

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-**

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**DATE:** July 8, 2004  
**TO:** Sam Merta, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief, Bureau of Auditing *W*  
Division of Regulatory Compliance and Consumer Assistance  
**RE:** **Docket No.** 040300-SU ; **Company Name:** Tymber Creek Utilities, Inc. ;  
**Audit Purpose:** Staff Assisted Rate Case ; **Audit Control No.** 04-124-3-1

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Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp  
Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District  
Offices, File Folder)  
Division of the Commission Clerk and Administrative Services (2)  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
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**FLORIDA PUBLIC SERVICE COMMISSION**

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

***Orlando District Office***

**TYMBER CREEK UTILITIES, INC.  
STAFF-ASSISTED RATE CASE**

**HISTORICAL PERIOD ENDED DECEMBER 31, 2003**

**DOCKET NO. 040300-SU  
AUDIT CONTROL NO. 04-124-3-1**

A handwritten signature in cursive script, reading "Intesar Terkawi".

***Intesar Terkawi, Audit Manager***

A handwritten signature in cursive script, reading "Charleston J. Winston".

***Charleston J. Winston, District Audit Supervisor***

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

**June 21, 2004**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to audit the accompanying schedules of Rate Base, Net Operating Income, and Capital Structure for the historical 12-month period ended December 31, 2003, for Tymber Creek Utilities, Inc. The attached schedules were assembled by the audit staff as part of the utility's application for a Staff-Assisted Rate Case in Docket No. 040300-SU.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

## **SUMMARY OF SIGNIFICANT FINDINGS**

The utility's wastewater plant is overstated by \$6,957.

The land is overstated by \$4,524.

The utility's wastewater accumulated depreciation balance is understated by \$30,533 as of December 31, 2003. Wastewater depreciation expense is understated by \$812 for the 12-month period ended December 31, 2003.

The accumulated amortization of CIAC is overstated by \$18,744 as of December 31, 2003. The utility's wastewater amortization expense is overstated by \$1,169 for the 12-month period ended December 31, 2003.

Working capital balance was calculated to be \$17,717.

The utility's capital structure is \$298,592 with a weighted average cost rate of 9.30 percent.

## **SUMMARY OF SIGNIFICANT PROCEDURES**

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report.

**Verified** - The items were tested for accuracy and compared to the substantiating documentation.

**Assembled** - Presented in Commission-required format financial information that was provided to the audit staff and is the representation of utility management.

**Compiled** - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**RATE BASE:** Reconciled rate base balances authorized in Commission Order No. 24206, issued on March 7, 1991, to the rate base as of June 30, 1990. Verified 100 percent of utility-provided documents used to assemble wastewater account balances for utility-plant-in-service (UPIS), land and land rights, contributions-in-aid-of-construction (CIAC), accumulated depreciation, and accumulated amortization of CIAC as of December 31, 2003. Computed working capital as one-eighth of total O&M expenses for the period ended December 31, 2003.

**NET OPERATING INCOME:** Verified 100 percent of utility-provided documents used to assemble wastewater account balances for the utility revenues, operating and maintenance expenses, depreciation expenses, amortization expenses, and taxes other than income for the year ended December 31, 2003. Recomputed an audit-determined sample of utility billing records to verify the existing rates, miscellaneous service charges, and service availability charges charged by the utility.

**CAPITAL STRUCTURE:** Verified 100 percent of utility-provided documents used to assemble its capital structure as of December 31, 2002. Agreed interest expense to the terms of the debt obligations.

**OTHER:** Audited the utility's 2003 Regulatory Assessment Fee return filed with the Commission.

## **Exception No. 1**

### **Subject: Books and Records**

**Statement of Fact:** Rule 25-30.115, Florida Administrative Code, (F.A.C.), requires Florida utilities to maintain their books and records in conformity with the NARUC, National Association of Regulatory Commissioners Uniform System of Accounts (USOA).

NARUC, Class C, Accounting Instruction, states,

Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of accounts so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis and verification of all facts relevant thereto.

**Recommendation:** The utility records are not maintained in accordance with NARUC until the year 2001. In 2001, the utility hired an outside regulatory accountant who tried to maintain the books in compliance with NARUC. The utility could not provide adequate support documentation for some of its plant additions and retirements. The utility misclassified some of its plant accounts. The audit staff had to use the utility's Annual Reports as the basis for its plant, accumulated depreciation, and CIAC accumulated amortization.

The utility tried in 1990 and in 2002 to reconcile the plant to the Commission Order No. 24206, issued March 7, 1991. The utility attempted in 2002 to reconcile accumulated depreciation, CIAC, and accumulated amortization of CIAC to the above-mentioned Order. There was a period of more than 10 years between the issuance of the above-mentioned Order and the utility's attempt to reconcile to the Order.

## **Exception No. 2**

**Subject:**      **Utility-Plant-in-Service**

**Statement of Fact:**    Per the utility's 2003 General Ledger, the amount of plant-in-service for wastewater is \$667,149 as of December 31, 2003.

Rate base was established for the utility as of June 30, 1990, in Commission Order No. 24206, issued March 7, 1991.

**Recommendation:**    The utility did not provide supporting documentation for some of its plant additions, misclassified some of its plant accounts, did not retire some of its plant, and after more than a ten-year period, made a second attempt to reconcile to the above-mentioned Order.

The audit staff determined wastewater plant-in-service to be \$660,192 as of December 31, 2003. The Commission should decrease wastewater plant-in-service by \$6,957 (\$660,192-\$667,149).

See Schedules A and B on the following pages for further details.

## Schedule A - Exception No. 2

Date	Per Utility	Difference	Per Order	Explanation
06/30/1990	\$367,223	\$1,651	\$368,874	Beginning balance per above Order.
	Per Utility		Per Audit	Explanation
1993 Additions	\$1,573	(\$1,427)	\$146	See Schedule B.
1993 Balance	\$659,164		\$659,388	
1994 Additions	\$2,675	(\$316)	\$2,359	See Schedule B.
1994 Retirements	\$0	(\$870)	(\$870)	See Schedule B.
1994 Balance	\$661,839		\$660,878	
1995 Additions	\$1,599	\$769	\$2,368	See Schedule B.
1995 Retirements	(\$276)	(\$1,500)	(\$1,776)	
1995 Balance	\$663,162		\$661,470	
1996 Additions	\$4,628	(\$1,039)	\$3,589	See Schedule B.
1996 Retirements	(\$1,159)	(\$931)	(\$2,090)	See Schedule B.
1996 Balance	\$666,631		\$662,969	
1998 Additions	\$1,644	\$103	\$1,747	See Schedule B.
1998 Balance	\$660,208		\$656,649	
1999 Additions	\$355	\$380	\$735	See Schedule B.
1999 Retirements	\$0	(\$551)	(\$551)	See Schedule B.
1999 Balance	\$660,563		\$656,832	
2000 Additions	\$2,322	(\$346)	\$1,976	See Schedule B.
2000 Balance	\$662,273		\$658,186	
2001 Additions	\$2,421	(\$655)	\$1,766	See Schedule B.
2001 Balance	\$662,597		\$657,855	
2002 Additions	\$2,334	\$594	\$2,928	See Schedule B.
2002 Retirements	(\$415)	(\$1,077)	(\$1,492)	See Schedule B.
2002 Adjustments	\$1,696	(\$1,696)	\$0	The utility adjustment to Order No.24206, issued 03/07/1991
2002 Balance	\$666,212		\$659,291	
2003 Additions	\$3,739	(\$136)	\$3,603	See Schedule B.
2003 Retirements	(\$2,803)	\$101	(\$2,702)	See Schedule B.
2003 Balance	\$667,149	(\$6,957)	\$660,192	

**Schedule B - Exception No. 2**  
**Page 1 of 2**

Date	Account	Vendor Name	Amount	Description	Retirement
2/01/2003	370-Receiving Wells	Wetherell Treatment Systems	\$528	Motor and Labor	
5/06/2003	370-Receiving Wells	Wetherell Treatment Systems	413	Motor for lift station	
6/30/2003	370-Receiving Wells	Wetherell Treatment Systems	360	New Starter & Labor	
7/15/2003	370-Receiving Wells	Wetherell Treatment Systems	557	Motor and Labor	
8/30/2003	370-Receiving Wells	Wetherell Treatment Systems	557	Surge Pump & Labor	
0/30/2003	370-Receiving Wells	Wetherell Treatment Systems	865	Motor & Chlorinator	
14/30/2003	380-Treatment & Disposal Equipment	Wetherell Treatment Systems	323	Stenner Chlorinator	
<b>Total 2003</b>			<b>\$3,603</b>		$\$3,603 * .75 = \$2,702$
11/30/2002	370-Receiving Wells	Wetherell Treatment System	\$594	Air Lift	
16/14/2002	370-Receiving Wells	Wetherell Treatment System	1,436	Blower Assembly	$\$1,436 * .75 = \$1,077$
11/12/2002	370-Receiving Wells	Wetherell Treatment System	553	Motor & Labor	$\$553 * .75 = 415$ \$1,492
15/29/2002	390-Office Furniture & Equip.	Winchester Computers	345	Computer System	
<b>Total 2002</b>			<b>\$2,928</b>		
11/30/2001	370-Receiving Well	Wetherell Treatment System	\$475	New splitter box	
13/30/2001	370-Receiving Well	Wetherell Treatment System	878	Motor for Lift Station	
16/11/2001	370-Receiving Well	Grainger	413	Replacement of SHP Motor	
<b>Total 2001</b>			<b>\$1,766</b>		
04/10/2000	370-Receiving Well	Grainger	\$394	Industrial Motor	
10/20/2000	380-Treatment & Disposal Equipment	ABS	1,582	2 New Pumps	
<b>Total 2000</b>			<b>\$1,976</b>		
08/03/1999	370-Receiving Well	Grainger	\$400	Industrial Motor	
12/23/1999	370-Receiving Well	Grainger	335	Industrial Motor	
<b>Total 1999</b>			<b>\$735</b>		$\$735 * .75 = \$551$

**Schedule B - Exception No. 2**  
**Page 2 of 2**

Date	Account	Vendor Name	Amount	Description	Retirement
04/05/1998	364-Measuring Devices	Cellular Extensions, Inc.	\$103	Dialer for surge tank	
08/04/1998	370-Receiving Wells	Osceola Plumbing Supply	190	Pump for washing plant	
08/27/1998	370-Receiving Wells	ABS	368	Replacement of a pump	
12/09/1998	370-Receiving Wells	Grainger	539	Replacement of a pump	
05/27/1998	380-Treatment & Disposal Equipment	Grainger	150	Pump	
10/30/1998	390-Office Furniture & Equipment	Fine Line Services	397		
		<b>Total 1998</b>	<b>\$1,747</b>		
05/06/1996	370-Receiving Wells	Robert Smeltzer	\$803	Trash pump	
08/22/1996	370-Receiving Wells	Roy Moller	2,786	Control Panel	\$2,786 * .75 = \$2,090
		<b>Total 1996</b>	<b>\$3,589</b>		
05/19/1995	370-Receiving Wells	ABS	\$594	Pump	
08/09/1995	370-Receiving Wells	Grainger	277	Industrial Motor	
08/11/1995	370-Receiving Wells	ABS	729	Pump	
10/11/1995	370-Receiving Wells	Grainger	276	Pump	
11/08/1995	370-Receiving Wells	Economy Electric Co.	492	Pole & Breaker	
		<b>Total 1995</b>	<b>\$2,368</b>		\$2,368 * .75 = \$1,776
02/07/1994	364-Flow Measuring Devices	Dunes Community Development	\$1,200	Flow meters	
05/19/1994	370-Receiving Wells	ABS	624	Surge pump	
09/08/1994	370-Receiving Wells	Thomas Scott	535	Trash pump	(\$624+\$535) * .75 = \$870
		<b>Total 1994</b>	<b>\$2,359</b>		
02/01/1993	370-Receiving Wells	Grainger	\$146	Motor Starter	
		<b>Total 1993</b>	<b>\$146</b>		

### **Exception No. 3**

#### **Subject: Land**

**Statement of Fact:** Commission Order No. 24206, issued March 7, 1991, established the value of the land to be \$4,524. This Order states "TCU {Tymber Creek Utilities} provided this Commission with satisfactory evidence that it owns the land on which its facilities are located during the certification process."

The utility adjusted its books in 2002 according to the above-mentioned Order.

There is a long-term lease between the utility and the shareholder, J. Stanley Shirah that was established on January 1, 2003, for 99 years.

**Recommendation:** The utility does not own the land. According to the above-mentioned Order, the land was purchased by J. K. Shirah & Sons in 1973 and dedicated to utility use in 1976. Mr. Shirah did not charge the utility any rent until the year 2003. The utility's Regulatory Accountant suggested to Mr. Shirah either to sell the land to the utility or have a long-term lease for 99 years. The utility has a long-term lease for 99 years with the shareholder, Mr. Shirah for an annual sum of \$6,480 which is already included in the O&M expense.

The audit staff brought the land balance to \$0.

#### **Exception No. 4**

##### **Subject: Accumulated Depreciation**

**Statement of Fact:** Per the utility's 2003 General Ledger, the amount of accumulated depreciation for wastewater is \$377,518 as of December 31, 2003. The amount of depreciation expense per the utility's General Ledger is \$26,976.

Rate base was established for the utility as of June 30, 1990, in Commission Order No.24206, issued March 7, 1991.

**Recommendation:** Per Exception No. 2, the utility misclassified plant, did not provide supporting documentation for some of its plant additions and retirements, and did not reconcile to the above-mentioned Commission Order until 2002.

The audit staff determined wastewater accumulated depreciation to be \$408,051 as of December 31, 2003. The Commission should increase wastewater accumulated depreciation by \$30,533 (\$408,051-\$377,518). See the schedule on the following page for further details.

Due to the above adjustments, wastewater depreciation expense should be increased by \$812 (\$27,788-\$26,976) for the 12-month period ended December 31, 2002.

# Schedule - Exception No. 4

Account No.	Account Name	Description	Balance Per Utility As of 12/31/03	Adjustment	Balance Per Utility As of 12/31/03
351	Organization	Plant per audit \$36, rate 2.5%. Plant per utility \$0.	\$0	\$24	\$24
354	Structure & Improvements	Plant per audit and utility are \$107,198. Rate per audit 3.70%. Rate per utility 3.13%.	38,655	7,074	45,729
361	Collection Sewer-Gravity	Plant per audit \$250,241. Rate per audit 2.5%. Plant per utility \$253,028. Rate per utility 2.22%.	163,703	2,169	165,872
363	Services to Customers	Plant per audit and utility is \$43,346. Rate per audit 2.85%. Rate per utility 2.86%.	25,240	(11)	25,229
364	Flow Measuring Devices	Plant per audit \$4,055. Rate per audit and utility 20%. Plant per utility \$1,200.	1,200	2,855	4,055
370	Receiving Wells	Plant per audit \$9,376. Rate per audit 4.0%. Plant per utility \$17,249. Rate per utility 3.33%.	13,362	(8,645)	4,717
371	Pumping Equipment	Plant per audit \$0. Plant per utility \$11,450. Rate per utility 5.56%.	1,602	(1,602)	0
380	Treatment & Disposal Equipment	Plant per audit \$258,450. Rate per audit 6.67%. Plant per utility \$220,366. Rate per utility 5.56%.	128,277	28,693	156,970
382	Outfall Sewer Lines	Plant per audit and utility \$10,387. Rate per Audit and utility 3.33%.	3,978	4	3,982
389	Other Plant & Miscellaneous Equipment	Plant per audit \$1,200. Rate per audit 6.67%. Plant per utility \$2,149. Rate per utility 5.56%.	1,321	(401)	920
390	Office Furniture & Equipment	Plant per audit and utility \$742. Rate per audit and utility 6.67%.	180	0	180
395	Power Operated Equipment	Plant per audit \$373. Rate per audit 10%. Plant per utility \$0.	0	373	373
Total accumulated depreciation as of 12/31/2003			\$377,518	\$30,533	\$408,051

## **Exception No. 5**

### **Subject: Accumulated Amortization of CIAC**

**Statement of Fact:** Per the utility's 2003 General Ledger, the balance of accumulated amortization of CIAC is \$314,300, and the amount of CIAC amortization expense is \$16,900.

Rate base was established for the utility as of June 30, 1990, in Commission Order No. 24206, issued March 7, 1991.

**Recommendation:** The audit staff determined wastewater accumulated amortization to be \$295,556. The Commission should reduce wastewater accumulated amortization by \$18,744 (\$295,556 - \$314,300) as of December 31, 2003, according to the schedule on the following page.

The associated adjustment to amortization expense is a decrease of \$1,169 (\$15,731 - \$16,900) for the period ended December 31, 2003.

## Schedule - Exception 5

### Wastewater CIAC Accumulated Amortization

Date	Balance per Utility	Adjustment	Balance Per Order	Comments
Balance as of 6/30/90			\$97,894	
	Per Utility		Per Audit	
1990 Additions	\$4,330	\$1,197	\$5,527	Composite rate of 1.73%
Balance as of 12/31/1990	\$102,224	\$1,197	\$103,421	
1991 Additions	\$8,049	\$3,169	\$11,218	Composite rate of 3.46%
1991 Balance	\$110,273	\$4,366	\$114,639	
1992 Additions	\$8,443	\$4,787	\$13,230	Composite rate of 3.97%
1992 Balance	\$118,716	\$9,153	\$127,869	
1993 Additions	\$8,521	\$6,055	\$14,576	Composite rate of 4.25%
1993 Balance	\$127,237	\$15,209	\$142,446	
1994 Additions	\$8,679	\$6,148	\$14,827	Composite rate of 4.26%
1994 Balance	\$135,916	\$21,356	\$157,272	
1995 Additions	\$8,784	\$6,316	\$15,100	Composite rate of 4.28%
1995 Balance	\$144,700	\$27,673	\$172,373	
1996 Additions	\$8,915	\$6,386	\$15,301	Composite rate of 4.28%
1996 Balance	\$153,615	\$34,058	\$187,673	
1997 Additions	\$8,968	\$6,058	\$15,026	Composite rate of 4.16%
1997 Balance	\$162,583	\$40,116	\$202,699	
1998 Additions	\$9,020	\$6,408	\$15,428	Composite rate of 4.24%
1998 Balance	\$171,603	\$46,524	\$218,127	
1999 Additions	\$4,290	\$11,085	\$15,375	Composite rate of 4.21%
1999 Balance	\$175,893	\$57,609	\$233,502	
2000 Additions	\$9,046	\$6,350	\$15,396	Composite rate of 4.21%
2000 Balance	\$184,939	\$63,960	\$248,899	
2001 Additions	\$9,046	\$6,350	\$15,396	Composite rate of 4.21%
2001 Balance	\$193,985	\$70,309	\$264,294	
2002 Additions	\$16,686	(\$1,156)	\$15,530	Composite rate of 4.21%
2002 Adjustment	\$86,729	(\$86,729)	\$0	The utility tried to reconcile to Order No.24206, issued 03/07/1991.
2002 Balance	\$297,400	(\$17,575)	\$279,825	
2003 Additions	\$16,900	(\$1,169)	\$15,731	Composite rate of 4.21%
2003 Balance	\$314,300	(\$18,744)	\$295,556	

## **Exception No. 6**

### **Subject: Capital Structure**

**Statement of Fact:** The utility recorded notes payable of \$78,919 in the 2003 General Ledger as of December 31, 2003.

The notes payable consist of loans from the shareholders to the utility. There are no written agreement, interest, or terms of back payment.

Per Order No. PSC-00-1165-PAA-WS, issued June 27, 2000,

... No cost is assigned to the long term debt and no debt instrument was available. The debt is from the utility's parent company. Therefore, we find that it is appropriate to characterize the long term debt as other common equity rather than long-term debt given the related party status of the "debt."

**Recommendation:** The two loans should be transferred to other common equity. This is in accordance with Order No. PSC-00-1165-PAA-WS, issued December 31, 2002, since no cost is assigned to the debt, and no debt instrument was available.




**Disclosure No. 1**

**Subject: Projected Increases in Operating Expenses**

**Statement of Fact:** The utility submitted a statement dated June 1, 2004, requesting an increase of 13 percent to the officers' salaries, an increase of 12 percent to the accountant salary, and an increase of 58 percent to the consulting/plant accountant fees. The statement also requests hiring a part-time office staff employee with a monthly payment of \$335 and an increase of office rent by 5 percent, in addition to the increase of \$1,340 annually for the sewer plant permit that is to be renewed every five years.

**Recommendation:** The audit staff forwards this information to the analyst in this rate proceeding for consideration.



**Disclosure No. 2**

**Subject:** Additions to the Plant Account No. 361, Collection Sewers - Gravity

**Statement of Fact:** The utility submitted a statement dated June 1, 2004, requesting an increase of \$9,243 to the Account No. 361, Collection Sewers - Gravity. According to the utility, this amount represents manholes that are part of the gravity wastewater collection system during 1992, and that it was ignored by the previous utility's accountant.

**Recommendation:** The audit staff forwards this information to the analyst in this rate proceeding for consideration.

**Disclosure No. 3****Subject: Projected Changes in Utility-Plant-in-Service**

**Statement of Fact:** The utility submitted a statement dated June 1, 2004, requesting an increase of \$5,316 for the installation of the plant samplers required by the Department of Environmental Protection at the influent and effluent sites. The same statement requests an increase of \$1,380 for the replacement of the effluent outfall valve.

**Recommendation:** The audit staff forwards this information to the analyst in this rate proceeding for consideration.

**EXHIBIT I**

TYMBER CREEK UTILITIES, INC.  
WASTEWATER RATE BASE  
DOCKET NO. 040300-WS  
STAFF-ASSISTED RATE CASE  
AS OF DECEMBER 31, 2003

DESCRIPTION	PER UTILITY(1)	AUDIT EXCEPTION(1)	REFER TO	PER AUDIT(1)
UTILITY PLANT-IN-SERVICE	\$667,149	(\$6,957)	E2	\$660,192
LAND & LAND RIGHTS	4,524	(4,524)	E3	0
CONTRIBUTIONS-IN-AID- OF- CONSTRUCTION (CIAC)	(375,056)	0		(375,056)
ACCUMULATED DEPRECIATION	(377,518)	(30,533)	E4	(408,051)
ACCUMULATED AMORTIZATION OF CIAC	314,300	(18,744)	E5	295,556
WORKING CAPITAL(2)	<u>0</u>	<u>17,717</u>		<u>17,717</u>
TOTAL	\$233,399	(\$43,041)		\$190,358

**FOOTNOTES:**

- (1) Small differences can be attributed to rounding errors.  
(2) Working Capital is calculated as 1/8 of O&M Expenses.

## EXHIBIT II

TYMBER CREEK UTILITIES, INC.  
WASTEWATER OPERATING INCOME  
DOCKET NO. 040300-WS  
STAFF-ASSISTED RATE CASE  
HISTORICAL PERIOD ENDED DECEMBER 31, 2003

DESCRIPTION	PER UTILITY(1)	AUDIT EXCEPTION(1)	REFER TO	PER AUDIT(1)
REVENUES:				
GROSS REVENUES	\$147,094	\$0		\$147,094
EXPENSES:				
O&M EXPENSE	141,735	0		141,735
DEPRECIATION EXPENSE	26,976	812	E4	27,788
AMORTIZATION EXPENSE	(16,900)	1,169	E5	(15,731)
TAXES OTHER THAN INCOME	12,055	0		12,055
TOTAL	\$163,866	\$1,981		\$165,847
NET OPERATING INCOME	(\$16,772)	(\$1,981)		(\$18,753)

### FOOTNOTES:

(1) Small differences can be attributed to rounding errors.

**EXHIBIT III**

**TYMBER CREEK UTILITIES, INC.  
DOCKET NO. 040300-SU  
CAPITAL STRUCTURE  
STAFF-ASSISTED RATE CASE  
HISTORICAL PERIOD ENDED DECEMBER 31, 2003**

DESCRIPTION	PER COMPANY	AUDIT EXCEPTION	REFER TO	PER AUDIT	RATIO	COST RATE(1)	WEIGHTED COST OF CAPITAL
COMMON EQUITY	\$185,239	\$0		\$185,239	62.04%	9.83%	6.200%
OTHER COMMON EQUITY	0	78,919	E6	78,919	18.38%	9.83%	1.800%
LONG-TERM DEBT	104,793	(78,919)	E6	25,874	18.38%	5.69%	1.080%
CUSTOMER DEPOSITS	8,560	0		8,560	2.87%	6.00%	0.180%
TOTAL	\$298,592	\$0		\$298,592	100.00%		9.300%

**REQUIRED FOOTNOTES:**

(1) Cost rate for common equity established in Order No. PSC-03-0707-PAA-WS, issued June 13, 2003.