

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-

RECEIVED-FPSC
13 JUN -7 PM 1:59
COMMISSION
CLERK

DATE: June 7, 2013
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 130010-WS
Company Name: Ni Florida, LLC
Audit Purpose: A1f File and Suspend Rate Case
Audit Control No.: 13-071-4-1

Attached is the final audit report for the Utility stated above. I am sending the Utility a copy of 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 were no confidential work papers associated with this audit.

LD/

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

03152 JUN-7 2013

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

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

Auditor's Report

Ni Florida, LLC
Rate Case (PAA)

Twelve Months Ended September 30, 2012

Docket No. 130010-WS
Audit Control No. 13-071-4-1
June 3, 2013

Gabriela M. Leon
Audit Manager

Linda Hill-Slaughter
Audit Staff

Iliana H. Piedra
Audit Staff

Bety Majtre
Audit Staff

Yen N. Ngo
Audit Staff

Kathy L. Welch
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures	2
Audit Findings	
1: Reconciliation of Ledger to Prior Dockets	6
2: Contributions-in-Aid-of-Construction (CIAC).....	16
3: Accumulated Amortization of CIAC	18
4: Working Capital.....	21
5: Adjustments to Net Operating Income Purchased Wastewater Treatment.....	22
6: Adjustments to Net Operating Income-Annual Line Cleaning Program.....	23
7: Adjustment to Net Operating Income for New Bank Service	24
8: Wastewater Revenue Misclassified	25
9: Contractor Payments.....	27
10: Wastewater Expense Reconciliation to Ledger	28
11: Possible Non-Recurring Expenses.....	29
12: Wastewater Expense Adjustments.....	30
Exhibits	
1: Rate Base	31
2: Net Operating Income.....	33
3: Capital Structure	35

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 and Finance in its audit service request dated March 11, 2013. We have applied these procedures to the attached schedules prepared by Ni Florida, LLC in support of its filing for rate relief in Docket No. 130010-WS.

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

Objectives and Procedures

General

Definitions

Utility refers to Ni Florida, LLC.

Parent refers to Ni America Capital Management, LLC.

Utility Information

The Utility is a Class A Utility with a water distribution system in Lee County serving approximately 743 customers and a wastewater distribution system in Pasco County serving approximately 2,621 customers. It is owned by Ni America Capital Management, LLC. Expenses have been allocated from Ni America Capital Management, LLC and another subsidiary of Ni America Capital Management, LLC, Ni America Operating, LLC. These expenses and the capital structure were audited in a separate audit.

The Minimum Filing Requirement (MFRs) for this proceeding used a test year ending September 30, 2012. Rate Base was last established for the water system as of December 31, 2009 in Order No. PSC-11-0199-PAA-WU, Docket No. 110149-WU. Rate Base was last established for the wastewater system as of December 31, 2008 in Order No. PSC-10-0168-PAA-SU, Docket No. 090182-SU.

Rate Base

Rate Base Adjustments

Objectives: The objective was to determine whether the Utility's adjustments to rate base were correct and supported by adequate audit evidence.

Procedures: The Utility did not provide the support for the plant additions that the filing said would be completed by March 31, 2013 and asked to provide them at a later date. The analyst agreed to review these additions.

Utility Plant in Service

Objectives: The objectives were to determine whether Utility Plant in Service: 1) Consists of property that exists and is owned by the Utility, 2) Additions are authentic, recorded at original cost, and properly classified as a capital item in compliance with Commission rules and the National Association of Regulatory Commissioners' (NARUC) Uniform System of Accounts (USOA), 3) Retirements are made when a replacement item is put in service, and 4) Adjustments required in the Utility's last rate case proceeding were recorded in its filing and books and records.

Procedures: We toured the Utility's wastewater facilities to determine the presence and condition of plant assets. The water facilities are underground so a tour was not performed. We

reconciled balances that were established in the applicable Orders as of December 31, 2009 for water and December 31, 2008 for wastewater to the filing. We determined these balances agreed to the ledger. We compiled a schedule of water plant additions from December 31, 2009, through September 30, 2012, and wastewater plant additions from December 31, 2008, through September 30, 2012. We reviewed supporting documentation for additions and reviewed for unrecorded retirements. Finding 1 discusses the adjustments from Order No. PSC-11-0199-PAA-WU, Docket No. 110149-WU and Order No. PSC-10-0168-PAA-SU, Docket No. 090182-SU not being booked to the ledgers and the correction to the 13-month average balances in the MFR.

Land & Land Rights

Objectives: The objectives were to determine whether Utility land is either recorded at original cost or is secured under a long-term lease.

Procedures: Since the Utility is only a transmission and distribution Utility, it does not own any land, only easements. We searched the clerk's records to determine if any had been acquired. None was found.

Accumulated Depreciation

Objectives: The objectives were to determine whether: 1) Accumulated Depreciation accruals are properly calculated and recorded based on Commission rules and the NARUC USOA, 2) Retirements are properly recorded, and 3) Adjustments required in the Utility's last rate case proceedings were recorded in its filing and books and records.

Procedures: We reconciled balances that were established in the applicable Orders as of December 31, 2009, for water and December 31, 2008, for wastewater to the filing and to the general ledger. We recalculated accumulated depreciation and verified that retirements were made when a capital item was removed or replaced. Finding 1 discusses the adjustments from the last rate base dockets not being booked to the ledgers.

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

Objectives: The objectives were to determine whether: 1) Additions to CIAC are properly recorded in compliance with Commission rules and the NARUC USOA, 2) The fees charged agree to the tariff, 3) Contributed plant has been recorded, and 4) Adjustments required in the Utility's last rate case proceedings were recorded in its filing and books and records.

Procedures: We reconciled balances that were established in the applicable Orders as of December 31, 2009, for water and December 31, 2008, for wastewater to the filing and to the general ledger. We traced additions to the tariff. We looked for unrecorded property on the tour of the wastewater service territory. We reviewed the Income Tax returns for unrecorded property contributions. Finding 2 discusses unrecorded CIAC.

Accumulated Amortization of CIAC

Objectives: Our objectives were to determine whether: 1) Accruals to accumulated amortization of CIAC are properly recorded in compliance with Commission rules, and 2) Adjustments required in the Utility's last rate case proceedings were recorded in its filing and books and records.

Procedures: We reconciled balances that were established in the applicable Orders as of December 31, 2009, for water and December 31, 2008, for wastewater to the filing and to the general ledger. We recalculated amortization accruals. Finding 2 discusses the amortization of unrecorded CIAC. Finding 3 compares staff's computation of amortization to the filing.

Working Capital

Objectives: The objective was to determine the Utility's working capital balance is properly calculated using Commission rules.

Procedures: We reconciled the 13-month average balance sheet accounts included in working capital to the general ledger and reviewed for consistency with Commission policy. Finding 4 discusses the reclassification of accounts between water and wastewater.

Net Operating Income

Adjustments to Net Operating Income

Objectives: The objectives were to determine whether the Adjustments to Net Operating Income represent actual changes after the test year and whether the Utility has adequate supporting documentation for a change to the test year.

Procedures: We obtained supporting documentation for the Adjustments to Net Operating Income.

The Utility did not provide the support for the \$100,000 wastewater line cleaning program and asked to provide them at a later date. The analyst agreed to review these additions. Findings 5, 6, and 7 discuss the Utility adjustments to 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 are calculated using Commission approved tariff rates.

Procedures: We reconciled the ledger to the filing for the 12 months ending September 30, 2012. We traced the ledger to the billing registers. We selected billing registers for several months and reconciled to the Commission approved tariff rates. We reviewed for accounts that were misclassified between residential and general service. We reconciled the detail of the MFR Schedule E-2 by month to billing registers for selected months. We tested a sample of miscellaneous charges. Finding 8 discusses misclassifications between residential and general service.

Operation and Maintenance Expense (O & M)

Objectives: The objectives were to determine whether O & M Expense is properly recorded in compliance with the NARUC USOA and Commission rules and verify that O & M Expense is representative of ongoing Utility operations.

Procedures: We verified O & M Expense for the 12 months ended September 30, 2012, by tracing a sample of invoices to the original source documentation. We reviewed invoices and contracts for the proper amount, period, classification, NARUC account, and recurring nature. Allocations from Ni America, the Utility's parent were audited in a separate audit. Findings 9, 10, 11, and 12 discuss adjustments to O & M Expenses.

Depreciation and Amortization

Objectives: The objective was to determine whether Depreciation Expense and Amortization of CIAC expense were properly recorded in compliance with Commission rules.

Procedures: We recalculated depreciation and amortization expense for the 12 months ended September 30, 2012 using the rates established in Commission Rule 25-30.140, F.A.C. Finding 1 adjusts depreciation expense for prior order adjustments and the correct rates.

Taxes Other than Income

Objectives: The objectives were to determine whether Taxes Other Than Income Expense is properly recorded in compliance with Commission rules and representative of ongoing operations.

Procedures: We verified the Taxes Other Than Income in the filing to the ledger. We reviewed the accuracy of the 2011 Regulatory Assessment Fee Returns. We traced intangible tax to the invoices.

Analytical Procedures

Objectives: The objectives were to perform an analytical review of expenses to identify unusual trends or amounts.

Procedures: We compared rate base components and expenses from 2008 to 2011 and used the results in our sample selection process.

Audit Findings

Finding 1: Reconciliation of Ledger to Prior Dockets

Audit Analysis: Rate Base was last established for the water system as of December 31, 2009 in Order No. PSC-11-0199-PAA-WU and, for the wastewater system as of December 31, 2008 in Order No. PSC-10-0168-PAA-SU. Both orders state that the Utility shall provide proof within 90 days of the final order that the adjustments for all applicable NARUC primary accounts have been made.

No adjustments were made to the general ledger for the ordered adjustments until after the test year. Both orders contained adjustments to rate base accounts. In addition, for the wastewater system, the Utility made adjustments to rate base accounts in Schedule A-3 of the MFRs in Docket No. 090182-SU. Only a few of the adjustments related to proforma additions. Most of the adjustments related to corrections that should have been made to the general ledger such as corrections for a prior order that were not booked.

The Utility did post an adjusting entry after the end of the current test year ended September 30, 2012, to attempt to correct the rate base account balances. However, it was not correct. Therefore, the entry should be reversed and entries from this finding should be made. The schedules attached to this finding contain the adjustments to the books needed to record plant and accumulated depreciation using NARUC accounts and the correct adjustments from prior orders.

In the filing made by the Utility in this docket on February 27, 2013, the adjustment made in the filing for the ordered adjustments did not agree to the order from Docket No. 090182-SU. We determined the adjustments that were required based on the prior order and filings. We reviewed these adjustments with the Utility representative. They agreed with our adjustment and recalculated depreciation using the revised balances and the rates in Rule 25-30.140, F.A.C. The Utility revised MFR's in Docket 130010-WS were supposed to include these revised balances. However, in the revised MFR's filed on April 30, 2013, Schedule A-5, A-6 did not include any adjustments from the prior cases in the plant balances. Schedule A-9 and A-10 show 13-month average adjustments for the prior rate case which do not agree with the 13-month average balances in the Utility's revised depreciation calculation. The adjustments to the accumulated depreciation balance from the prior case affect the entire 13-months. The adjustments to plant caused changes to the accumulated depreciation monthly. The Utility attempted to include the adjustments in the average rate base numbers on Schedule A-1 and A-2. However, the computation of the 13-month average was not correct. The schedules that follow show the corrected balances.

Water Plant

Acct. No.	Water Account	12/31/2009	FPSC Adjustments	Adusted Balance @ 12/31/09	12/31/2010	9/30/2011	Adjusted Balance @ 9/30/2012	Balance Per Books @ 9/30/2012	Adjustment as of 9/30/2012
331	Transmission and Distribution Main	\$ 227,768.00	\$ (4,312.00)	\$ 223,456.00	\$ 236,085.25	\$ 242,551.75	\$ 242,551.75		\$ 242,551.75
333	Services	\$ 50,932.00		\$ 50,932.00	\$ 50,932.00	\$ 50,932.00	\$ 50,932.00		\$ 50,932.00
334	Meters and Meter Installations	\$ 36,458.00		\$ 36,458.00	\$ 200,220.30	\$ 200,220.30	\$ 200,220.30	\$ 163,762.30	\$ 36,458.00
336	Backflow Prevention Devices	\$ -		\$ -	\$ 2,090.00	\$ 2,090.00	\$ 2,090.00		\$ 2,090.00
340	Office Furniture and Equipment	\$ 11,211.00		\$ 11,211.00	\$ 11,211.00	\$ 11,211.00	\$ 13,451.00	\$ 1,120.00	\$ 12,331.00
348	Other Tangible Plant	\$ 13,962.00	\$ (5,512.00)	\$ 8,450.00	\$ 8,450.00	\$ 8,450.00	\$ 8,450.00		\$ 8,450.00
101	Water Other							\$ 287,130.63	\$(287,130.63)
300	Capitalized Maintenance							\$ 74,385.52	\$(74,385.52)
	Total	\$ 340,331.00	\$ (9,824.00)	\$ 330,507.00	\$ 508,988.55	\$ 515,455.05	\$ 517,695.05	\$ 526,398.45	\$ (8,703.40)

Wastewater Plant

Acct. No.	Wastewater Account	12/31/2008	FPSC Adjustments	Adjusted Balance @ 12/31/08	12/31/2009	12/31/2010	9/30/2011	Adjusted Balance @ 9/30/2012	Balance Per Books @ 9/30/2012	Adjustment as of 9/30/2012
351	Organization	\$ 6,247.00	\$ -	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00		\$ 6,247.00
353	Land and Land Rights	\$ 9,513.00	\$ -	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00		\$ 9,513.00
354	Structures and Imp.	\$ 2,195.00	\$ -	\$ 2,195.00	\$ 2,195.00	\$ 3,082.00	\$ 3,082.00	\$ 3,082.00		\$ 3,082.00
360	Collection Sewers - Force	\$ 995,236.00	\$ -	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00		\$ 995,236.00
361	Coll. Sewers - Gravity	\$ 4,104,643.00	\$ (411,793.00)	\$ 3,692,850.00	\$ 3,692,850.00	\$ 3,692,850.00	\$ 3,692,850.00	\$ 3,702,850.00		\$ 3,702,850.00
362	Special Collecting St.	\$ -	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00		\$ 411,793.00
363	Services to Customers	\$ 991,349.00	\$ -	\$ 991,349.00	\$ 991,349.00	\$ 991,349.00	\$ 991,349.00	\$ 1,031,231.95		\$ 1,031,231.95
364	Flow Measuring Devices	\$ 157,854.00	\$ -	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00		\$ 157,854.00
370	Receiving Wells	\$ 550,916.00	\$ -	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00		\$ 550,916.00
371	Pumping Equipment	\$ 549,097.00	\$ 57,618.00	\$ 606,715.00	\$ 677,772.94	\$ 785,000.00	\$ 814,296.59	\$ 824,492.03		\$ 824,492.03
389	Other Plant Misc. Eq.	\$ 6,298.00	\$ -	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 16,217.14		\$ 16,217.14
390	Office Furn. and Eq.	\$ 36,751.00	\$ -	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 38,831.00		\$ 38,831.00
391	Transportation Eq.	\$ 146,609.00	\$ -	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00		\$ 146,609.00
393	Tools, Shop, Garage Eq.	\$ 10,829.00	\$ -	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00		\$ 10,829.00
396	Power Operated Eq.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,483.60		\$ 15,483.60
397	Miscellaneous Eq.	\$ 2,814.00	\$ -	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00		\$ 2,814.00
398	Other Tangible Plant	\$ -	\$ -	\$ -	\$ 5,047.52	\$ 5,047.52	\$ 5,047.52	\$ 5,047.52		\$ 5,047.52
311	Pumping								\$ 13,582.62	\$ (13,582.62)
333	Services to Customers								\$ 819.75	\$ (819.75)
340	Office Equipment								\$ 2,080.00	\$ (2,080.00)
346	Communications Eq.								\$ 15,483.60	\$ (15,483.60)
349	Liners								\$ 10,000.00	\$ (10,000.00)
350	Elder Valves								\$ 39,396.85	\$ (39,396.85)
350a	Capitalized Mtc.								\$ 214,666.55	\$ (214,666.55)
101	Other Wastewater Plant								\$ 7,566,847.52	\$ (7,566,847.52)
	Total	\$ 7,570,351.00	\$ 57,618.00	\$ 7,627,969.00	\$ 7,704,074.46	\$ 7,812,188.52	\$ 7,841,485.11	\$ 7,929,046.24	\$ 7,862,876.89	\$ 66,169.35

13-Month Average Plant

Water	9/30/2011	October	November	December	January	February	March	April	May	June
331 Tran. & Dist. Mains	\$ 242,551.75	\$ 242,551.75	\$ 242,551.75	\$ 242,551.75	\$ 242,551.75	\$ 242,551.75	\$ 242,551.75	\$ 242,551.75	\$ 242,551.75	\$ 242,551.75
333 Services	\$ 50,932.00	\$ 50,932.00	\$ 50,932.00	\$ 50,932.00	\$ 50,932.00	\$ 50,932.00	\$ 50,932.00	\$ 50,932.00	\$ 50,932.00	\$ 50,932.00
334 Meters and Meter Inst.	\$ 200,220.30	\$ 200,220.30	\$ 200,220.30	\$ 200,220.30	\$ 200,220.30	\$ 200,220.30	\$ 200,220.30	\$ 200,220.30	\$ 200,220.30	\$ 200,220.30
336 Backflow Prev. Devices	\$ 2,090.00	\$ 2,090.00	\$ 2,090.00	\$ 2,090.00	\$ 2,090.00	\$ 2,090.00	\$ 2,090.00	\$ 2,090.00	\$ 2,090.00	\$ 2,090.00
340 Office Furniture and Eq.	\$ 11,211.00	\$ 11,211.00	\$ 11,211.00	\$ 11,211.00	\$ 11,211.00	\$ 11,211.00	\$ 11,211.00	\$ 11,211.00	\$ 11,211.00	\$ 11,211.00
348 Other Tangible Plant	\$ 8,450.00	\$ 8,450.00	\$ 8,450.00	\$ 8,450.00	\$ 8,450.00	\$ 8,450.00	\$ 8,450.00	\$ 8,450.00	\$ 8,450.00	\$ 8,450.00
Total	\$ 515,455.05	\$ 515,455.05	\$ 515,455.05	\$ 515,455.05	\$ 515,455.05	\$ 515,455.05	\$ 515,455.05	\$ 515,455.05	\$ 515,455.05	\$ 515,455.05

Wastewater	9/30/2011	October	November	December	January	February	March	April	May	June
351 Organization	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00
353 Land and Land Rights	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00
354 Structures and Imp.	\$ 3,082.00	\$ 3,082.00	\$ 3,082.00	\$ 3,082.00	\$ 3,082.00	\$ 3,082.00	\$ 3,082.00	\$ 3,082.00	\$ 3,082.00	\$ 3,082.00
360 Coll. Sewers - Force	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00
361 Coll. Sewers - Gravity	\$ 3,692,850.00	\$ 3,692,850.00	\$ 3,692,850.00	\$ 3,692,850.00	\$ 3,692,850.00	\$ 3,692,850.00	\$ 3,692,850.00	\$ 3,692,850.00	\$ 3,702,850.00	\$ 3,702,850.00
362 Special Coll. St.	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00
363 Services to Customers	\$ 991,349.00	\$ 991,349.00	\$ 991,349.00	\$ 991,349.00	\$ 991,349.00	\$ 991,349.00	\$ 991,349.00	\$ 1,017,824.08	\$ 1,018,850.35	\$ 1,029,089.31
364 Flow Measuring Dev.	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00
370 Receiving Wells	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00
371 Pumping Equipment	\$ 814,296.59	\$ 814,296.59	\$ 820,828.55	\$ 820,828.55	\$ 820,828.55	\$ 820,828.55	\$ 820,828.55	\$ 820,828.55	\$ 820,828.55	\$ 820,828.55
389 Other Plant Mis. Eq.	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 16,217.14
390 Office Furn. and Eq.	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00
391 Transportation Eq.	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00
393 Tools, Shop & Garage	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00
396 Power Operated Eq.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,483.60
397 Miscellaneous Eq.	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00
398 Other Tangible Plant	\$ 5,047.52	\$ 5,047.52	\$ 5,047.52	\$ 5,047.52	\$ 5,047.52	\$ 5,047.52	\$ 5,047.52	\$ 5,047.52	\$ 5,047.52	\$ 5,047.52
Total	\$ 7,841,485.11	\$ 7,841,485.11	\$ 7,848,017.07	\$ 7,848,017.07	\$ 7,848,017.07	\$ 7,848,017.07	\$ 7,848,017.07	\$ 7,874,492.15	\$ 7,885,518.42	\$ 7,921,160.12

13-Month Average Plant - Con't.

Water		July	August	September	13-Month Avg.	Revised A-1	Difference
331	Transmission and Dist. Mains	\$ 242,551.75	\$ 242,551.75	\$ 242,551.75	\$ 242,551.75		
333	Services	\$ 50,932.00	\$ 50,932.00	\$ 50,932.00	\$ 50,932.00		
334	Meters and Meter Installations	\$ 200,220.30	\$ 200,220.30	\$ 200,220.30	\$ 200,220.30		
336	Backflow Prevention Devices	\$ 2,090.00	\$ 2,090.00	\$ 2,090.00	\$ 2,090.00		
340	Office Furniture and Equipment	\$ 11,211.00	\$ 12,331.00	\$ 13,451.00	\$ 11,469.46		
348	Other Tangible Plant	\$ 8,450.00	\$ 8,450.00	\$ 8,450.00	\$ 8,450.00		
	Total	\$ 515,455.05	\$ 516,575.05	\$ 517,695.05	\$ 515,713.51	\$ 515,626.00	\$ 87.51

Wastewater		July	August	September	13-Month Avg.	Revised A-2	Difference
351	Organization	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00		
353	Land and Land Rights	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00	\$ 9,513.00		
354	Structures and Improvements	\$ 3,082.00	\$ 3,082.00	\$ 3,082.00	\$ 3,082.00		
360	Collection Sewers - Force	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00	\$ 995,236.00		
361	Collection Sewers - Gravity	\$ 3,702,850.00	\$ 3,702,850.00	\$ 3,702,850.00	\$ 3,696,696.15		
362	Special Collecting Structures	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00	\$ 411,793.00		
363	Services to Customers	\$ 1,029,089.31	\$ 1,030,208.15	\$ 1,031,231.95	\$ 1,007,364.32		
364	Flow Measuring Devices	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00		
370	Receiving Wells	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00	\$ 550,916.00		
371	Pumping Equipment	\$ 820,828.55	\$ 820,828.55	\$ 824,492.03	\$ 820,105.44		
389	Other Plant Miscellaneous Equip	\$ 16,217.14	\$ 16,217.14	\$ 16,217.14	\$ 9,350.04		
390	Office Furniture and Equipment	\$ 36,751.00	\$ 36,751.00	\$ 38,831.00	\$ 36,911.00		
391	Transportation Equipment	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00		
393	Tools, Shop and Garage Equipm	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00		
396	Power Operated Equipment	\$ 15,483.60	\$ 15,483.60	\$ 15,483.60	\$ 4,764.18		
397	Miscellaneous Equipment	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00		
398	Other Tangible Plant	\$ 5,047.52	\$ 5,047.52	\$ 5,047.52	\$ 5,047.52		
	Total	\$ 7,921,160.12	\$ 7,922,278.96	\$ 7,929,046.24	\$ 7,875,131.66	\$ 7,875,574.00	\$ (442.34)

Water Accumulated Depreciation

Acct. No.	Water Account	Depr. Rate	12/31/2009	FPSC Adjustments	Adusted Balance @ 12/31/09	12/31/2010	9/30/2011	Adjusted Balance @ 9/30/2012	Balance Per Books @ 9/30/2012	Adjustment as of 9/30/2012
108.33	Transmission and Dist. Mains	2.33%	\$ 113,517.03	\$ (4,085.03)	\$109,432.00	\$ 114,930.67	\$ 119,090.04	\$126,154.36		\$ 126,154.36
108.33	Services	2.50%	\$ 44,921.96	\$ 508.04	\$ 45,430.00	\$ 46,703.32	\$ 47,658.31	\$ 49,249.95		\$ 49,249.95
108.33	Meters and Meter Installations	5.00%	\$ 36,458.00	\$ -	\$ 36,458.00	\$ 41,234.38	\$ 47,375.44	\$ 58,066.30		\$ 58,066.30
108.34	Backflow Prevention Devices	6.67%	\$ -	\$ -	\$ -	\$ 135.74	\$ 240.32	\$ 414.56		\$ 414.56
108.34	Office Furniture and Equipment	6.67%, 16.6	\$ 11,210.63	\$ -	\$ 11,210.63	\$ 11,210.63	\$ 11,210.63	\$ 11,241.75		\$ 11,241.75
108.35	Other Tangible Plant	10.00%	\$ 420.90	\$ 346.10	\$ 767.00	\$ 1,612.04	\$ 2,245.82	\$ 3,302.06		\$ 3,302.06
108.1 b									\$ 248,228.80	\$(248,228.80)
	Total		\$ 206,528.52	\$ (3,230.89)	\$203,297.63	\$ 215,826.78	\$ 227,820.56	\$248,428.97	\$ 248,228.80	\$ 200.17
	Depreciation Expense							\$ 20,608.41		
	Filing Depreciation Expense							\$ 16,736.00		
	Difference							\$ 3,872.41		

Wastewater Accumulated Depreciation

Acct. No.	Wastewater Account	Depr. Rate	12/31/2008	FPSC Adjustments	Adjusted Balance @ 12/31/08	12/31/2009	12/31/2010	9/30/2011	Adjusted Balance @ 9/30/2012	Balance Per Books @ 9/30/2012	Adjustment as of 9/30/2012
108.351	Organization	2.50%	\$ 6,247.00	\$ -	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00		\$ 6,247.00
108.354	Structures and Imp.	3.13%	\$ 1,658.00	\$ (42.00)	\$ 1,616.00	\$ 1,684.70	\$ 1,781.18	\$ 1,853.54	\$ 1,950.02		\$ 1,950.02
108.36	Coll. Sewers - Force	3.33%	\$ 608,063.00	\$ 15,523.00	\$ 623,586.00	\$ 656,727.36	\$ 689,868.72	\$ 714,724.74	\$ 747,866.10		\$ 747,866.10
108.361	Coll. Sewers - Gravity	2.22%	\$ 1,120,759.00	\$ (189,652.80)	\$ 931,106.20	\$ 1,013,087.47	\$ 1,095,068.71	\$ 1,156,554.64	\$ 1,238,628.38		\$ 1,238,628.38
108.362	Special Coll. Structures	2.50%	\$ -	\$ 238,351.83	\$ 238,351.83	\$ 248,646.66	\$ 258,941.46	\$ 266,662.56	\$ 276,957.36		\$ 276,957.36
108.363	Services to Customers	2.63%	\$ 325,186.00	\$ (64,764.00)	\$ 260,422.00	\$ 286,494.48	\$ 312,567.00	\$ 332,121.39	\$ 358,650.19		\$ 358,650.19
108.364	Flow Meas. Devices	20.00%	\$ 157,854.00	\$ -	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00		\$ 157,854.00
108.37	Receiving Wells	3.33%	\$ 307,453.00	\$ (46,680.00)	\$ 260,773.00	\$ 279,118.50	\$ 297,463.98	\$ 311,223.09	\$ 329,568.57		\$ 329,568.57
108.371	Pumping Equipment	5.56%	\$ 383,428.00	\$ (16,840.00)	\$ 366,588.00	\$ 402,088.08	\$ 444,398.71	\$ 477,980.94	\$ 523,622.68		\$ 523,622.68
108.389	Other Plant Misc. Eq.	5.56%	\$ 6,298.00	\$ -	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,481.84		\$ 6,481.84
108.39	Office Furniture and Eq	6.67%	\$ 36,751.00	\$ (98.00)	\$ 36,653.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,774.12		\$ 36,774.12
108.391	Transportation Eq.	-	\$ 146,609.00	\$ -	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00		\$ 146,609.00
108.393	Tools, Shop	6.25%	\$ 10,829.00	\$ -	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00		\$ 10,829.00
108.396	Power Operated Eq.	10.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 516.12		\$ 516.12
108.397	Miscellaneous Eq.	-	\$ 2,814.00	\$ -	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00		\$ 2,814.00
108.398	Other Tangible Plant	10.00%	\$ -	\$ -	\$ -	\$ 354.71	\$ 859.43	\$ 1,237.97	\$ 1,742.69		\$ 1,742.69
108.1.b	Accumulated Dep.									\$ 3,854,877.60	\$ (3,854,877.60)
	Total		\$ 3,113,949.00	\$ (64,201.97)	\$ 3,049,747.03	\$ 3,255,603.96	\$ 3,468,351.19	\$ 3,629,760.87	\$ 3,847,111.07	\$ 3,854,877.60	\$ (7,766.53)
	Depreciation Expense								\$ 217,350.20		
	Filing Dep. Expense								\$ 213,811.00		
	Difference								\$ 3,539.20		

13-Month Average Accumulated Depreciation

Water		9/30/2011	October	November	December	January	February	March	April
108.331	Transmission and Distribution Mains	\$ 119,090.04	\$ 120,031.95	\$ 120,973.86	\$ 121,915.77	\$ 122,386.72	\$ 122,857.67	\$ 123,328.63	\$ 123,799.58
108.333	Services	\$ 47,658.31	\$ 47,870.53	\$ 48,082.75	\$ 48,294.97	\$ 48,401.08	\$ 48,507.19	\$ 48,613.30	\$ 48,719.40
108.334	Meters and Meter Installations	\$ 47,375.44	\$ 48,892.03	\$ 50,408.62	\$ 51,925.21	\$ 52,607.55	\$ 53,289.90	\$ 53,972.24	\$ 54,654.58
108.336	Backflow Prevention Devices	\$ 240.32	\$ 263.55	\$ 286.78	\$ 310.01	\$ 321.63	\$ 333.24	\$ 344.86	\$ 356.48
108.34	Office Furniture and Equipment	\$ 11,210.63	\$ 11,210.63	\$ 11,210.63	\$ 11,210.63	\$ 11,210.63	\$ 11,210.63	\$ 11,210.63	\$ 11,210.63
108.348	Other Tangible Plant	\$ 2,245.82	\$ 2,386.65	\$ 2,527.48	\$ 2,668.31	\$ 2,738.73	\$ 2,809.14	\$ 2,879.56	\$ 2,949.98
108.1 b		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total		\$ 227,820.56	\$ 230,655.34	\$ 233,490.12	\$ 236,324.90	\$ 237,666.33	\$ 239,007.77	\$ 240,349.21	\$ 241,690.65

Wastewater		9/30/2011	October	November	December	January	February	March	April
108.351	Organization	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00
108.354	Structures and Improvements	\$ 1,853.54	\$ 1,861.58	\$ 1,869.62	\$ 1,877.66	\$ 1,885.70	\$ 1,893.74	\$ 1,901.78	\$ 1,909.82
108.36	Collection Sewers - Force	\$ 714,724.74	\$ 717,486.52	\$ 720,248.30	\$ 723,010.08	\$ 725,771.86	\$ 728,533.64	\$ 731,295.42	\$ 734,057.20
108.361	Collection Sewers - Gravity	\$ 1,156,554.64	\$ 1,163,386.41	\$ 1,170,218.18	\$ 1,177,049.95	\$ 1,183,881.72	\$ 1,190,713.49	\$ 1,197,545.26	\$ 1,204,377.03
108.362	Special Collecting Structures	\$ 266,662.56	\$ 267,520.46	\$ 268,378.36	\$ 269,236.26	\$ 270,094.16	\$ 270,952.06	\$ 271,809.96	\$ 272,667.86
108.363	Services to Customers	\$ 332,121.39	\$ 334,294.10	\$ 336,466.81	\$ 338,639.52	\$ 340,812.23	\$ 342,984.94	\$ 345,157.65	\$ 347,388.38
108.364	Flow Measuring Devices	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00
108.37	Receiving Wells	\$ 311,223.09	\$ 312,751.88	\$ 314,280.67	\$ 315,809.46	\$ 317,338.25	\$ 318,867.04	\$ 320,395.83	\$ 321,924.62
108.371	Pumping Equipment	\$ 477,980.94	\$ 481,753.85	\$ 485,557.02	\$ 489,360.19	\$ 493,163.36	\$ 496,966.53	\$ 500,769.70	\$ 504,572.87
108.389	Other Plant Miscellaneous Equipment	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00	\$ 6,298.00
108.39	Office Furniture and Equipment	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00
108.391	Transportation Equipment	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00
108.393	Tools, Shop and Garage Equipment	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00
108.396	Power Operated Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
108.397	Miscellaneous Equipment	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00
108.398	Other Tangible Plant	\$ 1,237.97	\$ 1,280.03	\$ 1,322.09	\$ 1,364.15	\$ 1,406.21	\$ 1,448.27	\$ 1,490.33	\$ 1,532.39
108.1 b	Accumulated Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total		\$ 3,629,760.87	\$ 3,647,736.83	\$ 3,665,743.05	\$ 3,683,749.27	\$ 3,701,755.49	\$ 3,719,761.71	\$ 3,737,767.93	\$ 3,755,832.17

13-Month Average Accumulated Depreciation-Con't.

Water		May	June	July	August	September	13-Month Avg.	Revised A-1	Difference
108.331	Transmission and Distribution Mains	\$ 124,270.54	\$ 124,741.49	\$ 125,212.45	\$ 125,683.40	\$ 126,154.36	\$ 123,111.27		
108.333	Services	\$ 48,825.51	\$ 48,931.62	\$ 49,037.73	\$ 49,143.84	\$ 49,249.95	\$ 48,564.32		
108.334	Meters and Meter Installations	\$ 55,336.92	\$ 56,019.27	\$ 56,701.61	\$ 57,383.95	\$ 58,066.30	\$ 53,587.20		
108.336	Backflow Prevention Devices	\$ 368.09	\$ 379.71	\$ 391.33	\$ 402.95	\$ 414.56	\$ 339.50		
108.34	Office Furniture and Equipment	\$ 11,210.63	\$ 11,210.63	\$ 11,210.63	\$ 11,226.19	\$ 11,241.75	\$ 11,214.22		
108.348	Other Tangible Plant	\$ 3,020.39	\$ 3,090.81	\$ 3,161.23	\$ 3,231.64	\$ 3,302.06	\$ 2,847.06		
108.1 b		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Total		\$ 243,032.09	\$ 244,373.53	\$ 245,714.97	\$ 247,071.97	\$ 248,428.97	\$ 239,663.57	\$ 239,849.00	\$ (185.43)

Wastewater		May	June	July	August	September	13-Month Avg.	Revised A-2	Difference
108.351	Organization	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00	\$ 6,247.00		
108.354	Structures and Improvements	\$ 1,917.86	\$ 1,925.90	\$ 1,933.94	\$ 1,941.98	\$ 1,950.02	\$ 1,901.78		
108.36	Collection Sewers - Force	\$ 736,818.98	\$ 739,580.76	\$ 742,342.54	\$ 745,104.32	\$ 747,866.10	\$ 731,295.42		
108.361	Collection Sewers - Gravity	#####	#####	\$ 1,224,927.84	\$ 1,231,778.11	\$ 1,238,628.38	\$ 1,197,566.61		
108.362	Special Collecting Structures	\$ 273,525.76	\$ 274,383.66	\$ 275,241.56	\$ 276,099.46	\$ 276,957.36	\$ 271,809.96		
108.363	Services to Customers	\$ 349,621.36	\$ 351,876.78	\$ 354,132.20	\$ 356,390.07	\$ 358,650.19	\$ 345,271.97		
108.364	Flow Measuring Devices	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00	\$ 157,854.00		
108.37	Receiving Wells	\$ 323,453.41	\$ 324,982.20	\$ 326,510.99	\$ 328,039.78	\$ 329,568.57	\$ 320,395.83		
108.371	Pumping Equipment	\$ 508,376.04	\$ 512,179.21	\$ 515,982.38	\$ 519,802.53	\$ 523,622.68	\$ 500,775.95		
108.389	Other Plant Miscellaneous Equipment	\$ 6,298.00	\$ 6,343.96	\$ 6,389.92	\$ 6,435.88	\$ 6,481.84	\$ 6,333.35		
108.39	Office Furniture and Equipment	\$ 36,751.00	\$ 36,751.00	\$ 36,751.00	\$ 36,762.56	\$ 36,774.12	\$ 36,753.67		
108.391	Transportation Equipment	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00	\$ 146,609.00		
108.393	Tools, Shop and Garage Equipment	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00	\$ 10,829.00		
108.396	Power Operated Equipment	\$ -	\$ 129.03	\$ 258.06	\$ 387.09	\$ 516.12	\$ 99.25		
108.397	Miscellaneous Equipment	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00	\$ 2,814.00		
108.398	Other Tangible Plant	\$ 1,574.45	\$ 1,616.51	\$ 1,658.57	\$ 1,700.63	\$ 1,742.69	\$ 1,490.33		
108.1.b	Accumulated Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Total		#####	#####	\$ 3,810,482.00	\$ 3,828,795.41	\$ 3,847,111.07	\$ 3,738,047.12	\$ 3,747,514.00	\$ (9,466.88)

Effect on the General Ledger: The ledger should be adjusted by account as shown above to reduce total water plant by \$8,703.40, increase wastewater plant by \$66,169.35, increase water accumulated depreciation by \$200.17, and decrease water accumulated depreciation by \$7,766.53. Water depreciation expense should be increased by \$3,872.41 and wastewater by \$3,539.20.

Effect on the Filing: 13-month average water plant should be increased by \$87.51 (debit) and wastewater decreased by \$442.34 (credit). 13-month average water accumulated depreciation should be decreased by \$185.43 (debit) and wastewater decreased by \$9,466.88 (debit). Water depreciation expense should be increased by \$3,872.41 (debit) and wastewater by \$3,539.20 (debit).

Finding 2: Contributions-in-Aid-of-Construction (CIAC)

Audit Analysis: In a letter from the Utility's legal counsel on July 30, 2010 to the Commission Clerk, the Utility proposed to book the interim revenue refund with interest to the Wastewater CIAC account. The Utility has determined the amount is \$574.50. However, CIAC has not been increased in the ledger or the filing. The amortization on this amount was calculated as follows:

Month	CIAC Balance	Rate	CIAC Amortization	Accumulated Amortization
7/31/2010	\$ 574.50	2.74%		
8/31/2010	\$ 574.50	2.74%	\$ 1.31	\$ 1.31
9/30/2010	\$ 574.50	2.74%	\$ 1.31	\$ 2.62
10/31/2010	\$ 574.50	2.74%	\$ 1.31	\$ 3.94
11/30/2010	\$ 574.50	2.74%	\$ 1.31	\$ 5.25
12/31/2010	\$ 574.50	2.74%	\$ 1.31	\$ 6.56
1/31/2011	\$ 574.50	2.74%	\$ 1.31	\$ 7.87
2/28/2011	\$ 574.50	2.74%	\$ 1.31	\$ 9.18
3/31/2011	\$ 574.50	2.74%	\$ 1.31	\$ 10.49
4/30/2011	\$ 574.50	2.74%	\$ 1.31	\$ 11.81
5/31/2011	\$ 574.50	2.74%	\$ 1.31	\$ 13.12
6/30/2011	\$ 574.50	2.74%	\$ 1.31	\$ 14.43
7/31/2011	\$ 574.50	2.74%	\$ 1.31	\$ 15.74
8/31/2011	\$ 574.50	2.74%	\$ 1.31	\$ 17.05
9/30/2011	\$ 574.50	2.74%	\$ 1.31	\$ 18.36
10/31/2011	\$ 574.50	2.76%	\$ 1.32	\$ 19.69
11/30/2011	\$ 574.50	2.76%	\$ 1.32	\$ 21.01
12/31/2011	\$ 574.50	2.76%	\$ 1.32	\$ 22.33
1/31/2012	\$ 574.50	2.76%	\$ 1.32	\$ 23.65
2/29/2012	\$ 574.50	2.76%	\$ 1.32	\$ 24.97
3/31/2012	\$ 574.50	2.76%	\$ 1.32	\$ 26.29
4/30/2012	\$ 574.50	2.76%	\$ 1.32	\$ 27.61
5/31/2012	\$ 574.50	2.76%	\$ 1.32	\$ 28.94
6/30/2012	\$ 574.50	2.76%	\$ 1.32	\$ 30.26
7/31/2012	\$ 574.50	2.76%	\$ 1.32	\$ 31.58
8/31/2012	\$ 574.50	2.76%	\$ 1.32	\$ 32.90
9/30/2012	\$ 574.50	2.76%	\$ 1.32	\$ 34.22
Test Year Depreciation			\$ 15.86	
Per General Ledger	\$ -		\$ -	\$ -
Ledger Difference	\$ 574.50		\$ 15.86	\$ 34.22
13-Month Average	\$ 574.50		\$ 15.86	\$ 26.29
Average Per Filing				
Difference	\$ 574.50		\$ 15.86	\$ 26.29

Effect on the General Ledger: The following entry should be made:

Account	Account	Debit	Credit
271	Wastewater CIAC		\$ 574.50
403	Amortization Expense		\$ 15.86
272	Wastewater Accumulated Amortization	\$ 34.22	
215	Retained Earnings	\$ 556.14	

Effect on the Filing: 13-month average wastewater CIAC, wastewater accumulated amortization, and amortization expense should be increased by \$574.50 (credit), \$26.29 (debit), and \$15.86 (credit) respectively.

Finding 3: Accumulated Amortization of CIAC

Audit Analysis: The Utility amortized CIAC using a 38 year life. Order No. PSC-10-0168-PAA-SU, in Docket No. 090182-SU, adjusted amortization to the composite rate applicable at the time. Accumulated amortization of CIAC for water was fully amortized before the beginning of the test year. CIAC for the wastewater Utility was from System Capacity charges. Since CIAC should be amortized based on the plant that it is related to, a composite rate should have been used. Composite rates change yearly. The schedule on the following page computes amortization using the composite rates.

Effect on the General Ledger: The following entry should be made:

Acct. #	Account	Debit	Credit
272	Wastewater Accumulated Amortization	\$ 14,228.00	
403	Amortization Expense		\$ 4,747.00
255	Retained Earnings		\$ 9,481.00

Effect on the Filing: 13-month average accumulated amortization of CIAC for wastewater should be increased by \$11,453 (debit) and amortization expense increased by \$4,747 (credit).

Month	CIAC Balance	Rate	CIAC Amortization	Accumulated Amortization
12/31/2008	\$ 3,500,356			\$ 1,313,957
1/31/2009	\$ 3,500,356	2.69%	\$ 7,847	\$ 1,321,804
2/28/2009	\$ 3,505,156	2.69%	\$ 7,852	\$ 1,329,656
3/31/2009	\$ 3,505,156	2.69%	\$ 7,857	\$ 1,337,513
4/30/2009	\$ 3,505,156	2.69%	\$ 7,857	\$ 1,345,370
5/31/2009	\$ 3,505,156	2.69%	\$ 7,857	\$ 1,353,228
6/30/2009	\$ 3,505,156	2.69%	\$ 7,857	\$ 1,361,085
7/31/2009	\$ 3,505,156	2.69%	\$ 7,857	\$ 1,368,943
8/31/2009	\$ 3,505,156	2.69%	\$ 7,857	\$ 1,376,800
9/30/2009	\$ 3,505,156	2.69%	\$ 7,857	\$ 1,384,657
10/31/2009	\$ 3,505,156	2.69%	\$ 7,857	\$ 1,392,515
11/30/2009	\$ 3,507,556	2.69%	\$ 7,860	\$ 1,400,375
12/31/2009	\$ 3,507,556	2.69%	\$ 7,863	\$ 1,408,238
1/31/2010	\$ 3,509,956	2.74%	\$ 8,012	\$ 1,416,249
2/28/2010	\$ 3,509,956	2.74%	\$ 8,014	\$ 1,424,264
3/31/2010	\$ 3,509,956	2.74%	\$ 8,014	\$ 1,432,278
4/30/2010	\$ 3,509,956	2.74%	\$ 8,014	\$ 1,440,292
5/31/2010	\$ 3,509,956	2.74%	\$ 8,014	\$ 1,448,307
6/30/2010	\$ 3,512,356	2.74%	\$ 8,017	\$ 1,456,324
7/31/2010	\$ 3,514,756	2.74%	\$ 8,023	\$ 1,464,347
8/31/2010	\$ 3,529,156	2.74%	\$ 8,042	\$ 1,472,388
9/30/2010	\$ 3,529,156	2.74%	\$ 8,058	\$ 1,480,447
10/31/2010	\$ 3,529,156	2.74%	\$ 8,058	\$ 1,488,505
11/30/2010	\$ 3,529,156	2.74%	\$ 8,058	\$ 1,496,563
12/31/2010	\$ 3,531,556	2.74%	\$ 8,061	\$ 1,504,624
1/31/2011	\$ 3,531,556	2.74%	\$ 8,064	\$ 1,512,688
2/28/2011	\$ 3,531,556	2.74%	\$ 8,064	\$ 1,520,752
3/31/2011	\$ 3,531,556	2.74%	\$ 8,064	\$ 1,528,815
4/30/2011	\$ 3,531,556	2.74%	\$ 8,064	\$ 1,536,879
5/31/2011	\$ 3,531,556	2.74%	\$ 8,064	\$ 1,544,943
6/30/2011	\$ 3,531,556	2.74%	\$ 8,064	\$ 1,553,006
7/31/2011	\$ 3,531,556	2.74%	\$ 8,064	\$ 1,561,070
8/31/2011	\$ 3,553,156	2.74%	\$ 8,088	\$ 1,569,159
9/30/2011	\$ 3,553,156	2.74%	\$ 8,113	\$ 1,577,272
10/31/2011	\$ 3,553,156	2.76%	\$ 8,172	\$ 1,585,444
11/30/2011	\$ 3,553,156	2.76%	\$ 8,172	\$ 1,593,616
12/31/2011	\$ 3,553,156	2.76%	\$ 8,172	\$ 1,601,788
1/31/2012	\$ 3,553,156	2.76%	\$ 8,172	\$ 1,609,961
2/29/2012	\$ 3,553,156	2.76%	\$ 8,172	\$ 1,618,133
3/31/2012	\$ 3,553,156	2.76%	\$ 8,172	\$ 1,626,305
4/30/2012	\$ 3,553,156	2.76%	\$ 8,172	\$ 1,634,477
5/31/2012	\$ 3,553,156	2.76%	\$ 8,172	\$ 1,642,650
6/30/2012	\$ 3,553,156	2.76%	\$ 8,172	\$ 1,650,822
7/31/2012	\$ 3,555,556	2.76%	\$ 8,175	\$ 1,658,997
8/31/2012	\$ 3,555,556	2.76%	\$ 8,178	\$ 1,667,175
9/30/2012	\$ 3,555,556	2.76%	\$ 8,178	\$ 1,675,353
Test Year Depreciation			\$ 98,081	
Per General Ledger	\$ 3,555,557		\$ 93,334	\$ 1,661,124
Ledger Difference	\$ (1)		\$ 4,747	\$ 14,228
13-Month Average	\$ 3,553,710		\$ 98,081	\$ 1,626,307
Average Per Filing	\$ 3,553,711		\$ 93,334	\$ 1,614,854
Difference	\$ (1)		\$ 4,747	\$ 11,453

Computation of Composite Rate Base

		Adusted Balance @ 12/31/08	Expense 2009	Adusted Balance @ 12/31/09	Expense 2010	12/31/2010	Expense 9 mths. 2011	9/30/2011	Test Year	Adjusted Balance @ 9 30-12
Wastewater Depreciation										
108.354	Structures and Imp.	\$ 1,616.00	\$ 68.70	\$ 1,684.70	\$ 96.48	\$ 1,781.18	\$ 72.36	\$ 1,853.54	\$ 96.48	\$ 1,950.02
108.36	Coll.Sewers - Force	\$ 623,586.00	\$ 33,141.36	\$ 656,727.36	\$ 33,141.36	\$ 689,868.72	\$ 24,856.02	\$ 714,724.74	\$ 33,141.36	\$ 747,866.10
108.361	Coll.Sewers - Gravity	\$ 931,106.20	\$ 81,981.27	\$ 1,013,087.47	\$ 81,981.24	\$ 1,095,068.71	\$ 61,485.93	\$ 1,156,554.64	\$ 82,073.74	\$ 1,238,628.38
108.362	Special Collecting Str.	\$ 238,351.83	\$ 10,294.82	\$ 248,646.66	\$ 10,294.80	\$ 258,941.46	\$ 7,721.10	\$ 266,662.56	\$ 10,294.80	\$ 276,957.36
108.363	Services to Customers	\$ 260,422.00	\$ 26,072.48	\$ 286,494.48	\$ 26,072.52	\$ 312,567.00	\$ 19,554.39	\$ 332,121.39	\$ 26,528.80	\$ 358,650.19
108.364	Flow Measuring Devices	\$ 157,854.00	\$ -	\$ 157,854.00	\$ -	\$ 157,854.00	\$ -	\$ 157,854.00	\$ -	\$ 157,854.00
108.37	Receiving Wells	\$ 260,773.00	\$ 18,345.50	\$ 279,118.50	\$ 18,345.48	\$ 297,463.98	\$ 13,759.11	\$ 311,223.09	\$ 18,345.48	\$ 329,568.57
108.371	Pumping Equipment	\$ 366,588.00	\$ 35,500.08	\$ 402,088.08	\$ 42,310.63	\$ 444,398.71	\$ 33,582.23	\$ 477,980.94	\$ 45,641.74	\$ 523,622.68
108.389	Other Plant Mis. Eq.	\$ 6,298.00	\$ -	\$ 6,298.00	\$ -	\$ 6,298.00	\$ -	\$ 6,298.00	\$ 183.84	\$ 6,481.84
	Total	\$ 3,049,747.03	\$ 205,856.93	\$ 3,255,603.96	\$ 212,747.23	\$ 3,468,351.19	\$ 161,409.68	\$ 3,629,760.87	\$ 217,350.20	\$ 3,847,111.07
			2.69%		2.74%		2.06%		2.76%	

Composite-Deprec. Exp. Divided by average plant. The 9 months are distorted because of the short period. Therefore used the 2010 rate until the test year.

		Adusted Balance @ 12/31/08	Additions 2009	Adusted Balance @ 12/31/09	Additions 2010	12/31/2010	Additions 9 mth. 2011	9/30/2011	Test Year	Adjusted Balance @ 9-30-12
Wastewater Plant										
354	Structures and Imp.	\$ 2,195.00	\$ -	\$ 2,195.00	\$ 887.00	\$ 3,082.00	\$ -	\$ 3,082.00	\$ -	\$ 3,082.00
360	Coll. Sewers - Force	\$ 995,236.00	\$ -	\$ 995,236.00	\$ -	\$ 995,236.00	\$ -	\$ 995,236.00	\$ -	\$ 995,236.00
361	Coll. Sewers - Gravity	\$ 3,692,850.00	\$ -	\$ 3,692,850.00	\$ -	\$ 3,692,850.00	\$ -	\$ 3,692,850.00	\$ 10,000.00	\$ 3,702,850.00
362	Special Collecting Str.	\$ 411,793.00	\$ -	\$ 411,793.00	\$ -	\$ 411,793.00	\$ -	\$ 411,793.00	\$ -	\$ 411,793.00
363	Services to Customers	\$ 991,349.00	\$ -	\$ 991,349.00	\$ -	\$ 991,349.00	\$ -	\$ 991,349.00	\$ 39,882.95	\$ 1,031,231.95
364	Flow Measuring Devices	\$ 157,854.00	\$ -	\$ 157,854.00	\$ -	\$ 157,854.00	\$ -	\$ 157,854.00	\$ -	\$ 157,854.00
370	Receiving Wells	\$ 550,916.00	\$ -	\$ 550,916.00	\$ -	\$ 550,916.00	\$ -	\$ 550,916.00	\$ -	\$ 550,916.00
371	Pumping Equipment	\$ 606,715.00	\$ 71,057.94	\$ 677,772.94	\$ 107,227.06	\$ 785,000.00	\$ 29,296.59	\$ 814,296.59	\$ 10,195.44	\$ 824,492.03
389	Other Plant Misc. Eq.	\$ 6,298.00	\$ -	\$ 6,298.00	\$ -	\$ 6,298.00	\$ -	\$ 6,298.00	\$ 9,919.14	\$ 16,217.14
	Total	\$ 7,627,969.00	\$ 76,105.46	\$ 7,704,074.46	\$ 108,114.06	\$ 7,812,188.52	\$ 29,296.59	\$ 7,841,485.11	\$ 87,561.13	\$ 7,929,046.24
	Average			7,666,021.73		7,758,131.49		7,826,836.82		7,885,265.68

Finding 4: Working Capital

Audit Analysis: In its revised Schedule A-17, the Utility totaled the water and wastewater accounts receivable from each ledger and allocated the total at 21% to water and 79% to wastewater. Accounts receivable is related directly to revenue and is recorded separately for each water and wastewater. The actual balances are more reflective of the balance than allocated balances because of different rates for each water and wastewater and higher accounts receivable in wastewater because of the difficulty to turn off accounts. In addition, staff's balances were slightly different than the Utility's balances. The following schedule compares the two methodologies:

Account	13-Month Average Staff	13-Month Average Schedule A-17	Difference
Water Customer Accounts Receivable	\$ 564.46		
Water Provision for Uncollectible	\$ (3,839.17)		
	\$ (3,274.71)	\$ 39,002.00	\$ (42,276.71)
Wastewater Customer Accounts Receivable	\$ 309,575.80		
Wastewater Provision for Uncollectible	\$ (125,946.57)		
Wastewater Other Accounts Receivable	\$ 4,322.92		
	\$ 187,952.15	\$ 146,723.00	\$ 41,229.15

The water account receivable balance is less than the provision because the water division receives prepaid revenues from several customers.

Effect on the General Ledger: There is no effect on the ledger.

Effect on the Filing: Water working capital should be decreased by \$42,277 (credit) and wastewater working capital increased by \$41,229.15 (debit).

Finding 5: Adjustments to Net Operating Income Purchased Wastewater Treatment

Audit Analysis: In Schedule B-3 of the MFRs, the Utility included an adjustment of \$19,200 to increase the cost of wastewater treatment to \$4.77 per gallon paid to Pasco County for the treatment of the wastewater. In its calculation of wastewater costs, the Utility compared the cost of the actual test year gallons times the \$4.77 current rate to the test year gallons times the rates billed in the test year. However, there was an accrual which increased wastewater expense in the test year of \$25,266.17. The Utility has prepared a revised schedule which includes the gallons for the actual time period in the test year, accruing the beginning and ending months usage based on days. They have multiplied the gallons on these new schedules times the new \$4.77 rate. They compared this amount to the actual test year expense to arrive at a revised increase of \$3,500. Therefore, the adjustment to wastewater Net Operating Income should be decreased by \$15,700.

Effect on the General Ledger: There is no effect on the ledger.

Effect on the Filing: Wastewater Expenses should be decreased by \$15,700 (credit).

Finding 6: Adjustments to Net Operating Income-Annual Line Cleaning Program

Audit Analysis: Schedule B-3 of the MFRs included an increase of \$100,000 to wastewater expenses for an annual line cleaning program. The Utility is providing the support for these costs to the analyst.

In Docket 090182-SU, the utility included \$330,032 in its filing for Account 736-Contract Services. The order removed \$66,169 and \$42,212 of these costs for a remaining balance of \$221,651. According to Schedule B-9 in that filing, \$143,474 was included in Account 736-Contract Service for inflow and infiltration repairs. The \$143,474 of line costs was not removed in the order. Since the test year is supposed to be representative of future years, the \$221,651, would have been expected to continue occurring during the time the rates were in effect. In 2009, Account 736 was \$217,588. In 2010, Account 736 was \$133,569 and in 2011, \$73,813. The Utility did not over-earn in these years in spite of the decreased costs due to higher allocations of headquarter costs.

In addition, the Utility has included \$43,104 of costs in Account 736 in test year expenses in the current docket related to TV viewing and line cleaning.

Since the Utility will be providing support for the line costs to Tallahassee staff, this information is being provided for the analyst's review.

Effect on the General Ledger: There is no effect on the ledger.

Effect on the Filing: Provided for informational purposes only.

Finding 7: Adjustment to Net Operating Income for New Bank Service

Audit Analysis: In Schedule B-3, Adjustments to Net Operating Income, the Utility increased expenses by \$4,893 for water and \$17,992 for wastewater for bank charges related to a new processing fee. The fee was based on a flat fee of \$1.37 per transaction and assumed 40% of the customers would use the service. The average percentage of customers using this system for December 2012 to February 2013 was 14.1% of the water customers and 11.2% of the wastewater customers. However, the average percentage of customers of other utilities owned by Ni America was 44.2% for the water customers and 50.7% for the wastewater customers during the same period. In response to a staff request for support for the actual current costs to provide this service, the Utility provided bank statements showing the charges for these items. The amounts were not divisible by the \$1.37 flat fee that was provided in the report and the Utility could not provide an explanation of why or how many charges were included. The staff analyst is following up on this adjustment.

Effect on the General Ledger: There is no effect on the ledger.

Effect on the Filing: Provided for informational purposes only.

Finding 8: Wastewater Revenue Misclassified

Audit Analysis: Some general service customers were billed using residential rates in the test year. This caused the customers to be under-billed by \$1,679.42. Wastewater general service revenue should be increased by \$4,089.12 and residential revenue decreased by \$2,409.70. The detail is shown on the following page.

Effect on the General Ledger: Since the ledger for September 30, 2012 is already closed, the following entry should be made:

Account	Account Name	Debit	Credit
215.00	Retained Earnings	\$ 1,679.42	
141.00	Accounts Receivable		\$ 1,679.42

Effect on the Filing: Wastewater revenue should be increased by \$1,679.42 (credit).

Gallons

Acct	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Total
00004629	na	na	na	-	3,000.00	8,000.00	19,000.00	16,000.00	18,000.00	15,000.00	21,000.00	15,000.00	115,000.00
00000501	3,000.00	2,000.00	2,000.00	2,000.00	2,000.00	3,000.00	2,000.00	3,000.00	2,000.00	1,000.00	11,000.00	2,000.00	35,000.00
00004517	2,000.00	1,000.00	1,000.00	2,000.00	1,000.00	2,000.00	3,000.00	2,000.00	1,000.00	1,000.00	-	na	16,000.00
00005005	1,000.00	1,000.00	-	1,000.00	-	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	27,000.00	-	35,000.00
00005019	3,000.00	2,000.00	2,000.00	4,000.00	6,000.00	6,000.00	19,000.00	10,000.00	3,000.00	2,000.00	3,000.00	2,000.00	62,000.00
00005809	na	na	na	na	na	na	na	na	3,000.00	4,000.00	3,000.00	3,000.00	13,000.00
	9,000.00	6,000.00	5,000.00	9,000.00	12,000.00	28,000.00	44,000.00	32,800.00	28,000.00	24,000.00	65,000.00	22,000.00	276,000.00

Revenue based on general service rates:

Acct	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Total
00004629	na	na	na	\$ 18.91	\$ 41.17	\$ 78.27	\$ 159.89	\$ 137.63	\$ 152.47	\$ 130.21	\$ 174.73	\$ 130.21	\$ 1,023.49
00000501	\$ 41.17	\$ 33.75	\$ 33.75	\$ 33.75	\$ 33.75	\$ 41.17	\$ 33.75	\$ 41.17	\$ 33.75	\$ 26.33	\$ 100.53	\$ 33.75	\$ 486.62
00004517	\$ 33.75	\$ 26.33	\$ 26.33	\$ 33.75	\$ 26.33	\$ 33.75	\$ 41.17	\$ 33.75	\$ 26.33	\$ 26.33	\$ 18.91	na	\$ 326.73
00005005	\$ 101.88	\$ 101.88	\$ 94.46	\$ 101.88	\$ 94.46	\$ 101.88	\$ 101.88	\$ 101.88	\$ 101.88	\$ 101.88	\$ 294.80	\$ 94.46	\$ 1,393.22
00005019	\$ 41.17	\$ 33.75	\$ 33.75	\$ 48.59	\$ 63.43	\$ 63.43	\$ 159.89	\$ 93.11	\$ 41.17	\$ 33.75	\$ 41.17	\$ 33.75	\$ 686.96
00005809	na	na	na	na	na	na	na	na	\$ 41.17	\$ 48.59	\$ 41.17	\$ 41.17	\$ 172.10
	\$ 217.97	\$ 195.71	\$ 188.29	\$ 236.88	\$ 259.14	\$ 318.50	\$ 496.58	\$ 407.54	\$ 396.77	\$ 367.09	\$ 671.31	\$ 333.34	\$ 4,089.12

Revenue based on residential service rates:

Acct	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Total
00004629	na	na	na	\$ 18.91	\$ 37.57	\$ 68.67	\$ 81.11	\$ 81.11	\$ 81.11	\$ 81.11	\$ 81.11	\$ 81.11	\$ 611.81
00000501	\$ 37.57	\$ 31.35	\$ 31.35	\$ 31.35	\$ 31.35	\$ 37.57	\$ 31.35	\$ 37.57	\$ 31.35	\$ 25.13	\$ 81.11	\$ 31.35	\$ 438.40
00004517	\$ 31.35	\$ 25.13	\$ 25.13	\$ 31.35	\$ 25.13	\$ 31.35	\$ 37.57	\$ 31.35	\$ 25.13	\$ 25.13	\$ 18.91	na	\$ 307.53
00005005	\$ 25.13	\$ 25.13	\$ 18.91	\$ 25.13	\$ 18.91	\$ 25.13	\$ 25.13	\$ 25.13	\$ 25.13	\$ 25.13	\$ 81.11	\$ 18.91	\$ 338.88
00005019	\$ 37.57	\$ 31.35	\$ 31.35	\$ 43.79	\$ 56.23	\$ 56.23	\$ 81.11	\$ 81.11	\$ 37.57	\$ 31.35	\$ 37.57	\$ 31.35	\$ 556.58
00005809	na	na	na	na	na	na	na	na	\$ 37.57	\$ 43.79	\$ 37.57	\$ 37.57	\$ 156.50
	\$ 131.62	\$ 112.96	\$ 106.74	\$ 150.53	\$ 169.19	\$ 218.95	\$ 256.27	\$ 256.27	\$ 237.86	\$ 231.64	\$ 337.38	\$ 200.29	\$ 2,409.70
													1,679.42

Finding 9: Contractor Payments

Audit Analysis: The monthly fee charged by Florida Utility Group KBHS was higher in 2011 than in 2012. The Utility did not prepare an adjustment to reduce expenses on Schedule B-3 for accounts 634 and 734 Contract Services. The adjustment is calculated as follows:

	Water	Wastewater
Monthly Fee at 9/30/12	\$ 3,114.00	\$ 14,000.00
Yearly Cost Based on Current Rate	\$ 37,368.00	\$ 168,000.00
Amount Charged During Test Year	\$ 37,926.00	\$ 170,053.00
Decrease to Expenses	\$ (558.00)	\$ (2,053.00)

Effect on the General Ledger: There is no effect on the ledger.

Effect on the Filing: Water expenses should be decreased by \$558 (credit) and wastewater by \$2,053 (credit).

Finding 10: Wastewater Expense Reconciliation to Ledger

Audit Analysis: Schedule B-6 of the MFRs reported "Total Annual" expense of \$242,838, for Account 775-Miscellaneous Expense. The ledger had the following sub-accounts for Account 775:

Account	Amount
Telephone	\$ 3,252.81
Office Supplies	\$ 190.00
Affiliate Charges	\$ 244,218.61
	\$ 247,661.42

Schedule B-12 of the MFRs showed a reduction to the affiliate charges that was not in the ledger of \$6,460. This reduces the \$247,661.42 to \$241,201.42.

The calculation of Net Operating Income is based on the expenses on MFR Schedule B-6. MFR Schedule B-6 expenses include \$242,838 for account 775. There is a difference of \$1,636.58 between the \$242,838 on Schedule B-6 and the ledger with the adjustment of \$241,201.42.

	Amount
General Ledger	\$ 247,661.41
Adjustment on B-12	\$ (6,460.00)
Net Account 775 based on Ledger and B-12	\$ 241,201.41
Per B-6	\$ 242,838.00
B-6 Overstated	\$ (1,636.59)

Effect on the General Ledger: There is no effect on the ledger.

Effect on the Filing: Wastewater expenses should be reduced by \$1,636.58.

Finding 11: Possible Non-Recurring Expenses

Audit Analysis: There were two amounts charged to wastewater expenses that may not be re-occurring. Account 731-Contract Services Engineering included \$3,158.92 for engineering costs on a project related to Plaza 19 that will not be completed. The second was for \$5,147.78 for hurricane preparedness for Tropical Storm Isaac. These costs are probably not re-occurring and should be amortized over four years. The total of \$8,306 amortized over four years would leave \$2,078 a year. Therefore, \$6,228 should be removed from test year expenses.

Effect on the General Ledger: There is no effect on the ledger.

Effect on the Filing: Wastewater expenses should be reduced by \$6,228 (credit).

Finding 12: Wastewater Expense Adjustments

Audit Analysis: Wastewater expenses included some minor items that should be adjusted.

Account 710-Purchased Water included \$100 for late fees. Late fees are considered interest and should be recorded below the line. The same account included water services to a meter that is no longer in use. The expenses in the test year for this meter were \$82.71.

Effect on the General Ledger: There is no effect on the ledger.

Effect on the Filing: Wastewater expenses should be reduced by \$182.71 ($\$100 + \82.71).

Exhibits

Exhibit 1: Rate Base

Schedule of Water Rate Base

Florida Public Service Commission

Company: NI Florida, LLC

Schedule: A-1 Revised 4-17-13

Docket No.: 130010-WS

Page 1 of 1

Test Year Ended: September 30, 2012

Preparer: Donald J. Clayton, P.E.

Interim [] Final [X]

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

Line No.	(1) Description	(2) Average Amount Per Boots	(3) A-3 Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant In Service	\$ 515,828	\$ -	\$ 515,828	A-5
2					
3	Utility Land & Land Rights	-	-	-	A-5
4					
5	Less: Non-Used & Useful Plant	-	-	-	A-7
6					
7	Construction Work In Progress	-	-	-	NA
8					
9	Less: Accumulated Depreciation	238,848	-	238,848	A-9
10					
11					
12					
13	Less: CIAC	110,778	-	110,778	A-12
14					
15	Accumulated Amortization of CIAC	110,779	-	110,779	A-14
16					
17	Acquisition Adjustments	712,828	(712,828) (A)	-	A-3
18					
19	Advances For Construction	-	-	-	A-16
20					
21	Working Capital Allowance	25,038	-	25,038	A-17
22					
23	Total Rate Base	\$ 1,014,443	\$ (712,828)	\$ 301,615	

Schedule of Wastewater Rate Base

Florida Public Service Commission

Company: NI Florida, LLC
 Docket No.: 130010-WB
 Test Year Ended: September 30, 2012
 Interim [] Final [X]

Schedule: A-2 Revised 4-17-12
 Page 1 of 1
 Preparer: Donald J. Clayton, P.E.

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

Line No.	(1) Description	(2) Average Amount Per Books	(3) A-3 Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant In Service	\$ 7,866,081	\$ 577,500	B \$ 8,443,581	A-3, A-6
2					
3	Utility Land & Land Rights	8,513	-	8,513	A-6
4					
5	Less: Non-Used & Useful Plant	-	-	-	A-7
6					
7	Construction Work In Progress	10,510	(10,510)	C -	A-3
8					
9	Less: Accumulated Depreciation	3,747,514	-	3,747,514	A-10
10					
11					
12					
13	Less: CIAC	3,553,711		3,553,711	A-12
14					
15	Accumulated Amortization of CIAC	(1,614,854)		(1,614,854)	A-14
16					
17	Acquisition Adjustments	3,588,514	A (3,588,514)	A -	A-3
18					
19	Advances For Construction	-	-	-	A-16
20					
21	Working Capital Allowance	483,488	-	483,488	A-17
22					
23	Total Rate Base	\$ 8,263,025	\$ (3,002,824)	\$ 5,260,202	

Exhibit 2: Net Operating Income

Schedule of Water Net Operating Income

Florida Public Service Commission

Company: W Florida, LLC

Schedule: B-1 Revised 4-17-13

Docket No.: 130010-WS

Page 1 of 1

Schedule Year Ended: September 30, 2012

Preparer: Donald J. Clayton, P.E.

Interim Final

Historic or Projected

Explanation: Provide the calculation of net operating income for the last year. If amortization (line 7) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenue	(7) Supporting Schedules
1	OPERATING REVENUES	\$ 246,338	\$ -	\$ 246,338	\$ 82,030 (B)	\$ 268,368	B-4, B-3
2							
3	Operation & Maintenance	218,743	24,382 (A)	243,125	911 (C)	244,036	B-5, B-3
4							
5	Depreciation, net of CIAC Amort.	16,736	-	16,736	-	16,736	B-14, B-3
6							
7	Amortization	-	-	-	-	-	
8							
9	Taxes Other Than Income Taxes	11,085	-	11,085	2,341 (D)	13,427	B-15, B-3
10							
11	Provision for Income Taxes	-	-	-	-	-	C-1, B-3
12							
13	OPERATING EXPENSES	<u>248,564</u>	<u>24,382</u>	<u>270,947</u>	<u>3,252</u>	<u>274,198</u>	
14							
15	NET OPERATING INCOME	<u>\$ (227)</u>	<u>\$ (24,382)</u>	<u>\$ (24,608)</u>	<u>\$ 48,778</u>	<u>\$ 24,169</u>	
16							
17							
18	RATE BASE	<u>\$ 1,014,443</u>	<u>\$ (712,828)</u>	<u>\$ 301,615</u>		<u>\$ 301,615</u>	
19							
20							
21	RATE OF RETURN	-0.02%		-8.15%		8.01%	

Schedule of Wastewater Net Operating Income

Florida Public Service Commission

Company: NI Florida, LLC
 Docket No.: 130010-WS
 Schedule Year Ended: September 30, 2012
 Initial Final
 Historic or Projected

Schedule: B-2 Revised 4-17-13
 Page 1 of 1
 Preparer: Donald J. Clayton, P.E.

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 7) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenue	(7) Supporting Schedules
1	OPERATING REVENUES	\$ 1,743,351	\$ -	\$ 1,743,351	\$ 337,300 B	\$ 2,080,651	B-4, B-3
2							
3	Operation & Maintenance	1,373,276	146,035 A	1,521,311	5,903 C	1,527,214	B-4, B-3
4							
5	Depreciation, net of CIAC Amort.	120,477	-	120,477	-	120,477	B-14, B-3
6							
7	Amortization	10,553	-	10,553	-	10,553	Footnote 1
8							
9	Taxes Other Than Income Taxes	146,728	-	146,728	16,179 D	161,907	B-15, B-3
10							
11	Provision for Income Taxes	-	-	-	-	-	C-1, B-3
12							
13	OPERATING EXPENSES	<u>1,651,035</u>	<u>146,035</u>	<u>1,799,070</u>	<u>21,061</u>	<u>1,820,131</u>	
14							
15	NET OPERATING INCOME	<u>\$ 92,316</u>	<u>\$ (146,035)</u>	<u>\$ (55,719)</u>	<u>\$ 318,219</u>	<u>\$ 260,500</u>	
16							
17							
18	RATE BASE	<u>\$ 6,253,026</u>	<u>\$ (3,002,824)</u>	<u>\$ 3,250,202</u>		<u>\$ 3,250,202</u>	
19							
20							
21	RATE OF RETURN	1.48%		-1.71%		8.01%	
22							
23	1/ Amortization of deferred maintenance expense per FPSC order in Docket No. 090182-3U.						

Exhibit 3: Capital Structure

**Schedule of Requested Cost of Capital
13-Month Average Balance**

Florida Public Service Commission

Company: NI Florida, LLC
 Docket No.: 130010-WS
 Test Year Ended: September 30, 2012
 Schedule Year Ended: September 30, 2012
 Historic or Projected
 Interim or Final

Schedule: D-1 Revised 4-17-13
 Page 1 of 1
 Preparer: Donald J. Clayton, P.E.
 Subsidiary or Consolidated

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

	(1)	(2)	(3)	(4)	(5)
Line No.	Class of Capital	Reconciled to Requested Rate Base (13-Month Average)	Ratio	Cost Rate	Weighted Cost
1	Long Term Debt	\$ 1,114,926	31.39%	4.84%	1.62%
2	Short Term debt	-	0.00%	0.00%	0.00%
3	Preferred stock	-	0.00%	0.00%	0.00%
4	Common Equity	2,437,093	68.61%	8.48%	6.49%
5	Customer Deposits	-	0.00%	6.00%	0.00%
6	Tax Credits - Zero Cost	-	0.00%	0.00%	0.00%
7	Tax Credits - Weighted Cost	-	0.00%	0.00%	0.00%
8	Accumulated Deferred Income Tax	-	0.00%	0.00%	0.00%
9	Gives	-	3.00%	6.00%	0.00%
10	Total	\$ 3,552,017	100.00%		8.01%

Supporting Schedules: D-2