 using 1/8th of operation and maintenance expense as required by Commission rule 25-30.456(11), Florida Administrative Code (F.A.C). Audit Finding No. 6 discusses our recommended working capital balance as of September 30, 2007.

NET OPERATING INCOME

Revenues

Objective: To determine that revenues are properly recorded in compliance with Commission rules and are based on the Utility's Commission approved tariff rates.

Procedures: We compiled revenues for the 12-month period ended September 30, 2007 from the Utility's ledger. Audit Finding No. 5 discusses our findings and recommended revenue balance for the 12-month period ended September 30, 2007.

Operation and Maintenance Expenses (O&M)

Objective: To determine that operation and maintenance expenses are properly recorded in compliance with Commission rules and were reasonable and prudent for ongoing Utility operations.

Procedures: We compiled O&M expense items from the Utility's accounts payable ledger. We reviewed all utility invoices for proper amount, period, classification, NARUC account and recurring nature. We determined the proper allocation of invoices and expenses. Audit Finding No. 6 discusses our findings and recommended O&M expense balance for the 12-month period ended September 30, 2007.

Taxes-Other-Than-Income (TOTI)

Objective: To determine that taxes other than income tax expense is properly

recorded in compliance with Commission rules and was reasonable and prudent for ongoing Utility operations.

Procedures: We compiled TOTI expense items from the Utility's Profit and Loss Detail. We reviewed all Utility tax invoices for proper amount, period, classification, NARUC account and recurring nature. We determined the proper allocation of all tax expenses that included services for non-utility operations. Audit Finding No. 7 discusses our findings and recommended TOTI expense balance for the 12-month period ended September 30, 2007.

Depreciation Expense

Objective: To determine that depreciation expense is properly recorded in compliance with Commission rule 25-30.140, F.A.C. and that it accurately represents the depreciation of UPIS assets and amortization of CIAC assets for ongoing utility operations.

Procedures: We calculated depreciation expense and CIAC amortization expense balances using UPIS and CIAC balances that we determined above. Audit Finding Nos. 2 and 4 discuss our findings and recommended depreciation expense and CIAC amortization expense balances for the 12-month period ended September 30, 2007.

CAPITAL STRUCTURE

General

Objective: To determine that the components of the Utility's capital structure and the respective cost rates used to arrive at the overall weighted cost of capital are properly recorded in compliance with Commission rules and that it accurately represents the ongoing utility operations.

Procedures: We determined that the utility's capital structure is mainly Long Term Debt. We traced the debt instruments, which included \$390,000 payable to United Southern Bank at 8.25% and \$100,000 payable to the shareholder at 8.25%, to the source documents. Audit Finding No. 8 discusses our findings and recommended capital structure balance for the 12-month period ended September 30, 2007.

AUDIT FINDING NO. 1

SUBJECT: NEW UTILITY PLANT

AUDIT ANALYSIS: The Utility began operations in 1988 with one system, Raintree Harbor. In 2000, it was purchased by Keith Shamrock. There are no records for the \$47,035 purchase price, therefore an original cost study will have to be done. Only the original records are missing. In 2003 a third well was added at a cost of \$24,436. These invoices were reviewed and included in the workpapers. This system serves 119 residential customers.

In 2006 work was started on a new system, Bentwood. This system cost \$623,273 and will serve 51 customers. The system was finished on September 1, 2007. All supporting documentation was furnished and included in the workpapers. Fencing, grass and a gravel road still need to be installed. One house is almost finished for show and there are no plans at the current time to build any others.

AUDIT FINDING NO. 2

SUBJECT: UTILITY PLANT IN SERVICE AND ACCUMULATED DEPRECIATION

AUDIT ANALYSIS: Utility records reflect utility plant in service (UPIS) for Raintree Harbor of \$68,550 as of September 30, 2007. Accumulated depreciation balances are shown as \$17,919 and \$0, respectively, as of September 30, 2007.

Since original documents were not available, we compiled UPIS additions from Annual Reports for the period December 1991 through September, 2007 to determine the Raintree Harbor's UPIS balance as of September 30, 2007. We recorded retirements to UPIS when a capital item was removed or replaced. We toured the utility plant site to observe whether asset additions were completed and to ascertain if asset retirements were needed.

We compiled accumulated depreciation from Annual Reports for the period December 1991 through September, 2006 and calculated October 2006 through September, 2007 to determine Raintree Harbor's accumulated depreciation balance as of September 30, 2007. We recorded retirements to accumulated depreciation when a capital item was removed or replaced. We applied Rule 25-30.140 F.A.C. depreciation rates to all UPIS asset balances from October 1, 2006, through September 30, 2007.

We calculated a balance of \$2,594 for Raintree Harbor UPIS depreciation expense for the 12-month period ended September 30, 2007.

EFFECT ON GENERAL LEDGER: Bentwood Plant will increase by \$623,273, Raintree Harbor Accumulated Depreciation will increase by (\$2,594) as of 9/30/2007.

EFFECT ON FILING: Bentwood Plant will increase by \$623,273, Raintree Harbor Accumulated Depreciation will increase by (\$2,594) as of 9/30/2007.

The utility's UPIS, accumulated depreciation and depreciation expense balances by NARUC sub-account and Proforma amounts are displayed on the following schedules.

Raintree Harbor
Utility Plant In Service and
Accumulated Depreciation
As of September 30, 2007

Acct. No.	Account Description	UPIS	Acc/Dep	Dep. Exp.
304.00	Structures & Improvements	1,260	(472)	47
305.00	Collecting & Impounding	2,520	(913)	63
307.00	Wells & Springs	27,796	(6,149)	1,028
309.00	Supply Mains	2,100	(776)	65
311.00	Pumping Equipment	6,300	(2,503)	372
320.00	Water Treatment Equipment	315	(124)	19
330.00	Distribution Reservoirs	0	0	0
331.00	Transmission & Distribution Mains	12,790	(4,659)	333
333.00	Services	5,290	(1,944)	153
334.00	Meters and Meter Install.	2,825	(1,089)	167
335.00	Hydrants	4,535	(1,650)	113
340.00	Office Equip (Computers)	2,819	(234)	234
TOTALS		<u>\$68,550</u>	<u>(\$20,513)</u>	<u>\$2,594</u>

Raintree Harbor PROFORMA
Utility Plant In Service and Accumulated Depreciation
As of September 30, 2008

Acct. No.	Account Description	UPIS	Acc/Dep	Dep. Exp.
304.00	Structures & Improvements	1,260	(519)	47
305.00	Collecting & Impounding	2,520	(976)	63
307.00	Wells & Springs	27,796	(7,177)	1,028
309.00	Supply Mains	2,100	(841)	65
311.00	Pumping Equipment	6,300	(2,875)	372
320.00	Water Treatment Equipment	315	(143)	19
331.00	Transmission & Distribution Mains	12,790	(4,992)	333
333.00	Services	5,290	(2,097)	153
334.00	Meters and Meter Install.	2,825	(1,256)	167
335.00	Hydrants	4,535	(1,763)	113
340.00	Office Equip (Computers)	2,819	(702)	468
TOTALS		\$68,550	(\$23,341)	\$2,828

BENTWOOD PROFORMA
Utility Plant In Service and Accumulated Depreciation
As of September 30, 2008

Acct. No.	Account Description	UPIS	Acc/Dep	Dep. Exp.
304.00	Structures & Improvements	15,897	(588)	588
307.00	Wells & Springs	189,401	(7,008)	7,008
309.00	Supply Mains	33,044	(1,024)	1,024
311.00	Pumping Equipment	117,663	(6,942)	6,942
320.00	Water Treatment Equipment	18,484	(1,091)	1,091
330.00	Distribution Reservoirs	50,741	(1,522)	1,522
331.00	Transmission & Distribution Mains	151,337	(3,935)	3,935
333.00	Services	26,615	(772)	772
335.00	Hydrants	20,091	(502)	502
TOTALS		\$623,273	(\$23,384)	\$23,384

AUDIT FINDING NO. 3

SUBJECT: LAND AND LAND RIGHTS

AUDIT ANALYSIS: Utility records reflect the utility's land balances are \$5,740 for Raintree Harbor and \$5,800 for Bentwood as of September 30, 2007.

The land for Raintree Harbor was obtained in the original purchase. It was valued at \$5,740 by the previous owner.

The value of land for Bentwood was allocated from the total purchase of land by Shamrock Homes. Shamrock Homes paid \$1,125,000 for 80 acres at a price of \$14,062.50 per acre. They donated .23 of an acre to Bentwood. The Utility factored in 55% for Government approvals, etc. and rounded the value to \$5,800.

EFFECT ON GENERAL LEDGER: Bentwood Land will increase by \$5,800 as of 9/30/2007.

EFFECT ON FILING: Bentwood Land will increase by \$5,800 as of 9/30/2007.

AUDIT FINDING NO. 4

SUBJECT: CONTRIBUTIONS IN AID OF CONSTRUCTION AND ACCUMULATED AMORTIZATION OF CIAC

AUDIT ANALYSIS: Utility records reflect zero balances for Contributions in aid of construction (CIAC) and accumulated amortization of CIAC balances as of September 30, 2007.

The utility's 2006 Annual Report filed with the Commission did not reflect any CIAC balances as of December 31, 2006.

We compiled CIAC additions using the new customers shown in the Annual Reports for Raintree Harbor for the period December 31, 1991 through September 30, 2007.

We calculated accumulated amortization of CIAC accruals for the period December 31, 1991 through September 30, 2007 to determine the utility's accumulated amortization of CIAC balance as of September 30, 2007. We amortized all CIAC assets determined above at the average rate of depreciation through September 30, 2006. We then applied Rule 25-30.140 F.A.C. amortization rates to all CIAC asset balances from September 30, 2006, through September 30, 2007.

The utility's CIAC, accumulated amortization of CIAC and CIAC amortization expense balances by NARUC sub-account are displayed on the following schedule.

EFFECT ON GENERAL LEDGER: Contributions in Aid of Construction for Raintree Harbor increased by (\$29,750) and Amortization of CIAC increased \$6,636 as of 9/30/2007. Contributions in Aid of Construction increased by (\$216,965) for Bentwood as of 9/30/2007.

EFFECT ON FILING: Contributions in Aid of Construction for Raintree Harbor increased by (\$29,750) and Amortization of CIAC increased \$6,636 as of 9/30/2007. Contributions in Aid of Construction increased by (\$216,965) for Bentwood as of 9/30/2007.

Raintree Utilities, Inc.
 Contributions In Aid of Construction and
 Accumulated Amortization of CIAC
 As of September 30, 2007

RAINTREE HARBOR

Acct. No.	Account Description	Balance @9/30/2007
271.00	Contributions in Aid of Construction	(\$29,750)
272.00	Amortization of CIAC	\$6,636
403.00	CIAC Amortization Expense	(\$1,148)

PROFORMA RAIN TREE HARBOR

Acct. No.	Account Description	Balance @9/30/2008
271.00	Contributions in Aid of Construction	(\$29,750)
272.00	Amortization of CIAC	\$7,862
403.00	CIAC Amortization Expense	(\$1,226)

PROFORMA BENTWOOD

Acct. No.	Account Description	Balance @9/30/2008
271.00	Contributions in Aid of Construction	(\$216,965)
272.00	Amortization of CIAC	\$4,068
403.00	CIAC Amortization Expense	(\$4,068)

AUDIT FINDING NO. 5

SUBJECT: REVENUES

AUDIT ANALYSIS: Utility records reflect revenues of \$47,425 for Raintree Harbor for the 12-month period ended September 30, 2007.

Raintree Harbor's customer base included 119 residential customers during the 12-month period ended September 30, 2007.

Bentwood has no revenue for the 12 month period ended September 30, 2007.

ProForma revenue for Raintree Harbor is the same \$47,425 for the year October 1, 2007 through September 30, 2008.

Bentwood expects to have only one customer for the year October 1, 2007 through September 30, 2008 with revenue of \$1,200.

EFFECT ON GENERAL LEDGER: None.

EFFECT ON FILING: None.

AUDIT FINDING NO. 6

SUBJECT: OPERATION AND MAINTENANCE EXPENSE

AUDIT ANALYSIS: Utility records reflect Raintree Harbor's operation and maintenance (O&M) expense is \$40,152 for the 12-month period ended September 30, 2007. Bentwood had no O & M expense for the 12 month period ended September 30, 2007.

We compiled the utility's O&M expense for the 12-month period ended September 30, 2007. We posted all direct expenses incurred by the utility and we included allocated expense from the parent company that were posted to the Utility's accounts payable ledger that benefited utility operations.

Purchased Power Account Number 615 should be reduced \$735 because it is for a deposit made in March, 2007.

Additionally, we calculated a working capital balance of \$4,927 to be added to the utility's rate base based on $1/8^{\text{th}}$ of the O&M expense balance determined above. (\$39,417 / 8)

PROFORMA: Raintree provided supporting documentation for Harbor's proforma O & M expense of \$53,361 for the 12 month period ended September 30, 2008. Bentwood provided supporting documentation for pro forma O & M expense of \$31,894 for the 12 month period ended September 30, 2008.

The major increase in proforma expenses for Raintree Harbor is \$13,600 in Contractual Services because of a new contract with Utility Tech. The total increase in expenses is \$13,395, therefore it accounts for the majority of the increase.

ProForma working capital is \$6,670 ($\$53,361/8$) for Raintree Harbor and \$3,987 ($\$31,894/8$) for Bentwood.

The utility's O&M expense balances by NARUC sub-account are displayed on the following schedules.

EFFECT ON GENERAL LEDGER: Raintree Harbor O & M Expense will decrease by \$735 as of 9/30/2007.

EFFECT ON FILING: Raintree Harbor O & M Expense will decrease by \$735 as of 9/30/2007.

Raintree Harbor
Operating and Maintenance Expense
12-Month Period Ended September 30, 2007

Acct. Nos.	Acct. Description	Water
615.00	Purchased Power	5,277
618.00	Chemicals	654
630.00	Contractual Services - Billing	2,204
631.10	Contractual Services - Bookkeeping	2,650
635.00	Contractual Services - Testing	2,315
636.00	Contractual Services - Other	13,381
640.00	Rental of Building/Property	5,617
650.00	Transportation Expense	816
655.00	Insurance - Other	1,500
675.00	Miscellaneous Expense	<u>5,738</u>
		<u>\$40,152</u>

PROFORMA Raintree Utilities, Inc.
Operating and Maintenance Expense
12-Month Period Ended September 30, 2008

Acct. Nos.	Acct. Description	Raintree Harbor	Bentwood	TOTAL
615.00	Purchased Power	\$6,100.00	\$5,300.00	\$11,400.00
618.00	Chemicals	\$655.00	\$655.00	\$1,310.00
630.00	Contractual Services - Billing	\$7,075.00	\$155.00	\$7,230.00
631.00	Contractual Services	\$1,600.00	\$200.00	\$1,800.00
631.10	Contractual Services - Bookkeeping	\$12,000.00	\$2,192.00	\$14,192.00
635.00	Contractual Services - Testing	\$995.00	\$995.00	\$1,990.00
636.00	Contractual Services - Other	\$240.00	\$0.00	\$240.00
636.10	Contractual Services - Hydrants	\$675.00	\$675.00	\$1,350.00
636.20	Contractual Services - Comp. Pres.	\$2,500.00	\$2,500.00	\$5,000.00
636.30	Contractual Services - Comp. Vice Pres.	\$2,500.00	\$2,500.00	\$5,000.00
636.50	Contractual Services - Maintenance	\$2,400.00	\$1,200.00	\$3,600.00
636.60	Contract. Services - Oper Cost Plant Tech	\$4,719.00	\$0.00	\$4,719.00
636.70	Contract. Services - Oper Cost Bentwood	\$0.00	\$4,000.00	\$4,000.00
640.00	Rental of Building	\$4,717.00	\$4,717.00	\$9,434.00
650.00	Transportation Expense	\$500.00	\$500.00	\$1,000.00
655.00	Insurance	\$1,500.00	\$2,500.00	\$4,000.00
665.00	Regulatory Commission Expenses	\$500.00	\$500.00	\$1,000.00
675.00	Miscellaneous Expense	\$240.00	\$240.00	\$480.00
675.10	Miscellaneous Expense Service Charges	\$35.00	\$35.00	\$70.00
675.20	Miscellaneous Expense Office Supplies	\$180.00	\$180.00	\$360.00
675.30	Misc. Expense Postage and Mailing	\$90.00	\$90.00	\$180.00
675.40	Miscellaneous Expense Telephone Costs	\$2,280.00	\$900.00	\$3,180.00
675.50	Miscellaneous Expense Internet Hosting	\$60.00	\$60.00	\$120.00
675.70	Miscellaneous Expense Mowing	\$1,800.00	\$1,800.00	\$3,600.00
		<u>\$53,361.00</u>	<u>\$31,894.00</u>	<u>\$85,255.00</u>
	Working Capital	\$6,670.00	\$3,987.00	\$10,657.00

AUDIT FINDING NO. 7

SUBJECT: TAXES OTHER THAN INCOME

AUDIT ANALYSIS: Utility records reflect Raintree Harbor's taxes other than income (TOTI) expense is \$4,482 for the 12-month period ended September 30, 2007. Bentwood had no TOTI for the 12-month period ended September 30, 2007.

The Raintree Harbor's TOTI expense balance by NARUC sub-account is displayed below.

RAINTREE HARBOR

Acct. No.	Account Description	Balance @9/30/2007
	Loan Document Stamp (1)	\$1,400
	Business Tax	\$60
	Property Tax	\$954
	Regulatory Assessment Fee	<u>\$2,068</u>
408.00	Taxes Other Than Income	\$4,482

(1) Loan Document Stamp pertains to Long Term Debt instrument obtained by Utility.

PROFORMA amount for Raintree Harbor's TOTI is \$2,982 and Bentwood is \$126 for the 12-month period ended September 30, 2008.

RAINTREE HARBOR

Acct. No.	Account Description	Balance @9/30/2008
	Property Tax	\$854
	Regulatory Assessment Fee	<u>\$2,128</u>
408.00	Taxes Other Than Income	\$2,982

BENTWOOD

Acct. No.	Account Description	Balance @9/30/2008
	Property Tax	\$46
	Regulatory Assessment Fee	<u>\$80</u>
408.00	Taxes Other Than Income	\$126

AUDIT FINDING NO. 8

SUBJECT: CAPITAL STRUCTURE

AUDIT ANALYSIS: Utility records reflect the Utility's capital structure, is \$481,905 and its weighted average cost of capital is 8.25 percent for the 12-month period ending September 30, 2007.

We determined that the utility's capital structure is composed of the following equity components. The company does not have any short-term debt or customer deposits.

<u>Class of Capital</u>	<u>Balance at 9/30/2007</u>
Long Term Debt	\$490,000
Common Stock	\$100
Common Equity	<u>(\$8,194)</u>
Total	<u>\$481,905</u>

The Utility's PROFORMA Long Term Debt and Common Stock at 9/30/2008 is below and its cost of capital is 8.25 percent for the 12-month period ending September 30, 2008.

<u>Class of Capital</u>	<u>9/30/2008</u>
Long Term Debt	\$450,000
Common Stock	\$100

**RAINTREE UTILITIES, INC.
RATE BASE
12 MONTHS ENDING SEPTEMBER 30, 2007
DOCKET NO. 070627-WU**

DESCRIPTION	Raintree Harbor PER UTILITY 9/30/2007	AUDIT ADJUSTMENTS	Total PER AUDIT 9/30/2007
UTILITY PLANT IN SERVICE	\$68,550	\$0	\$68,550
LAND AND LAND RIGHTS	\$5,740	\$0	\$5,740
CONTRIBUTIONS IN AID OF CONSTRUCTION	\$0	(\$29,750)	(\$29,750)
AMORTIZATION OF CIAC	\$0	\$6,636	\$6,636
ACCUMULATED DEPRECIATION	(\$17,919)	(\$2,594)	(\$20,513)
WORKING CAPITAL (a)	\$0	\$4,927	\$4,927
NET RATE BASE	<u>\$56,371</u>	<u>(\$20,781)</u>	<u>\$35,590</u>

Notes to above schedule:

- a) Working Capital is calculated as 1/8th of the utility's 2007 operating expense
- b) All amounts are rounded to the nearest whole dollar.

RAINTREE UTILITIES, INC.
RATE BASE
12 MONTHS ENDING SEPTEMBER 30, 2007
DOCKET NO. 070627-WU

DESCRIPTION	Bentwood PER UTILITY 9/30/2007	AUDIT ADJUSTMENTS	Total PER AUDIT 9/30/2007
UTILITY PLANT IN SERVICE	\$0	\$623,273	\$623,273
LAND AND LAND RIGHTS	\$0	\$5,800	\$5,800
CONTRIBUTIONS IN AID OF CONSTRUCTION	\$0	(\$216,965)	(\$216,965)
AMORTIZATION OF CIAC	\$0	\$0	\$0
ACCUMULATED DEPRECIATION	\$0	\$0	\$0
WORKING CAPITAL (a)	\$0	\$0	\$0
NET RATE BASE	<u>\$0</u>	<u>\$412,108</u>	<u>\$412,108</u>

Notes to above schedule:

- a) Working Capital is calculated as 1/8th of the utility's 2007 operating expense
- b) All amounts are rounded to the nearest whole dollar.

RAINTREE UTILITIES, INC.
NET OPERATING INCOME
12 MONTHS ENDING SEPTEMBER 30, 2007
DOCKET NO. 070627-WU

DESCRIPTION	Raintree Harbor PER UTILITY 9/30/2007	AUDIT ADJUSTMENTS	Total PER AUDIT 9/30/2007
REVENUES	\$47,425	\$0	\$47,425
OPERATION & MAINTENANCE EXPENSE	\$40,152	(\$735)	\$39,417
DEPRECIATION EXPENSE	\$465	\$2,129	\$2,594
CIAC AMORTIZATION EXPENSE	\$0	(\$1,148)	(\$1,148)
TAXES OTHER THAN INCOME EXPENSE	\$4,482	\$0	\$4,482
PROVISION FOR INCOME TAX EXPENSE (b)	\$0	\$0	\$0
OPERATING EXPENSE	\$45,099	\$246	\$45,345
NET OPERATING INCOME	<u>\$2,326</u>	<u>(\$246)</u>	<u>\$2,080</u>

Notes to above schedule:

- a) Income is taxed at the shareholder level because the company is a 1120 S-Corporation for federal income
- b) All amounts are rounded to the nearest whole dollar.
- c) Bentwood has \$0 Revenues, Operating Expenses, and Net Operating Income for the 12-months ending September 30, 2007.

RAINTREE UTILITIES, INC.
WATER CAPITAL STRUCTURE
AS OF SEPTEMBER 30, 2007
DOCKET NO. 070627-WU

CLASS OF CAPITAL	AMOUNT	RATIO	COST RATE	WEIGHTED COST
LONG-TERM DEBT	\$490,000	100.00%	8.25%	8.25%
SHORT-TERM DEBT	\$0	0.00%	0.00%	0.00%
COMMON EQUITY (a)	(\$8,095)	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$0	0.00%	6.00%	0.00%
ACC. DEFERRED INCOME TAXES	\$0	0.00%	0.00%	0.00%
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TOTALS	<u>\$481,905</u>	<u>100.00%</u>		<u>8.25%</u>

**RAINTREE UTILITIES, INC.
RATE BASE
AS OF SEPTEMBER 30, 2008
DOCKET NO. 070627-WU
PROFORMA**

DESCRIPTION	Raintree Harbor PER AUDIT 9/30/2008	Bentwood PER AUDIT 9/30/2008	Total PER AUDIT 9/30/2008
UTILITY PLANT IN SERVICE	\$68,550	\$623,273	\$691,823
LAND AND LAND RIGHTS	\$5,740	\$5,800	\$11,540
CONTRIBUTIONS IN AID OF CONSTRUCTION	(\$29,750)	(\$216,965)	(\$246,715)
AMORTIZATION OF CIAC	\$7,862	\$4,068	\$11,930
ACCUMULATED DEPRECIATION	(\$23,341)	(\$23,384)	(\$46,725)
WORKING CAPITAL (a)	\$6,670	\$3,987	\$10,657
NET RATE BASE	<u>\$35,731</u>	<u>\$396,779</u>	<u>\$432,510</u>

Notes to above schedule:

- a) Working Capital is calculated as 1/8th of the utility's 2008 operating expense
- b) All amounts are rounded to the nearest whole dollar.

RAINTREE UTILITIES, INC.
WATER CAPITAL STRUCTURE
AS OF SEPTEMBER 30, 2008
DOCKET NO. 070627-WU
PROFORMA

CLASS OF CAPITAL	AMOUNT	RATIO	COST RATE	WEIGHTED COST
LONG-TERM DEBT	\$450,000	100.00%	8.25%	8.25%
SHORT-TERM DEBT	\$0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$0	0.00%	6.00%	0.00%
ACC. DEFERRED INCOME TAXES	\$0	0.00%	0.00%	0.00%
TOTALS	<u>\$450,000</u>	<u>100.00%</u>		<u>8.25%</u>