

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: June 17, 2022

TO: Office of the Commission Clerk

FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 

RE: Docket No.: 20220034-WS
Company Name: Hidden Cove, Ltd.
Company Code: WS814
Audit Purpose: A1b: Staff Assisted Rate Case
Audit Control No.: 2022-070-2-3

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

TMB/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
Tampa District Office

Auditor's Report

Hidden Cove, Ltd
Staff-Assisted Rate Case

Twelve Months Ended December 31, 2021

Docket No. 20220034-WS
Audit Control No. 2022-070-2-3

June 7, 2022

A handwritten signature in cursive script, appearing to read "Ron Mavrides", written over a horizontal line.

Ronald Mavrides
Audit Manager

A handwritten signature in cursive script, appearing to read "Simon", written over a horizontal line.

Simon O. Ojada
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Accounting & Finance in its audit service request dated March 11, 2022. We have applied these procedures to the attached schedules prepared by the audit staff in support of Hidden Cove, Ltd.'s request for a Staff Assisted Rate Case in Docket No. 20220034-WS.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Hidden Cove, Ltd.

The test year for this proceeding is the historical twelve months ended December 31, 2021.

NARUC refers to the National Association of Regulatory Utility Commissioners.

USOA refers to the NARUC Uniform System of Accounts as adopted by Rule 25-30.115, Florida Administrative Code (F.A.C.)

Background

Hidden Cove, Ltd. (Hidden Cove or Utility) is a Class C water and wastewater utility currently providing water and wastewater service to approximately 122 mobile home sites and 3 general service customers in Polk County. Hidden Cove, Ltd. has been in existence and charging rates since 1982. The Utility was granted Certificate Nos. 607-W and 523-S in 1999.

The Utility serves the Hidden Cove Mobile Home Park. The Utility's 2021 Annual Report shows total gross revenues of \$18,710 for water and \$27,001 for wastewater, with net operating expenses of \$33,011 and \$30,412 for water and wastewater, respectively. The current rates have been in effect since May 2008.

The Utility files a 1065 Federal Tax Return, and is a Partnership.

Utility Books and Records

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

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 is put into service, and 4) Adjustments required in the Utility's last rate proceeding are recorded in its books and records.

Procedures: We reconciled the beginning balances for UPIS, as of January 1, 2007, from Order No. PSC-2008-0262-PAA-WS, issued April 28, 2008, to the general ledger. We scheduled UPIS activity from January 1, 2008, to December 31, 2021. We traced asset additions to supporting documentation. We ensured that retirements were made when an asset was removed or replaced.

We determined the simple average and year-end balances as of December 31, 2021. Finding 1 discusses our recommended adjustments to UPIS.

Land & Land Rights

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

Procedures: We reconciled the beginning balance for land that was established in PSC Order 2008-0262-PAA-WS as of December 31, 2006, to the general ledger. There was no change to utility land since the last rate case proceeding. No exceptions were noted.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether contributions-in-aid-of-construction (CIAC) is properly recorded in compliance with Commission rules and the NARUC USOA, 2) Donated property is properly accounted for and recorded as CIAC, and 3) Adjustments to CIAC in the Utility's last rate case proceeding were recorded in its general ledger.

Procedures: There were no contributions in aid of construction balances outstanding. No exceptions were noted.

Accumulated Depreciation

Objectives: The objectives were to determine whether: 1) Adjustments to accumulated depreciation in the Utility's last rate case proceeding were recorded in its general ledger, 2) Accumulated depreciation accruals are properly recorded in compliance with Commission Rule 25-30.140-Depreciation, Florida Administrative Code (F.A.C.) and the NARUC USOA, 3) Depreciation expense accruals are calculated using the Commission's authorized rates, and 4) Retirements are properly recorded when an asset was replaced.

Procedures: We reconciled the beginning balances for accumulated depreciation that were established in PSC Order No. 2008-0262-PAA-WS as of December 31, 2007, to the general ledger. We calculated accumulated depreciation using the depreciation rates established by Rule 25-30.140(2), F.A.C - Depreciation. We determined the year-end accumulated depreciation balance as of December 31, 2021. Our recommended adjustments to accumulated depreciation are discussed in Finding 2.

Accumulated Amortization of CIAC

Objectives: The objectives were to determine whether: 1) Accruals to accumulated amortization of CIAC are properly recorded in compliance with Commission Rule 25-30.140, F.A.C., 2) Retirements are recorded when a contributed asset was replaced, 3) Adjustments to accumulated amortization of CIAC in the Utility's last rate case proceeding were recorded in its general ledger.

Procedures: There was not any accumulated amortization of CIAC outstanding. No exceptions were noted.

Working Capital

Objectives: The objective was to determine the working capital adjustment to be included in the Utility's rate base per Commission rule 25-30.433(3).

Procedures: We calculated the Utility's working capital adjustment using one-eighth of operation and maintenance (O&M) expense as required by Commission Rule 25-30.433(3), F.A.C. Our recommended working capital is calculated in Finding 3.

Capital Structure

Objectives: The objectives were to determine: 1) Component balances for the Utility's capital structure, 2) Cost rates to be used to arrive at the overall weighted cost of capital and, if 3) Components are properly recorded in compliance with Commission requirements.

Procedures: We reviewed the general ledger and determined that the Utility's capital structure is composed of partner's equity and one long-term note. We reviewed the long-term debt and recalculated the principal and interest costs. We determined the year-end and simple average capital structure balances and its weighted average cost as of December 31, 2021. See Finding 4

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether the Utility's test year revenues are recorded in compliance with Commission rules and calculated using Commission approved rates.

Procedures: We compiled the Utility's revenues for the test year ending December 31, 2021, by obtaining the monthly customer billing registers. We reconciled the billing registers to the general ledger. We recalculated revenues based on current tariffs in effect by class. We completed a billing analysis as requested by technical staff. Our recommended adjustments to revenue are discussed in Finding 5.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether O&M expense is: 1) Representative of the Utility's ongoing operations for the test year, 2) Properly recorded in appropriate period for the correct amount, and 3) Recorded in compliance with NARUC USOA and Commission rules.

Procedures: We verified O&M Expense for the test year ended December 31, 2021, by tracing a sample of invoices to the original source documentation. We reviewed invoices for proper amount, period, classification, NARUC account, and whether recurring in nature. We determined the proper allocation of expenses between the Utility's related party operations and its operations. Our recommended adjustments to O&M Expenses are discussed in Finding 6.

Depreciation and CIAC Amortization Expense

Objectives: The objectives were to determine whether depreciation and CIAC amortization expenses are properly recorded in compliance with Commission rules and that they accurately

represent the depreciation of UPIS assets and the amortization of CIAC from ongoing utility operations.

Procedures: We recalculated depreciation expense and CIAC amortization expense for the test year ended December 31, 2021, by using the rates established by Commission Rule 25-30.140, F.A.C. Our recommended adjustments to depreciation expenses and CIAC amortization expenses are discussed in Finding 2.

Taxes Other than Income

Objectives: The objectives were to determine whether taxes other than income (TOTI) expenses are: 1) properly recorded in compliance with Commission rules, 2) Reasonable for ongoing utility operations, and 3) Recorded in compliance with the NARUC USOA.

Procedures: We verified TOTI expenses for the test year ended December 31, 2021, by tracing the taxes to original source documentation. We reviewed the 2021 regulatory assessment fee returns. No exceptions were noted.

Audit Findings

Finding 1: Utility Plant in Service (UPIS)

Audit Analysis: According to the Utility’s general ledger, the UPIS balance was \$72,554 for water and \$120,896 for wastewater as of December 31, 2021. The Utility’s water UPIS balance is overstated by \$290 as outlined in Table 1-1, and the wastewater UPIS balance is overstated by \$187 as outlined in Table 1-2.

Acct. Nos. 341 and 391 – Transportation Equipment was increased by \$1,935 for water and \$1,935 for wastewater. The Utility purchased three Ford F-250 trucks for utility operations and the payments were being expensed. Auditors removed the payment amounts from the O&M expense accounts. We capitalized the three Ford vehicles and included the amounts in the appropriate plant accounts. Account 341 – Transportation Equipment was increased by \$1,935 and account 391 – Transportation Equipment was also increased by \$1,935.

In addition, the following audit adjustments are necessary.

Water Analysis

Acct. No. 311 – Pumping Equipment is reduced by \$2,110 for lack of supporting documentation.

Acct. No. 320 – Water Treatment Equipment is reduced by \$115 for lack of supporting documentation.

Table 1-1

Account No.	Account Description	Balance Per Utility		Balance Per Audit	
		12/31/2021	Adjustments	12/31/2021	Simple Average
304	Structures & Improvements	\$371	-	\$371	\$371
307	Wells & Spring	3,434	-	3,434	3,434
309	Supply Mains	1,145	-	1,145	1,145
311	Pumping Equipment	4,527	(2,110)	2,417	2,417
320	Water Treatment Equipment	1,947	(115)	1,832	1,832
330	Distribution Reservoirs & Standpipes	4,579	-	4,579	4,579
331	Transmission & Distribution Mains	9,679	-	9,679	9,679
333	Services	11,448	-	11,448	11,448
334	Meters & Meter Installations	33,902	-	33,902	33,902
340	Office Furniture & Equipment	218	-	218	218
341	Transportation Equipment	-	1,935	1,935	1,935
345	Power Operated Equipment	1,304	-	1,304	1,304
	Total UPIS	\$ 72,554	\$ (290)	\$ 72,264	\$ 72,264

Wastewater Analysis

Acct. No. 355 – Power Generation Equipment is reduced by \$160 for lack of supporting documentation

Acct. No. 371 – Pumping Equipment is reduced by \$912 for lack of supporting documentation

Acct. No. 380 – Treatment & Disposal Equipment is reduced by \$1,206 for lack of supporting documentation

Acct. No. 381 – Plant Sewers is reduced by \$218 for misclassification, it should have been classified to Account No. 390 - Office Furniture & Equipment.

Acct. No. 390 – Office Furniture & Equipment in increased by \$218 for being improperly entered in account No. 381 - Plant Sewers. It was correctly entered in the Utility’s Annual Report.

Acct. No. 395 – Power Operated Equipment is increased by \$530 to reflect the actual audited source documents provided.

Table1-2

Account No.	Account Description	Balance Per Utility		Balance Per Audit		Simple Average
		12/31/2021	Adjustments	12/31/2021	12/31/2021	
354	Structures & Improvements	\$ 343	\$ -	\$ 343	\$ 343	343
355	Power Genertion Equipment	160	(160)	-	-	-
361	Colletion Sewer - Gravity	60,984	-	60,984	60,984	60,984
364	Flow Measuring Devices	1,145	-	1,145	1,145	1,145
371	Pumping Equipment	12,093	(912)	11,181	11,181	11,181
380	Treatment & Sidposal Equipment	44,477	(1,206)	43,271	43,271	43,271
381	Plant Sewers	218	(218)	-	-	-
390	Office Furniture & Equipment	-	218	218	218	218
391	Transportation Equipment	-	1,935	1,935	1,935	1,935
395	Power Operated Equipment	1,476	530	2,006	2,006	2,006
Total UPIS		\$ 120,896	\$ 187	\$ 121,083	\$ 121,083	

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

Effect on the Filing: UPIS should be decreased by \$290 for water and increased by \$187 for wastewater as of December 31, 2021.

Finding 2: Accumulated Depreciation and Depreciation Expense

Audit Analysis: According to the Utility's general ledger, the accumulated depreciation balance was \$37,698 for water and \$114,185 for wastewater as of December 31, 2021. Audit staff recalculated accumulated depreciation and depreciation expense using the audited UPIS balances and the depreciation rates established by Rule 25-30.140(2), F.A.C. Audit staff determined the year-end and simple average balances of the accumulated depreciation to be \$59,313 and \$48,505 for water, and \$115,586 and \$114,885 for wastewater. Depreciation expense was \$2,328 for water and \$1,435 for wastewater. Our calculations for accumulated depreciation, depreciation expense, and simple average are shown in Table 2-1 and 2-2.

Table 2-1

Account No.	Account Description	Balance Per		Balance Per		Simple Average 12/31/2021	Depreciation Expense
		Utility 12/31/2021	Adjustments	Audit 12/31/2021	Audit 12/31/2021		
304	Structure and Improvements	\$ 371	\$ -	\$ 371	\$ 371		
307	Wells and Springs	3,434	-	3,434	3,434		
309	Supply Mains	1,145	-	1,145	1,145		
311	Pumping Equipment	3,534	(1,679)	1,855	2,695		138
320	Water Treatment Equipment	848	984	1,832	1,340		
330	Dist. Reservoirs & Standpipes	4,579	-	4,579	4,579		
331	Transmission & Distribution Mains	9,679	-	9,679	9,679		
333	Services	11,448	-	11,448	11,448		
334	Meters and Meter Installations	1,993	21,062	23,055	12,524		1,745
340	Office Furniture and Equipment	218	(109)	109	164		15
341	Transportation Equipment		976	976	488		300
345	Power Operated Equipment	447	383	830	639		130
	Total	\$ 37,698	\$ 21,615	\$ 59,313	\$ 48,506		\$ 2,328

Table 2-2

Account No.	Account Description	Balance Per		Balance Per		Simple Average 12/31/2021	Depreciation Expense
		Utility 12/31/2021	Adjustments	Audit 12/31/2021	Audit 12/31/2021		
354	Structure and Improvements	\$ 343	-	\$ 343	\$ 343		
355	Power Generation Equipment	47	(11)	36	41		8
361	Collection Sewer - Gravity	60,984		60,984	60,984		754
364	Flow Measuring Device	1,145	-	1,145	1,145		
370	Receiving Wells		9,158	9,158	4,579		
371	Pumping Equipment	9,460	(9,130)	330	4,895		39
380	Treatment & Disposal Equipment	41,541	(824)	40,717	41,129		52
390	Office Furniture and Equipment	218	(109)	109	164		15
391	Transportation Equipment		1,934	1,934	967		437
395	Power Operated Equipment	447	383	830	638		130
	Total	\$ 114,185	\$ 1,401	\$115,586	\$114,885		\$ 1,435

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

Effect on the Filing: Accumulated depreciation should be increased by \$21,615 for water and \$1,401 for wastewater.

Finding 3: Working Capital

Audit Analysis: The Utility's records reflect water and wastewater operating and maintenance (O&M) expense balances of \$26,258 and \$28,597, respectively, for the 12-month period ended December 31, 2021.

Our adjustments described later in this report reduce the Utility's water and wastewater O&M expenses by (\$1,029) and (\$1,962), respectively, for the 12-month period ended December 31, 2021.

Based on our O&M expense balances above, we calculated water and wastewater working capital balances of \$3,154 and \$3,329, respectively, as of December 31, 2021. See Finding 6 for additional details and our calculations.

Effect on the General Ledger: None, our working capital adjustments are for rate making purposes only.

Effect on the Filing: Increased water and wastewater rate base balances by \$3,154 and \$3,329, respectively, as of December 31, 2021.

Finding 4: Capital Structure

Audit Analysis: The Utility’s capital structure consists of \$5,039,000 in a long-term note and \$1,256,053 in partner’s equity, according to the Annual Report and the Utility, for total reported capital of \$6,295,053.

Staff could not independently establish the balance for the partner’s equity. According to the Utility, “You won’t be able to tie out the partner equity to our general ledger because our general ledger includes both the Utility Operations as well as the Mobile Home Park Operations.”

Table 4-1

Capital Component	Bal Per Utility 12/31/2021	Bal Per Utility 12/31/2021	Avg Balance Per Utility Dec. 31, 2021	Simple Average Per Audit 12/31/2021	Ratio	Cost	Weighted Cost
Partner's Equity	\$1,142,946	\$ 1,256,053	\$ 1,199,500	\$1,199,500	19.23%	10.55%	2.03%
Long Term Debt	5,039,000	5,039,000	5,039,000	5,039,000	80.77%	3.48%	2.81%
Total Capital	<u>\$6,195,220</u>	<u>\$6,502,331</u>	<u>\$6,348,776</u>	<u>\$6,238,500</u>			4.84%

(1) Equity Cost based on Order No. PSC-2021-0244-PAA-WS, issued July 6, 2021

Effect on the General Ledger: None

Effect on the Filing: Audit staff defers to the analyst as to the treatment of the capital structure.

Finding 5: Operating Revenue

Audit Analysis: The Utility reported total revenues for water of \$18,730 and wastewater of \$27,084 for the 12-months ending December 31, 2021, on its general ledger.

In our analysis of the billing register, we calculated revenues for water to be \$18,712 for a difference of \$18 and revenues for wastewater to be \$27,993 for a difference of \$909. We decreased revenues for water by \$18 and for increased revenues for wastewater by \$909.

Tables 5-1 and 5-2 summarize adjustments that are needed to revenues for the test year. These adjustments resulted from audit staff's calculation of the billing register for those customers for the test year using the latest tariff.

Table 5-1

NARUC	Description	Balance Per		Balance Per
		Utility	Adjustments	
		12/31/2021		12/31/2021
461.1	Residential Service	\$ 17,269	\$ (18)	\$ 17,251
461.2	Commercial Service	1,461	-	1,461
	Total	\$ 18,730	\$ (18)	\$ 18,712

Table 5-2

NARUC	Description	Balance Per		Balance Per
		Utility	Adjustments	
		12/31/2021		12/31/2021
522.1	Residential Service	\$ 26,616	\$ 909	\$ 27,525
522.2	Commercial Service	468	-	468
	Total	\$ 27,084	\$ 909	\$ 27,993

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

Effect on the Filing: Operating revenues should be decreased by \$18 for water and increased by \$909 for wastewater.

Finding 6: Operations and Maintenance Expense

Audit Analysis: According to the Utility's trial balance, the O&M expense balance was \$26,258 for water and \$28,597 for wastewater as of December 31, 2021. The Utility's water and wastewater O&M balances are overstated by \$1,029 and \$1,962, respectively, as outlined in Tables 6-1 and 6-2.

As discussed in Finding 1, the Utility misclassified monthly vehicle payments as transportation expense. We requested the purchase invoice for each vehicle and capitalized the total amount. As a result, audit staff made adjustments to Acct. Nos. 650 and 750. Audit staff made the following O&M adjustments:

1. Acct. No. 631 – Contractual Services - Engineer is reduced by \$189 due to lack of supporting documentation.
2. Acct. No. 636 – Contractual Services – Other is reduced by \$290 due to lack of supporting documentation.
3. Acct. No. 650 – Transportation Expenses is reduced by \$549 due to improper classification of monthly vehicle payments that were being expensed in Finding 1.

Table 6-1

Account No.	Account Description	Balance Per Utility 12/31/2021	Adjustments	Balance Per Audit 12/31/2021
601	Salaries And Wages - Employees	\$ 8,106		\$ 8,106
618	Chemicals	554		554
620	Materials And Supplies	2,245		2,245
630	Contractual Services - Billing	64		64
631	Contractual Services - Engr	189	(189)	-
635	Contractual Services - Testing	2,685		2,685
636	Contractual Services - Other	10,296	(290)	10,006
650	Transportation Expenses	1,033	(549)	484
655	Insurance Expense	479		479
675	Miscellaneous	606		606
	Total Operation And Maintenance	\$26,258	(\$1,029)	\$25,229

Table 6-2

Account No.	Account Description	Balance Per Utility 12/31/2021	Adjustments	Balance Per Audit 12/31/2021
701	Salaries And Wages - Employees	\$ 8,314		\$ 8,314
711	Sludge Removal Expense	4,910	(635)	4,275
715	Purchased Power	5,264		5,264
718	Chemicals	4,394		4,394
720	Materials And Supplies	1,969		1,969
735	Contractual Services - Testing	463	(107)	357
736	Contractual Services - Other	1,495	(806)	689
750	Transportation Expenses	1,201	(415)	786
755	Insurance Expense	479		479
775	Miscellaneous	108		108
Total Operation And Maintenance		\$28,597	(\$1,962)	\$26,635

1. Acct. No. 711 – Sludge Removal Expense is reduced by \$635 due to lack of supporting documentation.
2. Acct. No. 735 – Contractual Services - Testing is reduced by \$107 due to lack of supporting documentation.
3. Acct. No. 736 – Contractual Services - Other is reduced by \$806 due to lack of supporting documentation.
4. Acct. No. 750 – Transportation Expense is reduced by \$415 due to improper classification of monthly vehicle payments that were being expensed.

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

Effect on the Filing: Operation and maintenance expense should be decreased by \$1,029 for water and by \$1,962 for wastewater. As discussed in Finding 3, working capital is calculated to be \$3,154 for water and \$3,329 for wastewater using 1/8th of O&M as prescribed by Rule 25-30.433(3) F.A.C.

Finding 7: Taxes Other than Income

Audit Analysis: Taxes other than Income (TOTI) per the Utility totaled \$1,250 for water and \$3,357 for wastewater, for the test year ended December 31, 2021. Audit staff calculated TOTI of \$1,003 for water and \$2,058 for wastewater. We reduced TOTI by \$247 and \$1,299 for water and wastewater, respectively. These adjustments are reflected in Tables 7-1 and 7-2.

Table 7-1

Description	Balance Per	Adjustments	Balance
	Utility		Per Audit
	12/31/2021		12/31/2021
Real Estate Property Tax	\$ 408	(247)	\$ 161
Regulatory Assessment Fee	842	-	842
Tangible Taxes	-	-	-
Licensing Fee	-	-	-
Total TOTI	\$ 1,250	(247)	\$ 1,003

Table 7-2

Description	Balance Per	Adjustments	Balance
	Utility		Per Audit
	12/31/2021		12/31/2021
Real Estate Property Tax	\$ 2,142	\$ (1,299)	\$ 843
Regulatory Assessment Fee	1,215	-	1,215
Tangible Taxes	-	-	-
Licensing Fee	-	-	-
Total TOTI	\$ 3,357	\$ (1,299)	\$ 2,058

Regulatory assessment fees were based on test period revenues of \$18,710 for water and \$27,001 for wastewater. Real estate taxes were based on the percentage of land occupied by the water and wastewater plants as calculated in previous audits.

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

Effect on the Filing: We reduced TOTI by \$247 for water and \$1,299 for wastewater.

Exhibits

Exhibit 1: Rate Base - Water

**Hidden Cove, Ltd
Water Rate Base
As of December 31,2021
Docket No. 20220034-WS**

<u>Description</u>	<u>Balance Per Utility 12/31/2021</u>	<u>Adjustments</u>	<u>Finding No.</u>	<u>Balance Per Audit 12/31/2021</u>	<u>Simple Average 12/31/2021</u>
Utility Plant in Service	\$ 72,554	\$ (290)	1	\$ 72,264	\$ 72,264
		-			-
Land & Land Rights	320	-		320	320
		-			-
Accumulated Depreciation	(37,698)	(21,614)	2	(59,312)	(59,312)
		-			-
Contributions in Aid of Construction (CIAC)	-	-		-	-
		-			-
Working Capital	-	3,154	3	3,154	3,154 a
		-			-
Water Rate Base	<u>\$ 35,176</u>	<u>\$ (18,750)</u>		<u>\$ 16,426</u>	<u>\$ 16,426</u>

Exhibit 2: Rate Base - Wastewater

Hidden Cove, Ltd
Wastewater Rate Base
As of December 31, 2021
Docket No. 20220034-WS

Description	Balance Per Utility 12/31/2021	Adjustments	Finding No.	Balance Per Audit 12/31/2021	Simple Average 12/31/2021
Utility Plant in Service	\$ 120,895	\$ 188	1	\$ 121,083	\$ 121,083
Land and Land Rights	1,680	-		1,680	1,680
Accumulated Depreciation	114,185	1,401	2	115,586	115,586
Contributions in Aid of Construction (CIAC)	-	-		-	-
Working Capital	-	3,329	3	3,329	3,329 @
Wastewater Rate Base	<u>\$ 236,760</u>	<u>\$ 4,918</u>		<u>\$ 241,678</u>	<u>\$ 241,678</u>

@ One eighth of Operation and Maintenance Expense balance.

Exhibit 3: Capital Structure

Hidden Cove, Ltd
Capital Structure
As of December 31, 2021
Docket No. 20220034-WS

Capital Component	Bal Per Utility 12/31/2021	Bal Per Utility 12/31/2021	Avg Balance Per Utility Dec. 31, 2021	Simple Average Per Audit 12/31/2021	Ratio	Cost	Weighted Cost
Partner's Equity	\$1,142,946	\$ 1,256,053	\$ 1,199,500	\$1,199,500	19.23%	10.55%	2.03%
Long Term Debt	5,039,000	5,039,000	5,039,000	5,039,000	80.77%	3.48%	2.81%
Total Capital	<u>\$6,195,220</u>	<u>\$6,502,331</u>	<u>\$6,348,776</u>	<u>\$6,238,500</u>			4.84%

(1) Equity Cost based on Order No. PSC-2021-0244-PAA-WS, issued July 6, 2021

Exhibit 4: Net Operating Income - Water

Hidden Cove, Ltd
12 Months Ended 12/31/2021
Docket No. 20220034-WS

DESCRIPTION	Balance Per Utility 12/31/2021	Adjustments	Finding No.	Balance Per Audit 12/31/2021
Operating Revenues	\$ 18,730	\$ (18)	5	\$ 18,712
		-		
Operation & Maintenance Expense	26,258	(1,029)	6	25,229
		-		
Depreciation Expense	2,292	35	2	2,327
		-		
Taxes Other Than Income	1,250	(247)	7	1,003
		-		
Total Operating Expense	<u>29,800</u>	<u>(1,241)</u>		<u>28,559</u>
Net Operating Income (Loss)	<u>\$ (11,070)</u>	<u>\$ 1,223</u>		<u>\$ (9,847)</u>

Exhibit 5: Net Operating Income - Wastewater

**Hidden Cove, Ltd
12 Months Ended 12/31/2021
Docket No. 20220034-WS**

DESCRIPTION	Balance Per Utility 12/31/2021	Adjustments	Finding No.	Balance Per Audit 12/31/2021
Operating Revenues	\$ 27,084	\$ 909	5	\$ 27,993
Operation & Maintenance Expense	28,597	(1,962)	6	26,635
Depreciation Expense	2,026	(592)	2	1,434
Taxes Other Than Income	3,357	(1,299)	7	2,058
Total Operating Expense	<u>33,980</u>	<u>(3,853)</u>		<u>30,127</u>
Net Operating Income (Loss)	<u>\$ (6,896)</u>	<u>\$ 4,762</u>		<u>\$ (2,134)</u>