

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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FPSC - COMMISSION CLERK

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**DATE:** March 31, 2025

**TO:** Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

**FROM:** Lynn Deamer, Bureau Chief, Office of Auditing & Performance Analysis *LD*

**RE:** Docket No.: 20250013-WS  
Company Name: LP Waterworks, Inc.  
Company Code: WS963  
Audit Purpose: A1b: Staff-Assisted Rate Case (SARC)  
Audit Control No.: 2025-015-2-1

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

Attachment: Audit Report

Cc: Office of Auditing & Performance Analysis

State of Florida



**Public Service Commission**

Office of Auditing and Performance Analysis  
Bureau of Auditing

**Auditor's Report**

LP Waterworks, Inc.  
Staff-Assisted Rate Case

**Twelve Months Ended October 31, 2024**

Docket No. 20250013-WS  
Audit Control No. 2025-015-2-1

**March 31, 2025**

A handwritten signature in dark ink, appearing to read "Wesley Thurmond", written over a horizontal line.

Wesley Thurmond  
Audit Manager

A handwritten signature in dark ink, appearing to read "Kathryn Guan", written over a horizontal line.

Kathryn Guan  
Audit Staff

A handwritten signature in dark ink, appearing to read "Lynn Deamer", written over a horizontal line.

Lynn Deamer  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting & Finance in its audit service request dated January 13, 2025. We have applied these procedures to the attached schedules prepared by the audit staff in support of LP Waterworks, Inc.'s request for a Staff-Assisted Rate Case in Docket No. 20250013-WS.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

Utility refers to LP Waterworks, Inc.

The test year for this proceeding is the twelve months ended October 31, 2024.

NARUC refers to the National Association of Regulatory Utility Commissioners.

USOA refers to the NARUC Uniform System of Accounts adopted by Rule 25-30.155 – Uniform System of Accounts for Water and Wastewater Utilities, Florida Administrative Code (F.A.C.).

#### Background

LP Waterworks Inc. is a Class C water and wastewater utility operating in Highlands County. The Utility provides service to approximately 448 water customers and 390 wastewater customers.

#### 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 determined that the Utility's books are in substantial compliance with the NARUC USOA. The Utility is a Class C utility, but utilizes the USOA Class B accounts, which are more detailed and are acceptable by the Commission.

### **Rate Base**

#### Utility Plant in Service

**Objectives:** The objectives were to determine whether the Utility Plant in Service (UPIS): 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 NARUC USOA, 3) Retirements are made when replacement item is put into service.

**Procedures:** We compiled schedules for UPIS balances from 12/31/2021 to 10/31/2024 for water and from 8/31/2016 to 10/31/2024 for wastewater and reconciled to the Utility's application, general ledger, and support documentation from the Utility. We sampled plant additions from 12/31/2021 to 10/31/2024 for water, and from 8/31/2016 to 10/31/2024 for

wastewater, capturing at least 60% of the dollars spent in each year in plant additions. We also sampled plant retirements and transfers of UPIS from 12/31/2021 to 10/31/2024 for water, and from 8/31/2016 to 10/31/2024 for wastewater, capturing at least 60% of the dollars retired each year. We noted for correct amounts, proper timing, and proper classification of samples received. No exceptions were noted.

#### Land & Land Rights

**Objectives:** The objectives were to determine whether the utility land was: 1) Recorded at original cost 2) Is used for utility operations, and 3) Was owned or secured under a long-term lease for the twelve months ended October 31, 2024.

**Procedures:** We confirmed that no land was purchased or sold since the last applicable rate cases (Dockets No. 20160222-WS and 20220099-WS) and confirmed that amounts in the GL matched amounts in the Utility's application. No further work was performed. No exceptions were noted.

#### Accumulated Depreciation

**Objectives:** The objectives were to determine whether: 1) Accruals to accumulated depreciation are properly recorded in compliance with Commission rules and the NARUC USOA, 2) Depreciation accruals are calculated using the Commission's authorized rates and that retirements are properly recorded, 3) Adjustments required in the Utility's last rate case proceeding were recorded in its books and records, and 4) Where accruals to accumulated depreciation were allocated from the corporate offices, the basis of the allocation is reviewed

**Procedures:** Audit staff recalculated depreciation from 12/31/2021 to 10/31/2024 for water and from 8/31/2016 to 10/31/2024 for wastewater to determine the correct depreciation balance and depreciation expense amount. In doing so, auditors found the Utility was not applying the correct depreciation rates per Rule 25-30.140 F.A.C. See Finding 1.

#### Contributions-in-Aid-of-Construction

**Objectives:** The objectives were to determine whether utility Contributions-In-Aid-of-Construction (CIAC) balances are: 1) Properly stated 2) Reflective of the service availability charges authorized in the Utility's Commission-approved tariffs, and 3) The adjustments required in the Utility's last rate proceeding were recorded in its books and records.

**Procedures:** We compiled a schedule, showing the beginning balances as set in the last Commission Order. We determined that the adjustments per the last order were made. We traced additions to the utility CIAC schedules. No further work performed. No exceptions were noted.

#### Accumulated Amortization of CIAC

**Objectives:** The objectives were to determine whether: 1) Accruals to accumulated depreciation are properly recorded in compliance with Commission rules and the NARUC USOA, 2) Depreciation accruals are calculated using the Commission's authorized rates and that retirements are properly recorded, 3) Adjustments required in the Utility's last rate case

proceeding were recorded in its books and records, and 4) Where accruals to accumulated depreciation were allocated from the corporate offices, the basis of the allocation is reviewed.

**Procedures:** We compiled a schedule, showing beginning balances as set in the last Commission Order. CIAC is amortized according to a ratio of accumulated depreciation to rate base. Thus, audit staff's recommended adjustment to accumulated depreciation will flow through to an adjustment to accumulated amortization of CIAC and amortization expense of CIAC. See Finding 1.

### Working Capital

**Objectives:** The objective was to determine the working capital adjustment in the Utility's rate base per Commission Rule 25-30.433(3), F.A.C.

**Procedures:** We calculated the Utility's working capital adjustment as of October 31, 2024, using one-eighth of operation and maintenance (O&M) expense as required by Commission Rule 25-30-433(3), F.A.C.

### **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, 3) If 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 Common Equity and Customer Deposits. We tied the components of equity in the Utility's general ledger to its application. We determined the year-end and its weighted average cost as of October 31, 2024. There was no long term debt.

### **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 ended October 31, 2024, by obtaining the monthly customer billing registers. We reconciled the billing register 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. See Finding 3.

#### Operation and Maintenance Expense

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

**Procedures:** We reviewed all costs for the Utility's O&M expenses for the test year. We verified payroll expenses with the Utility's last rate case. We sampled O&M expenses for the test year capturing at least 60% of the dollars spent in O&M in the test year and noted for proper amount, period, and classification. See Finding 4.

#### Depreciation and CIAC Amortization Expense

**Objectives:** The objectives were to determine whether: 1) Depreciation expense was properly recorded in compliance with Commission rules and the NARUC USOA, and 2) Amortization expense is properly recorded in compliance with Commission rules and the NARUC USOA.

**Procedures:** Audit staff recalculated depreciation and amortization expense for the test year. In doing so, auditors found the Utility was not applying the correct depreciation rates per Rule 25-30.140 F.A.C. While audit staff has to direct adjustments recommended for the method the Utility used to amortize CIAC expense or the balance of CIAC, the amortization rate of CIAC is derived through a ratio of AD and UPIS. Audit staff does have a recommended adjustment to AD, thus AA of CIAC and amortization expense of CIAC are affected. See Finding 1

#### Taxes Other than Income

**Objectives:** The objectives were to determine whether Taxes Other Than Income (TOTI) expense is: 1) properly recorded in compliance with Commission Rules, 2) Reasonable for ongoing utility operations, and 3) recorded in compliance with NARUC USOA.

**Procedures:** We verified TOTI expenses for the test year ended October 31, 2024, by tracing the taxes to original source documentation. We reviewed the 2023 Regulatory Assessment Fee (RAF) returns. See Finding 2.

#### Acquisition Adjustment

**Objectives:** The objectives were to determine whether an acquisition adjustment exists, and is property being amortized according to Rule 25-30.0371 (3), 25-30.0371 (4), and 25-30.0371 (5), F.A.C.

**Procedures:** Audit staff obtained Order PSC-2014-0130-PAA-WS and determined the Utility had not been granted an acquisition adjustment.



## Audit Findings

### **Finding 1: Depreciation and Amortization**

**Audit Analysis:** Audit staff recalculated depreciation from 12/31/2021 to 10/31/2024 for water and from 8/31/2016 to 10/31/2024 for wastewater to determine the correct accumulated depreciation balance and depreciation expense amount. In doing so, auditors found the Utility was not applying the correct depreciation rates per Rule 25-30.140 F.A.C. Tables 1-1 and 1-2 show the effect on accumulated depreciation while tables 1-3 and 1-4 show the effect on depreciation expense. The amortization rate of CIAC is based on a ratio of total plant to accumulated depreciation, thus the effect of the change in accumulated depreciation on accumulated amortization of CIAC and amortization expense of CIAC are shown on tables 1-5 and 1-6, respectively.

**Table 1-1 Accumulated Depreciation - Water**

Account Number	Account	Depreciation Rate Per Rule 25-30.140 F.A.C.	Balance 10/31/24 Per Utility	Adjustment	Balance 10/31/24 Per Aud	Aud Simple Average
301	Organization	2.50%	\$ 282	\$ -	\$ 282	\$ 276
304	Structures and Improvements	3.70%	75,171	-	75,171	75,171
305	Collecting and Impounding Reservoirs	2.50%	-	-	-	-
306	Lake, River and Other Intakes	2.50%	-	-	-	-
307	Wells and Springs	3.70%	41,812	(105)	41,707	41,309
308	Infiltration Galleries & Tunnels	2.50%	-	-	-	-
309	Supply Mains	3.13%	(4,181)	(968)	(5,149)	(5,197)
310	Power Generating Equipment	5.88%	9,808	-	9,808	9,370
311	Pumping Equipment	5.88%	(509)	30	(479)	(625)
320	Water Treatment Equipment	5.88%	11,651	-	11,651	11,147
330	Distribution Reservoirs & Standpipes	3.03%	48,418	-	48,418	46,628
331	Trans. & Dist. Mains	2.63%	167,404	-	167,404	164,563
333	Services	2.86%	57,297	(0)	57,297	56,427
334	Meter & Meter Installations	5.88%	73,813	6,027	79,840	79,781
335	Hydrants	2.50%	4,638	-	4,638	4,571
336	Backflow Prevention Devices	10.00%	1,874	-	1,874	1,874
339	Other Plant and Misc. Equipment	4.00%	-	-	-	-
340	Office Furniture and Equipment	6.67%	701	(2)	699	699
342	Stores Equipment	7.14%	-	-	-	-
343	Tools, Shop and Garage Equipment	6.67%	-	-	-	-
344	Laboratory Equipment	6.67%	-	-	-	-
345	Power Operated Equipment	10.00%	-	-	-	-
346	Communication Equipment	9.00%	8,716	(82)	8,635	8,105
347	Miscellaneous Equipment	6.67%	232	0	232	208
<b>Total</b>			<b>\$ 497,127</b>	<b>\$ 4,901</b>	<b>\$ 502,028</b>	<b>\$ 494,307</b>

Table 1-2 Accumulated Depreciation - Wastewater

Account Number	Account	Depreciation Rate Per Rule 25-30.140 F.A.C.	Balance 10/31/24 Per Utility	Adjustment	Balance 10/31/24 Per Aud	Aud Simple Average
351	Organization	2.50%	\$ 216	\$ -	\$ 216	\$ 211
354	Structures and Improvements	3.70%	44,475	(123)	44,352	44,352
360	Collection Sewers - Force	3.70%	11,918	91	12,010	11,784
361	Collection Sewers - Gravity	2.50%	127,642	-	127,642	125,445
362	Special Collecting Structures	2.70%	712	-	712	697
363	Services to Customers	2.86%	110,534	-	110,534	108,936
370	Receiving Wells	4.00%	2,608	-	2,608	2,443
371	Pumping Equipment	6.67%	(2,731)	(7,609)	(10,340)	(10,696)
380	Treatment and Disposal Equipment	6.67%	88,948	2,222	91,170	91,096
390.7	Office Furniture and Equipment	6.67%	617	-	617	595
393.7	Tools, Shop and Garage Equipment	6.67%	949	(2)	947	947
Total			\$ 385,888	\$ (5,420)	\$ 380,468	\$ 375,811

Table 1-3 Depreciation Expense - Water

Account Number	Account	Depreciation Rate Per Rule 25-30.140 F.A.C.	Test Year Amount per Utility	Adjustment	Test Year Amount per Audit
301	Organization	2.50%	\$ 12	\$ -	\$ 12
307	Wells and Springs	3.70%	900	(105)	796
309	Supply Mains	3.13%	1,064	(968)	96
310	Power Generating Equipment	5.88%	877	-	877
311	Pumping Equipment	5.88%	394	-	394
320	Water Treatment Equipment	5.88%	2,707	-	2,707
330	Distribution Reservoirs & Standpipes	3.03%	3,580	-	3,580
331	Trans. & Dist. Mains	2.63%	5,682	-	5,682
333	Services	2.86%	1,741	-	1,741
334	Meter & Meter Installations	5.88%	306	1,089	1,395
335	Hydrants	2.50%	134	-	134
340	Office Furniture and Equipment	6.67%	(1)	1	-
346	Communication Equipment	9.00%	970	(97)	873
347	Miscellaneous Equipment	6.67%	48	0	48
Total			\$ 18,415	\$ (80)	\$ 18,335

Table 1-4 Depreciation Expense - Wastewater

Account Number	Account	Depreciation Rate Per Rule 25-30.140 F.A.C.	Balance 10/31/24 Per Utility	Adjustment	Balance 10/31/24 Per Aud
351	Organization	2.50%	\$ 10	\$ -	\$ 10
354	Structures and Improvements	3.70%	\$ 62	\$ (62)	\$ -
360	Collection Sewers - Force	3.70%	\$ 361	\$ 90	\$ 452
361	Collection Sewers - Gravity	2.50%	\$ 4,395	\$ -	\$ 4,395
362	Special Collecting Structures	2.70%	\$ 28	\$ -	\$ 28
363	Services to Customers	2.86%	\$ 3,196	\$ -	\$ 3,196
370	Receiving Wells	4.00%	\$ 329	\$ -	\$ 329
371	Pumping Equipment	6.67%	\$ 2,809	\$ (2,097)	\$ 712
380	Treatment and Disposal Equipment	6.67%	\$ 126	\$ 22	\$ 149
390.7	Office Furniture and Equipment	6.67%	\$ 43	\$ -	\$ 43
393.7	Tools, Shop and Garage Equipment	6.67%	\$ (1)	\$ 1	\$ -
Total			\$ 11,359	\$ (2,045)	\$ 9,314

Table 1-5 Accumulated Amortization of CIAC

	AA of CIAC Per Utility	Adjustment	AA of CIAC per Audit	Simple Average
Water	\$ 236,585	\$ 1,910	\$ 238,494	\$ 234,839
Wastewater	\$ 77,650	\$ (816)	\$ 76,834	\$ 75,888

Table 1-6 Amortization of CIAC Expense

	Expense of CIAC Per Utility	Adjustment	Expense of CIAC Per Audit
Water	\$ 7,342	\$ (32)	\$ 7,310
Wastewater	\$ 2,228	\$ (336)	\$ 1,893

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

**Effect on the Filing:** Audit staff determined the year-end accumulated depreciation balances to be \$502,028 for water and \$380,468 for wastewater. This also results in a simple average of

accumulated depreciation of \$494,307 for water, and \$375,811 for wastewater. Additionally, audit staff determined the depreciation expense during the test year to be \$18,335 for water, and \$9,314 for wastewater. Next, audit staff determined the year end accumulated amortization of CIAC of \$238,494 for water, and \$76,834 for wastewater. This also results in a simple average balance of accumulated amortization of CIAC of \$234,839 for water, and \$75,888 for wastewater. Lastly, audit staff determined amortization of CIAC expense during the test year of \$7,310 for water, and \$1,893 for wastewater.

## Finding 2: Taxes Other than Income

**Audit Analysis:** The Utility's records reflect test year TOTI expense of \$11,523 for water and \$6,281 for wastewater. The amounts represent the Utility's levelized payment of RAFs and Property Taxes for 2023. The Utility incurred no payroll expense during the test year.

We recalculated RAFs based on test year revenues of \$189,340 for water and \$141,245 for wastewater. We also utilized the 2024 property taxes assessments and verified that the maximum early-payment discount is reflected in the test year amount. Table 2-1 below summarizes the adjustments for TOTI.

<b>Water</b>	<b>Per Utility Adjustment</b>		<b>Per Audit</b>
<b>Description</b>	<b>10/31/2024</b>		<b>10/31/2024</b>
2024 Regulatory Assessment Fee	\$ 7,743	\$ 777	\$ 8,520
2024 Highlands County Property Tax	1,742	60	1,802
2024 Highlands County Tangible Tax	2,038	254	2,293
	<u>\$ 11,523</u>	<u>\$ 1,092</u>	<u>\$ 12,615</u>

<b>Wastewater</b>	<b>Per Utility Adjustment</b>		<b>Per Audit</b>
<b>Description</b>	<b>10/31/2024</b>		<b>10/31/2024</b>
2024 Regulatory Assessment Fee	\$ 5,584	\$ 772	\$ 6,356
2024 Highlands County Property Tax	698	24	722
	<u>\$ 6,281</u>	<u>\$ 797</u>	<u>\$ 7,078</u>

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

**Effect on the Filing:** Test year TOTI should be increased by \$1,092 for water and \$797 for wastewater.

### Finding 3: Operating Revenue

**Audit Analysis:** The Utility's records reflect service revenues of \$167,675 and \$124,080 for water and wastewater, respectively. The Utility's records also indicate Miscellaneous service revenues for water of \$4,390.

We recalculated revenues based on the Commission rules and Commission approved rates using Utility's billing analysis, general ledger. We found Utility revenues were not calculated using Commission Rules and Commission approved rates. Table 3-1 below summarizes the adjustment for water revenues and Table 3-2 summarizes the adjustment for wastewater revenues.

Table 3-1 Water Revenues

Audit Total Service Revenues - Water	\$183,915
General Ledger Services Revenues - Water	<u>\$167,675</u>
Adjustment for Service Revenues	\$16,240
Audit Total Miscellaneous Service Revenues (See Form 3)	\$5,425
General Ledger Misc. Service Revenues	<u>\$4,390</u>
Adjustment for Misc. Service Revenues	\$1,035
Audit Total Test Year Operating Revenues - Water	\$189,340
General Ledger Total Operating Revenues - Water	<u>\$172,065</u>
Adjustment for Total Operating Revenues - Water	\$17,275

Table 3-2 Wastewater Revenues

Audit Total Service Revenues - Wastewater	\$141,245
General Ledger Services Revenues - Wastewater	<u>\$124,080</u>
Adjustment for Service Revenues - Wastewater	\$17,165

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

**Effect on the Filing:** Test year operating revenues should be increased by \$17,275 for water, and \$17,165 for wastewater. This should result total test year operating revenues of \$189,340 for water, and \$141,245 for wastewater. Audit staff also notes that the Utility charges miscellaneous service charge only to water. When questioned, the Utility stated it doesn't track miscellaneous service charges separately for water and wastewater. The Utility also notes the large majority of its customers are water and wastewater combined and only a small number are water only.

## Finding 4: Operations and Maintenance Expense

**Audit Analysis:** The Utility's records reflect Operating and Maintenance (O&M) expenses, before adjustments, of \$141,941 for water, and \$117,155 for wastewater. This amount did not include rate case expense amortization prescribed by Order No. PSC-2023-0101-PAA-WS. See Table 4-1 for a summary of water O&M expenses before adjustments.

Table 4-1 O&M Expense - Water

Acct No.	Account Title	Utility Test Year	Adjustments	Audit Test Year
603	SALARIES: OFFICERS, DIRECTORS, ETC.	6,300	-	6,300
615	PURCHASED POWER	3,849	-	3,849
618	CHEMICALS	552	-	552
632	CONTRACTUAL SERVICES - ACCT.	262	-	262
633	CONTRACTUAL SERVICES - LEGAL	150	-	150
635	CONTRACTUAL SERVICES - TESTING	524	-	524
636	CONTRACTUAL SERVICES - OTHER	126,147	-	126,147
657	INSURANCE-GENERAL LIABILITY	1,057	-	1,057
666	AMORT. OF RATE CASE EXPENSE	0	698	698
670	BAD DEBT EXPENSE	161	-	161
675	MISCELLANEOUS EXPENSES	2,939	-	2,939
	TOTAL OPERATION AND MAINTENANCE - WATER	\$141,941	\$ 698	\$ 142,639

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

**Effect on the Filing:** Test year O&M for water should be increased by \$698. This results in \$142,639 in water O&M expenses before adjustments and \$117,155 in wastewater O&M expenses before adjustments.

Exhibits

**Exhibit 1: Rate Base - Water**

**LP WATERWORKS, INC.  
STAFF ASSISTED RATE CASE  
TWELVE MONTHS ENDED OCTOBER 31, 2024  
DOCKET NO. 20250013-WS; ACN 2025-015-2-1  
WATER RATE BASE**

Description	Balance Per Utility 10/31/2024	Audit Adjustments	Audit Finding	Balance Per Audit 10/31/2024	Audit Simple Average
Utility Plant in Service	\$ 685,566	\$ -		\$ 685,566	\$ 681,206
Land & Land Rights	\$ 27,412	\$ -		\$ 27,412	\$ 27,412
Accumulated Depreciation	\$ (497,127)	\$ (4,901)	1	\$ (502,028)	\$ (494,307)
Contributions in Aid of Construction	\$ (271,795)	\$ -		\$ (271,795)	\$ (271,795)
AA of CIAC	\$ 236,585	\$ 1,909	1	\$ 238,494	\$ 234,839
Working Capital Balance	\$ 19,332	\$ (1,589)	4	\$ 17,743	\$ 17,743
<b>Total Water Rate Base</b>	<b>\$ 199,973</b>	<b>\$ (4,581)</b>		<b>\$ 195,392</b>	<b>\$ 195,098</b>



**Exhibit 2: Rate Base - Wastewater**

**LP WATERWORKS, INC.  
STAFF ASSISTED RATE CASE  
TWELVE MONTHS ENDED OCTOBER 31, 2024  
DOCKET NO. 20250013-WS; ACN 2025-015-2-1  
WASTEWATER RATE BASE**

Description	Balance Per Utility 10/31/2024	Audit Adjustments	Audit Finding	Balance Per Audit 10/31/2024	Audit Simple Average
Utility Plant in Service	\$ 513,667	\$ -		\$ 513,667	\$ 477,832
Land & Land Rights	36,000	-		36,000	36,000
Accumulated Depreciation	(385,888)	5,420	1	(380,468)	(375,811)
Contributions in Aid of Construction	(92,400)	-		(92,400)	(92,400)
AA of CIAC	77,650	(816)	1	76,834	75,888
Working Capital Balance	14,989	(345)	4	14,644	14,644
<b>Total Wastewater Rate Base</b>	<b>\$ 164,018</b>	<b>\$ 4,259</b>		<b>\$ 168,277</b>	<b>\$ 136,153</b>

### Exhibit 3: Capital Structure

**LP WATERWORKS, INC.**  
**STAFF-ASSISTED RATE CASE**  
**DOCKET NO. 20250013-WS; ACN 2025-015-2-1**  
**SCHEDULE OF CAPITAL STRUCTURE**  
**TWELVE MONTHS ENDED OCTOBER 31, 2024**

Capital Components	10/31/2024 per Utility	Audit Adjustment	10/31/2024 Per Audit	Ratio	Cost Rate	Weighted Cost
Long Term Debt	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
Common Equity	352,423	-	352,423	96.87%	8.66%	8.39%
Customer Deposit	\$ 11,378	-	11,378	3.13%	2.00%	0.06%
<b>Total</b>	<b>\$ 363,801</b>	<b>\$ -</b>	<b>\$ 363,801</b>	<b>100.00%</b>		<b>8.45%</b>

## Exhibit 4: Net Operating Income - Water

**LP WATERWORKS, INC.**  
**STAFF ASSISTED RATE CASE**  
**TWELVE MONTHS ENDED OCTOBER 31, 2024**  
**DOCKET NO. 20250013-WS; ACN 2025-015-2-1**  
**SCHEDULE OF NET OPERATING INCOME - WATER**

Description	Balance Per Utility 10/31/2024	Adjustments	Audit Finding	Balance Per Audit 10/31/2024
Operating Revenues	\$ 172,065	17,275	3	\$ 189,340
Operation & Maintenance Expense	141,941	698	4	142,639
Depreciation Expense	18,415	(80)	1	18,335
CIAC Amortization Expense	7,342	(32)	1	7,310
Amortization Expense - Other*	1,075	-		1,075
Taxes Other Than Income	11,523	1,092	2	12,615
Total Operating Expense	180,296	1,678		181,974
<b>Net Operating Income (Loss) - Water</b>	<b>\$ (8,231)</b>	<b>\$ 15,597</b>		<b>\$ 7,366</b>

\*Amortization Expense – Other is amortization of a hydro tank painting approved in Order No. PSC-2023-0101-PAA-WS. The approved annual amortization is \$4,299, however after \$1,075 of amortization during the test year, the asset is fully amortized.

**Exhibit 5: Net Operating Income - Wastewater**

**LP WATERWORKS, INC.**  
**STAFF ASSISTED RATE CASE**  
**TWELVE MONTHS ENDED OCTOBER 31, 2024**  
**DOCKET NO. 20250013-WS; ACN 2025-015-2-1**  
**SCHEDULE OF NET OPERATING INCOME - WASTEWATER**

Description	Balance Per Utility 10/31/2024	Adjustments	Audit Finding	Balance Per Audit 10/31/2024
Operating Revenues	\$ 124,080	17,165	3	\$ 141,245
Operation & Maintenance Expense	117,155	-		117,155
Depreciation Expense	11,359	(2,045)	1	9,314
CIAC Amortization Expense	2,228	(335)	1	1,893
Taxes Other Than Income	6,281	797	2	7,078
Total Operating Expense	137,023	(1,583)		135,440
<b>Net Operating Income (Loss) - Water</b>	<b>\$ (12,943)</b>	<b>\$ 18,748</b>		<b>\$ 5,805</b>