

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: May 2, 2018

TO: Office of Commission Clerk

FROM: Lynn M. Deamer,  Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 20180021-WU
Company Name: Country Walk Utilities, Inc.
Company Code: WU967
Audit Purpose: A1b: Staff Assisted Rate Case
Audit Control No.: 2018-037-4-1

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 a response to the Office of Commission Clerk. There are no confidential work papers associated with this audit.

LMD/cmm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

State of Florida



Public Service Commission

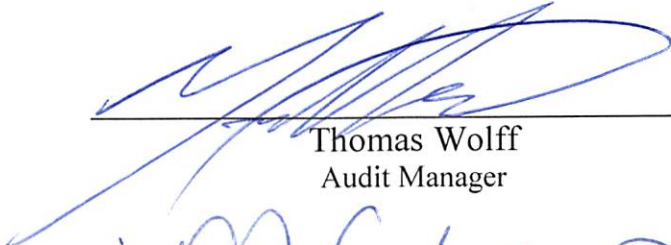
Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Country Walk Utilities, Inc.
Staff-Assisted Rate Case

Twelve Months Ended December 31, 2017

Docket No. 20180021-WU
Audit Control No. 2018-037-4-1
March 28, 2018



Thomas Wolff
Audit Manager



Marisa Glover
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated February 1, 2018. We have applied these procedures to the attached schedules prepared by the audit staff in support of Country Walk Utilities, Inc.'s request for a Staff-Assisted Rate Case in Docket No. 20180021-WU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

CWU/Utility refers to Country Walk Utilities, Inc.

Test Year refers to the twelve months ended December 31, 2017.

NARUC refers to the National Association of Regulatory Utility Commissioners.

USOA refers to the NARUC Uniform Systems of Accounts as adopted by Rule 25-30.115 – Uniform System of Accounts for Water and Wastewater Utilities, Florida Administrative Code (F.A.C.).

Background

Country Walk Utilities, Inc. is a Class C utility serving approximately 70 residential and one general service water customers in Highlands County according to the application provided by the Utility. Rate base was last established by the Florida Public Service Commission, in Docket 20130294-WU by Order PSC-2014-0495-PAA-WU, issued September 17, 2014. Also in Order PSC-2014-0495-PAA-WU, the Commission ordered that a negative acquisition adjustment in the amount of \$20,064 for the water system shall be recognized for ratemaking purposes.

Utility Books and Records

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

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

Rate Base

Utility Plant in Service

Objectives: The objectives were to determine whether Utility Plant in Service (UPIS): 1) Consists of property that exists and is owned by the Utility, 2) Additions are recorded at original cost, 3) Retirements are made when a replacement asset was put in service, and 4) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

Procedures: We reconciled the beginning balances for UPIS, as of September 4, 2013 from the Order PSC-2014-0495-PAA-WU to the general ledger. We scheduled UPIS activity from September 4, 2013 through December 31, 2017. We traced asset additions to supporting documentation. In September 2017, the Utility put in service a Forced Draft Aeration Treatment System, at a cost of \$136,344. The balance in Account 320 – Water Treatment Equipment prior to this installation was \$7,509, which is fully depreciated. Audit staff did not determine if this

original plant should be retired and at what amount. Technical staff should determine the disposition of this plant. We verified that retirements were made when an asset was removed or replaced. We determined the year-end and simple average balances as of December 31, 2017. No further work was done.

Land and Land Rights

Objectives: The objectives were to determine whether the utility land is: 1) Recorded at original cost, 2) Owned or secured under a long-term lease agreement, and that 3) Adjustments required in the Utility's last rate case proceeding were recorded in its books and records.

Procedures: We reconciled the beginning balances for Land and Land Rights, as of September 4, 2013 from the Order PSC-2014-0495-PAA-WU to the general ledger. We scheduled Land and Land Rights activity from September 4, 2013 through December 31, 2017. We determined the year-end and simple average balances as of December 31, 2017 and determined that there have been no changes to the Utility's cost of land since the transfer. No exceptions were noted.

Accumulated Depreciation

Objectives: The objectives were to determine whether accumulated depreciation: 1) Accruals are properly calculated and recorded based on Rule 25-30.140 – Depreciation, F.A.C., 2) Retirements are recorded when an asset was replaced, and 3) Adjustments required in the Utility's last rate proceeding were recorded to its books and records.

Procedures: We reconciled the beginning balances for accumulated depreciation, as of September 4, 2013 from Order PSC-2014-0495-PAA-WU to the general ledger. We calculated annual accruals to accumulated depreciation using the depreciation rates established by Rule 25-30.140(2), F.A.C., from September 4, 2013 to December 31, 2017. We determined the year-end and simple average balances as of December 31, 2017. See Finding 1 for our recommend adjustment to Accumulated Depreciation.

Contributions in Aid of Construction

Objectives: The objectives were to determine whether contributions in aid of construction (CIAC): 1) Consist of cash or property contributions that exist and are owned by the Utility, 2) Additions are recorded using Commission approved tariffs, 3) Retirements are recorded when a contributed asset was replaced, and 4) Adjustments in the Utility's last rate proceeding were recorded to its books and records.

Procedures: We reconciled the beginning balances for CIAC, as of September 4, 2013 from the Order PSC-2014-0495-PAA-WU to the general ledger. We scheduled additions from September 4, 2013 to December 31, 2017. We verified that the amount collected used the Commission approved tariffs. We determined the year-end and simple average balances as of December 31, 2017. No exceptions were noted

Accumulated Amortization of CIAC

Objectives: The objectives were to determine whether accumulated amortization of CIAC: 1) Accruals are properly calculated and recorded based on Rule 25-30.140 – Depreciation, F.A.C., 2) Retirements are recorded when a contributed asset was replaced, and 3) Adjustments required in the Utility’s last rate proceeding were recorded to its books and records.

Procedures: We reconciled beginning balances for accumulated amortization of CIAC as of December 31, 2017 from Order PSC-2014-0495-PAA-WU to the general ledger. We calculated annual accruals to Accumulated Amortization of CIAC using approved rates or composite depreciation rates calculated by audit staff from September 4, 2013 to December 31, 2017. We determined the year-end and simple average balances as of December 31, 2017. See Finding 2 for our recommended adjustments to Accumulated Amortization of CIAC.

Acquisition Adjustment and Accumulated Amortization of Acquisition Adjustment

Objectives: The objectives were to determine the year-end and simple average balance for the Acquisition Adjustment and Accumulated Amortization of Acquisition Adjustment as of December 31, 2017 and the Amortization of Acquisition Adjustment for test year as set forth by Rule 25-30.0371, F.A.C.

Procedures: We verified that the acquisition adjustment approved in the last order was booked correctly and determined year-end and simple average balances. We calculated the Accumulated Amortization of Acquisition Adjustment as of December 31, 2017 by the method set forth in Rule 25-30.0371, F.A.C. We calculated the Amortization expense for the test year. See Finding 3 for our recommended adjustments for Acquisition Adjustment and Accumulated Amortization of Acquisition Adjustment.

Working Capital

Objectives: The objective was to determine whether the Utility’s working capital balance is properly calculated in compliance with Commission rules.

Procedures: We calculated the Utility’s working capital balance as of December 31, 2017 using one-eighth of operation and maintenance expense as required by Rule 25-30.433 (2), F.A.C. No exceptions were noted.

Capital Structure

Objectives: The objectives were to determine the: 1) Components of the Utility’s capital structure, 2) Cost rate for each class of capital, 3) Overall weighted cost of capital, and that 4) Components are properly recorded in compliance with the NARUC USOA.

Procedures: We determined that the Utility’s capital structure consists of common equity, long-term debt, and customer deposits. We determined the year-end and simple average balances as of December 31, 2017. See Finding 4 for our recommended adjustment to Capital Structure.

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether revenues are: 1) Representative of the Utility's operations for the test year, 2) Calculated using Commission approved tariff rates, and 3) Recorded in compliance with NARUC USOA

Procedures: We determined individual customer consumption for the test year ended December 31, 2017, using the Utility's monthly customer billings. We calculated test year revenues based on billing determinants and compared our calculated revenue amount to the revenues reflected in the general ledger. We determined whether the Utility is charging its authorized tariff rates. We also determined the number of miscellaneous service charges by type. We calculated miscellaneous service charges by multiplying the Commission approved tariff by the number we determined and traced amounts to the general ledger. Finding 5 discusses our recommended adjustments to Operating Revenue.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether operation and maintenance expenses (O&M) are: 1) Representative of the Utility's ongoing operations for the test year, 2) Recorded in the appropriate period for the correct amount, 3) Required for the provision of utility services, and 4) Recorded in compliance with the NARUC USOA.

Procedures: We reviewed the invoices provided in support of the Utility's O&M expense for the test year. We ensured all expenses were correctly classified, and verified that they were recurring in nature. We verified each expense against the invoice and supporting documentation. Finding 6 discusses our recommended adjustments to Operation and Maintenance Expenses.

Depreciation and Amortization

Objectives: The objective was to determine the Utility's depreciation and CIAC amortization expense for the twelve months ended September 30, 2017 using the Commission authorized rates.

Procedures: We compiled a schedule from audited UPIS items and recalculated depreciation for the test year based on depreciation rates authorized by Rule 25-30.140, F.A.C. We also recalculated amortization of CIAC for the test year using Commission approved rates. Findings 1 and 2 discuss our recommended adjustments to Depreciation and Amortization.

Taxes Other than Income

Objectives: The objectives were to determine whether taxes other than income expense (TOTI) is: 1) Representative of the Utility's ongoing operations for the test year, 2) Recorded in the appropriate period for the correct amount, 3) Required for the provision of utility services, and 4) Recorded in compliance with NARUC USOA.

Procedures: We scheduled TOTI based on documentation provided by the Utility. We included property taxes and regulatory assessment fee (RAF) for the test year and confirmed their utility

classification. We recalculated RAFs using the approved RAF rate and the audited revenue balances. Finding 7 discusses our recommended adjustments to Taxes Other than Income.

Audit Findings

Finding 1: Accumulated Depreciation and Depreciation Expense

Audit Analysis: According to the Utility's general ledger, the accumulated depreciation balance was \$64,064 as of December 31, 2017 and test year depreciation expense was \$4,328. The Utility calculates Depreciation Expense on a monthly basis and the audit staff calculates Accumulated Depreciation on a yearly basis. The Utility credited Accumulated Depreciation and debited Depreciation Expense with the full amount of the 2017 additions in Account 334 – Meters & Meter Installations. Audit staff recalculated accumulated depreciation and depreciation expense, as shown in Table 1-1.

Table 1-1

Account - Description	Audit Balance Accum Dep 12/31/2017	Simple Average	Audit Balance Depreciation 12/31/2017
108/403 301 Organization	\$ 239	\$ 209	\$ 60
108/403 302 Franchises	\$ 66	\$ 56	\$ 19
108/403 304 Structures & Improvements	\$ 9,902	\$ 9,680	\$ 444
108/403 307 Supply Mains	\$ 21,706	\$ 20,995	\$ 1,423
108/403 311 Pumpin Equipment	\$ 3,351	\$ 3,212	\$ 279
108/403 320 Water Treatment Equipment	\$ 8,846	\$ 8,177	\$ 1,337
108/403 330 Distribution Reservoirs	\$ 5,653	\$ 5,551	\$ 203
108/403 331 Transmission & Distribution Mains	\$ 5,830	\$ 5,674	\$ 312
108/403 333 Services	\$ 21	\$ 10	\$ 21
108/403 334 Meters & Meter Installations	\$ 8,225	\$ 8,274	\$ 4
Total:	\$ 63,839	\$ 61,838	\$ 4,102
Utility balance - 12/31/2017:	\$ 64,064		\$ 4,328
Audit Adjustment:	\$ (225)		\$ (226)

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

Effect on the Filing: Audit staff determined accumulated depreciation and depreciation expense to be \$63,839 and \$4,102, respectively for the test year ended December 31, 2017. We also determined the simple average for accumulated depreciation to be \$61,838.

Finding 2: Accumulated Amortization of CIAC

Audit Analysis: Audit Staff recalculated Accumulated Amortization of CIAC as of December 31, 2017. Audit staff tracked these accounts to Docket 20010403-WU, in Order PSC-2001-2385-PAA-WU, issued December 10, 2001. In the order, the Commission used Rule 25-30.570, F.A.C., to impute CIAC based on cost of plant assets and CIAC was separated into three accounts: Dist. Reservoirs and Standpipes, T&D Mains and Cash. Each of these balances are amortized at a different rates. These three accounts were also brought forward in the transfer Order PSC-2014-0495-PAA-WU along with Commission approved amounts for Accumulated Amortization of CIAC. The Utility has booked the entire amount into one account and is amortizing it using 3.03%.

Based on the procedures performed above, audit staff has determined that the accumulated amortization of CIAC is \$17,623 compared to the Utility's balance of \$17,421, which is an increase of \$202. As shown in Table 2-1:

Table 2-1

Acct. Name	Audit		
	Balance as of 12/31/16	Balance per Audit 12/31/17	Simple Average
Dist Reservoirs & Standpipes	\$ (4,536)	\$ (4,739)	\$ (4,637)
T&D Mains	\$ (1,712)	\$ (1,788)	\$ (1,750)
Cash (Composite Rate)	\$ (10,706)	\$ (11,096)	\$ (10,901)
Subtotal	\$ (16,954)	\$ (17,623)	\$ (17,288)
Total	\$ (16,954)	\$ (17,623)	\$ (17,288)
	Balance Per GL	\$ (17,421)	
	Audit Adjustment	\$ 202	

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

Effect on the Filing: Audit staff has determined accumulated amortization of CIAC is \$17,623 and the simple average is \$17,288, for the test year ended December 31, 2017. Audit Staff also determined the Amortization expense to be (\$670), which is \$109 more than the utility.

Finding 3: Accumulated Amortization of Acquisition Adjustment

Audit Analysis: Audit Staff recalculated Accumulated Amortization of Acquisition Adjustment as of December 31, 2017 using the methodology set forth in Rule 25-30.0371 – Acquisition Adjustment, F.A.C. A negative acquisition adjustment of \$20,064 was ordered to be recognized for ratemaking purposes by Docket 20130294-WU, in Order PSC-2014-0495-PAA-WU, issued September 17, 2014. As stated in Order PSC-2014-0495-PAA-WU, beginning with the date of issuance, September 17, 2014, 50% of the negative acquisition adjustment, \$10,032, shall be amortized over a 7-year period. The remaining 50% shall be amortized over the remaining life of the assets, which was set in the order to be 11.1 years.

According to the Utility’s general ledger, the balance of the Accumulated Amortization of Acquisition Adjustment is \$10,126 as of December 31, 2017. Audit staff determined that the balance should be \$7,790 as of December 31, 2017. It appears the Utility began amortizing at the transfer date, not the issuance date of the order as dictated by the Rule. Our calculation is shown in Table 3-1.

Table 3-1

Acct. Name	Balance per GL 12/31/2017	Audit Adjustment	Balance per Audit 12/31/17	Simple Average
7-Year Amortization for 50% of Acquisition Adjustment	\$ (6,210)	\$ 1,433	\$ (4,777)	\$ (4,061)
11.1-Year Amortization for 50% of Acquisition Adjustment	\$ (3,916)	\$ 904	\$ (3,013)	\$ (2,561)
Total	\$ (10,127)	\$ 2,337	\$ (7,790)	\$ (6,622)

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

Effect on the Filing: The Accumulated Amortization of Acquisition Adjustment is \$7,790 for the test year ended December 31, 2017 and the Simple Average of the Accumulated Amortization of Acquisition Adjustment is \$6,622.

Finding 4: Capital Structure

Audit Analysis: The capital structure for Country Walk Utilities, Inc. consists of Common Equity and Customer Deposits. The Common Equity is broken up into three components, Capital Stock, Capital and Retained Earning, totaling the \$35,848, as shown in Table 4-1.

Table 4-1

500 · Equity	(14,143.80)
152 · Capital Stock	(250.00)
Total 152 · Capital Stock	(250.00)
502 · Capital	(13,893.80)
Total 502 · Capital	<u>(13,893.80)</u>
Total 500 · Equity	<u>(14,143.80)</u>
5000 · Retained Earnings	<u>(21,704.12)</u>
Total 5000 · Retained Earnings	<u>(21,704.12)</u>

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

Effect on the Filing: Technical staff should determine if the amount is appropriate for this utility.

Finding 5: Operating Revenues

Audit Analysis: The Utility's general ledger reflected operating revenue of \$28,552 for the twelve months ended December 31, 2017. Audit staff recalculated revenue by determining the number of customer bills and gallons used on the utility billing register. We also recalculated the number of miscellaneous services charges and compared them to the Commission approved tariff rates. We determined the operating revenue to be \$28,902 as shown in Table 5-1.

Table 5-1

For the 12 Month Test Year Ended 12/31/17				
NARUC	Description	Utility Bal 12/31/17	Audit Adj	Audit Bal 12/31/17
460.1	Residential Revenue	\$ 27,936	344	\$ 28,281
460.2	Commercial Revenue	\$ 327	-	\$ 327
		\$ 28,263	344	\$ 28,607
471.4	Late Fees	\$ 245	5	\$ 250
471.6	CC Fees	\$ 44	-	\$ 44
		\$ 289	\$ 5	\$ 294
	Grand Total	\$ 28,552	\$ 349	\$ 28,902
	RAF	\$ 1,285	16	\$ 1,301

- Included in the utility billing total were \$1,518 in adjustments. The utility stated the refunds/adjustments were due to leaks, excessive usage, faulty meters, customer complaints and months missed due to no meter readings. Audit staff has accepted the adjustment and removed \$1,518 from the audit calculations in residential revenue total.
- The residential revenue in the general ledger did not agree with the residential revenue total from the utility billing register. The utility stated, "There are timing differences between the billing history report and the monthly journal entries. Over time these differences are reconciled in the general ledger. Comparing these two amounts for a set period of time – like a calendar year – may have differences which are later corrected." During the test year, the differences cause by timing issues totaled \$248.
- Audit staff recalculated the monthly revenues from the provided utility billing register. The utility charged a total of \$101 less in revenues for residential services. Audit staff was able to determine this based off the Commission approved tariffs and the utility's billing register.

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

Effect on the Filing: Audit Staff determined operating revenues to be \$28,902 for the twelve months ended December 31, 2017.

Finding 6: Operation and Maintenance Expense

Audit Analysis: The Utility recorded \$25,022 for Operation and Maintenance Expense on its general ledger for twelve months ended December 31, 2017. Audit staff determined Operation and Maintenance Expense to be \$24,789 as shown in Table 6-1.

Table 6-1

Account	Description	Balance Per Utility as of 12/31/2017	Audit Adjustment	Per Audit
603	Salaries & Wages - Officers	\$ 3,000	\$ -	\$ 3,000
615	Purchased Power	\$ 1,224	\$ -	\$ 1,224
618	Chemicals	\$ 2,969	\$ (34)	\$ 2,935
632	Contractual Services - Accounting	\$ 350	\$ -	\$ 350
633	Contractual Services - Legal	\$ 530	\$ -	\$ 530
636	Contractual Services - Other	\$ 15,432	\$ -	\$ 15,432
657	Insurance - Gen Liability	\$ 1,300	\$ (200)	\$ 1,100
670	Bad Debt	\$ 117	\$ -	\$ 117
675	Miscellaneous Expense	\$ 100	\$ -	\$ 100
Total O&M Expenses		\$ 25,022	\$ (233)	\$ 24,789
Working Capital as 1/8 of O&M Expenses				\$ 3,099

- Account 603 – Salaries and Wages – Officers: Audit staff traced the general ledger balance to supporting documentation. According to the Utility, the amount is determined based on Net Income. Technical staff should determine if the salary amount is appropriate for this utility.
- Account 615 – Purchased Power: Audit staff traced the general ledger balance to supporting documentation provided by the Utility without exception.
- Account 618 – Chemicals: Audit staff traced the general ledger balance to supporting documentation and we decreased the amount by \$34 for non-support.
- Account 632 – Contractual Services – Accounting: Audit staff traced the general ledger balance to supporting documentation provided by the Utility without exception.
- Account 633 – Contractual Services – Legal: Audit staff traced the general ledger balance to supporting documentation provided by the Utility without exception.
- Account 636 – Contractual Services – Other: Audit staff traced the general ledger balance to supporting documentation and we reviewed the contract between US Water and the Utility. No exceptions were noted.
- Account 657 – Insurance – Gen Liability: The Utility’s general ledger had a balance of \$1,300, but based on the support documentation provided by the Utility, audit staff determined the balance to be \$1,100. The Utility provided documentation for the insurance policy with Arch Insurance company that was effective October 24, 2017 to

October 24, 2018, as well as an invoice from C&C Consultants for this policy. The \$1,300 included a \$200 Policy Fee which audit staff removed to reflect the premium balance of the insurance policy, \$1,100. We decreased this account by \$200.

- Account 670 – Bad Debt: Audit staff traced the general ledger balance to supporting documentation and the Utility states that this amount represents the bad debt sent to a collection agency. It consists of 2 customer accounts, both 5/8” meters, with account numbers 7595228 and 21995246. Technical staff should determine if the amount is appropriate.
- Account 675 – Miscellaneous Expense: Audit staff traced the general ledger balance to supporting documentation provided by the Utility without exception. The Utility provided a copy of the Drinking Water Annual Operating License Fee from the Florida Department of Environmental Protection effective from July 1, 2017 to June 30, 2018.

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

Effect on the Filing: Audit Staff determined that Operation and Maintenance expense was overstated by \$233 and should be reduced to \$24,789 for the test year ended December 31, 2017. Working Capital is calculated to be \$3,099.

Finding 7: Taxes Other than Income

Audit Analysis: According to the Utility's general ledger, the Taxes Other than Income (TOTI) balance was \$1,570 as of December 31, 2017. Audit Staff determined that the TOTI balance should be \$1,586. As shown in Table 7-1:

Table 7-1

Description	For the 12 Month Test Year Ended 12/31/2017		
	Per Utility	Adjustments	Per Audit
Payroll Tax	\$ -	\$ -	\$ -
Real Property Tax	\$ 285	\$ -	\$ 285
Regulatory Assessment Fees (RAF)	\$ 1,285	\$ 16	\$ 1,301
Total	\$ 1,570	\$ 16	\$ 1,586

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

1. We increased test year Regulatory Assessment Fees (RAF) by \$16 based on the audited revenues.

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

Effect on the Filing: Audit Staff determined the TOTI to be \$1,586 for the twelve months ended December 31, 2017.

EXHIBITS

Exhibit 1: Rate Base

Country Walk Utilities, Inc.
 Staff Assisted Rate Case
 As of December 31, 2017
 Dkt 20180021-WU ACN: 2018-037-4-1
 Rate Base

Description	Balance Per Utility as of December 31, 2017	Audit Adjustment	Finding	Balance Per Audit as of December 31, 2017	Simple Average
Utility Plant in Service	\$ 230,541	\$ -		\$ 230,541	\$ 163,119 ⁽¹⁾
Land & Land Rights	\$ 1,495	\$ -		\$ 1,495	\$ 1,495
Accumulated Depreciation	\$ (64,064)	\$ 225	1	\$ (63,839)	\$ (61,838)
Contributions in Aid of Construction	\$ (23,950)	\$ -		\$ (23,950)	\$ (23,950)
Accumulated Amortization of CIAC	\$ 17,421	\$ 202	2	\$ 17,623	\$ 17,288
Acquisition Adjustment	\$ (20,064)			\$ (20,064)	\$ (20,064)
Accumulated Amortization of Acquisition Adjustment	\$ 10,127	\$ (2,337)	3	\$ 7,790	\$ (6,622)
Working Capital		\$ 3,099	5	\$ 3,099	\$ 3,099
Total Rate Base	\$ 151,505	\$ 1,189		\$ 152,695	\$ 72,527

(1) Utility had a substantial addition of \$136,344 placed in service in late 2017 which caused the simple average to be low compared to the balance at December 31, 2017.

Exhibit 2: Capital Structure

COUNTRY WALK UTILITIES, INC
STAFF-ASSISTED RATE CASE
DOCKET NO. 20180021-WU; ACN 2018-037-4-1
WEIGHTED COST of CAPITAL
AS OF DECEMBER 31, 2017

Description	Balance per Utilitiy As of 12/31/2017	Audit Adjustments	Balance per Audit As of 12/31/2017	Ratio	Cost Rate	Weighted Cost
Common Equity	\$ 35,848	-	\$ 35,848	97.97%	8.740%	8.56%
Customer Deposits	\$ 744	-	\$ 744	2.03%	2.000%	0.04%
TOTAL CAPITAL	\$ 36,592	\$ -	\$ 36,592	100.00%		8.60%

As per order PSC-2017-0249-PAA-WS, issued June 26, 2017:

Leverage Formula: Return on Common Equity = 7.13% + 1.610/Equity Ratio

Where Equity Ratio = Common Equity/(Common Equity + Preferred Equity + Long-Term
and Short-Term Debt)

Range: 8.74% @ 100% equity to 11.16% @ 40% equity

Exhibit 3: Net Operating Income

Country Walk Utilities, Inc.
 Staff Assisted Rate Case
 Twelve Months Ended December 30, 2017
 Dkt: 20180021-WU ; ACN: 2018-037-4-1
 Net Operating Income

Description	Balance Per Utility 12/31/2017	Audit Adjustment	Audit Finding	Balance Per Audit 12/31/2017
Operating Revenues	\$ 28,552	\$ 350	5	\$ 28,902
Operating & Maintenance Expenses	\$ 25,022	\$ (233)	6	\$ 24,789
Depreciation Expense	\$ 4,328	\$ (226)	1	\$ 4,102
Amortization Expense - CIAC	\$ (779)	\$ 109	2	\$ (670)
Amortization Expense - Acq. Adjustment	\$ (2,337)	\$ -		\$ (2,337)
Taxes Other Than Income	\$ 1,570	\$ 16	7	\$ 1,586
Total Operating Expenses:	\$ 27,804	\$ (334)		\$ 27,470
Net Operating Income (Loss)	\$ 748	\$ 684		\$ 1,432