

State of Florida



Public Service Commission

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

Auditor's Report

Lakeside Waterworks, Inc.
Staff Assisted Rate Case

Twelve Months Ended June 30, 2013

Docket No. 130194-WS
Audit Control No. 13-252-2-1
December 30, 2013



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Audit Manager



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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Accounting and Finance in its audit service request dated August 16, 2013. We have applied these procedures to the attached exhibits prepared by the audit staff in support of Lakeside Waterworks, Inc.'s request for a Staff Assisted Rate Case in Docket No. 130194-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 and the report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

- Utility refers to the water and wastewater facilities owned and operated by Lakeside Waterworks, Inc.
- The test year refers to the 12 months ended June 30, 2013.
- NARUC refers to the National Association of Regulatory Commissioners.
- USOA refers to the NARUC Uniform System of Accounts as adopted by Commission Rule 25-30.115 - Uniform System of Accounts for Water and Wastewater Utilities, Florida Administrative Code. (F.A.C.)

Background

Lakeside Waterworks, Inc. is a Class C water and wastewater utility located in Lake County. The Utility provides service to approximately 186 and 179 water and wastewater customers, respectively.

The Florida Public Service Commission issued Order No. PSC-13-0425-PAA-WS, on September 18, 2013, in Docket 120317-WS approving the transfer of Shangri-La by the Lake Utilities, Inc.'s water and wastewater systems, and Certificates Nos. 567-W and 494-S to Lakeside Waterworks, Inc.'s. Net book value for the water and wastewater systems were established as of December 31, 2012. This Order was not protested and consummated by Order No. PSC-13-0473-CO-WS.

Utility Books and Records

Objective: 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 books and records and determined that they are in compliance with NARUC USOA. No exceptions were noted.

Rate Base

Utility Plant in Service

Objectives: The objectives were to determine whether Utility Plant in Service (UPIS): 1) Consists of property that exists and is owned by the Utility, 2) Additions are recorded at original cost, 3) Retirements are made when a replacement asset was put in service, 4) Adjustments required in the Utility's last rate proceeding were recorded in its books and records, and is 5) Recorded in compliance with the NARUC USOA.

Procedures: We obtained the beginning balances for water and wastewater UPIS as of December 31, 2012, per Commission Order No. PSC-13-0425-PAA-WS, issued September 18, 2013. We scheduled UPIS activity from January 1, 2013, to June 30, 2013. We traced asset additions and retirements to supporting documentation and to the general ledger. We determined the year end and simple average UPIS balances as of June 30, 2013. Our recommend adjustments to UPIS are discussed in Finding 1.

Land and Land Rights

Objectives: The objectives were to determine whether utility land is: 1) Recorded at original cost, 2) Owned or secured under a long-term lease agreement, 3) Recorded in compliance with NARUC USOA, and 4) Adjustments required in the Utility's last rate proceeding were recorded in the books and records.

Procedures: We reconciled the Utility's water and wastewater land balances for this proceeding to the balances established in Order No. PSC-13-0425-PAA-WS. We verified that the Utility leases its land for its water and wastewater operations. No exceptions were noted.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether Contributions-in-Aid-of-Construction (CIAC): 1) Consists of cash or property contributions that exist and are owned by the Utility, 2) Additions are recorded using Commission approved tariffs, 3) Retirements are recorded when a contributed asset was replaced, 4) Adjustments required in the Utility's last rate proceedings were recorded to its books and records, and is 5) Recorded in compliance with NARUC.

Procedures: We obtained the beginning balances for water and wastewater CIAC as of December 31, 2012, we requested CIAC additions since the Order's issuance date. There were none. No exceptions were noted.

Accumulated Depreciation

Objectives: The objectives were to determine whether Accumulated Depreciation: 1) Accruals are properly calculated and recorded based on Rule 25-30,140 - Depreciation, F.A.C., 2) Retirements are recorded when an asset was replaced, 3) Adjustments required in the Utility's last rate proceeding were recorded in its books and records, and is 4) Recorded in compliance with the NARUC USOA.

Procedures: We obtained the beginning balances for water and wastewater Accumulated Depreciation as of December 31, 2012, from Commission Order PSC-13-0425-PAA-WS, issued September 18, 2013. We calculated depreciation accruals for each UPIS account to verify that the correct depreciation rates were used. We determined whether retirements were made when a capital asset was removed or replaced. We recalculated and determined the year end and simple average Accumulated Depreciation balances as of June 30, 2013. Our recommended adjustments to Accumulated Depreciation are discussed in Finding 2.

Accumulated Amortization of CIAC

Objective: The objectives were to determine whether Accumulated Amortization of CIAC: 1) Accruals are properly calculated and recorded based on Rule 25-30, 140 – Depreciation, F.A.C., 2) Retirements are recorded when a contributed asset was replaced, 3) Adjustments

required in the Utility's last rate proceeding were recorded in its books and records, and is 4) Recorded in compliance with NARUC USOA.

Procedures: We obtained the beginning balances for water and wastewater Accumulated Amortization of CIAC as of December 31, 2012. We calculated amortization accruals for each CIAC account to verify that the correct amortization rates were used. We recalculated and determined the year end and simple average Accumulated Amortization balances as of June 30, 2013. Our recommended adjustments to Accumulated Amortization of CIAC are discussed in Finding 3.

Working Capital

Objective: The objective was to determine the Working Capital adjustment to be included in Rate Base per Rule 25-30.433 – Rate Case Proceedings, F.A.C.

Procedures: We calculated the Working Capital adjustment for the test year ended June 30, 2013, using one-eighth of Operation and Maintenance (O&M) Expense as required by Rule 30.433(2), F.A.C. Our recommended adjustments to Working Capital are discussed in Finding 5.

Capital Structure

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

Procedures: We reviewed the cost of capital components of the Utility. We determined that the Utility's Capital Structure is composed only of Common Equity. We recalculated the component and cost rate using end of year balances. We prepared a schedule to reconcile Rate Base to the Utility's Capital Structure.

Net Operating Income

Revenues

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

Procedures: We determined the Utility's Revenues for the 12-months ending June 30, 2013, by tracing Revenues to the Utility's general ledger and billing reports. We verified that the Utility is using the Commission authorized tariff rates by recalculating a sample of residential and general service customers' bills in the test year. We prepared a billing analysis of the consumption from the billing reports. Our recommended adjustments to Revenues are discussed in Finding 4.

Operation and Maintenance Expense

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

Procedures: We reviewed O&M Expense for the test year. We reviewed invoices for proper amount, period, classification, support, recurring expense, and whether utility related. We compiled a schedule of all invoices by NARUC accounts. We determined the percentage allocations between water and wastewater. We also determined if any additional expenses are required and obtained estimates from the Utility for these items. Our recommended adjustments to O&M are discussed in Finding 5.

Depreciation Expense and CIAC Amortization Expense

Objectives: The objectives were to determine whether Depreciation Expense and CIAC Amortization Expense are properly calculated and recorded in compliance with the NARUC USOA.

Procedures: We calculated the Utility's Depreciation Expense and CIAC Amortization Expense for the test year ended June 30, 2013, using the rates established by Rule 25-30.140, F.A.C. Our recommended adjustments to Depreciation Expense and CIAC Amortization Expense are discussed in Findings 2 and 3.

Taxes Other than Income

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

Procedures: We verified water and wastewater TOTI for the 12 months ended June 30, 2013, by tracing to the original source documentation. The Utility does not pay Property Taxes because they do not own the land. We reviewed the 2012 Regulatory Assessment Fee (RAF) Returns.

Audit Findings

Finding 1: Utility Plant in Service

Audit Analysis: The Utility's water and wastewater UPIS balances are \$138,299 and \$147,414, respectively as of June 30, 2013. Order No. PSC-13-0425-PAA-WS established water and wastewater balances of \$134,536 and \$145,550, respectively, as of December 31, 2012.

In reconciling the prior Order to the Utility's general ledger, it was noted that the Utility did not book the Ordered adjustments of \$3,160, \$1,125, and \$1,644 to decrease Account 301 – Water Organization, to decrease Account 351 – Wastewater Organization, and to increase Account 371-Pumping Equipment respectively. Other adjustments include a decrease of \$603 to Account 310 – Power Generation and decrease of \$245 to Account 393 – Tools, Shops, and Garage Equipment. Both were additions to the respective accounts that were removed due to insufficient documentation.

A review of the Utility's invoices disclosed an invoice dated June 24, 2013, for a new starter to the lift station alarm totaling \$751. The purchase represents an asset replacement to Account 371. The retirement value of the asset was not recorded. Audit staff calculated a retirement value of \$563. Account 371-Pumping Equipment should be reduced by \$1,057 ((\$1,644+\$751-\$563)-\$2,888)).

Water and wastewater UPIS balances are adjusted to \$134,536 and \$144,987, respectively, as of June 30, 2013. The simple average water and wastewater UPIS balances are \$134,536 and \$144,894 as of June 30, 2013. Water and wastewater UPIS adjustments are summarized in Table 1-1 and Table 1-2.

**Table 1-1
Water Plant Balance
As of June 30, 2013**

Acct No.	Account Description	Balance Per Utility	Adjustments	Balance Per Audit
301	Organization	\$3,910	(\$3,160)	\$750
304	Structure and Improvement	5,000		5,000
307	Wells & Springs	31,912		31,912
309	Supply Mains	300		300
310	Power Generation Equipment	603	(603)	0
311	Pumping Equipment	4,735		4,735
311.1	Pumping Equipment	2,335		2,335
320	Water Treatment Equipment	7,800		7,800
320.1	Water Treatment Equipment	1,105		1,105
330	Distribution Reservoirs & Standpipes	1,500		1,500
331	Transmission & Distribution Mains	39,143		39,143
333	Services	7,675		7,675
334	Meter & Meter Installation	28,780		28,780
339	Other Plant & Misc. Equipment	3,501		3,501
	Total UPIS - Water	\$138,299	(\$3,763)	\$134,536

**Table 1-2
Wastewater Plant Balance
As of June 30, 2013**

Acct No.	Account Description	Balance Per Utility	Adjustments	Balance Per Audit
351	Organization	\$1,875	(\$1,125)	\$750
354	Structure & Improvement	6,080		6,080
360	Collection Sewers – Force	3,138		3,138
361	Collection Sewers – Gravity	69,483		69,483
361.1	Collection Sewers – Gravity	4,500		4,500
362	Special Collecting Structures	200		200
363	Services to Customers	5,145		5,145
364	Flow Measuring Devices	2,474		2,474
365	Flow Measuring Installations	2,540		2,540
370	Receiving Wells	16,000		16,000
371	Pumping Equipment	2,888	(1,057)	1,831
380	Treatment & Disposal Equipment	28,795		28,795
380.1	Treatment & Disposal Equipment	899		899
389	Other Plant & Misc. Equipment	2,949		2,949
393	Tools, Shop, & Garage Equipment	448	(245)	203
	Total UPIS - Wastewater	\$147,414	(\$2,427)	\$144,987

Effect on the General Ledger: An adjustment is needed as of June 30, 2013, to decrease water and wastewater UPIS balances by \$3,763 and \$2,427, respectively.

Effect on Staff's Exhibits: Decrease UPIS balances for water and wastewater by \$3,763 and \$2,427, respectively for the test year. The averaging adjustment increases wastewater UPIS by \$93.

Finding 2: Accumulated Depreciation and Depreciation Expense

Audit Analysis: The Utility's general ledger reflects Accumulated Depreciation balances of \$106,153 and \$95,726 for water and wastewater, respectively as of June 30, 2013. Order PSC-13-0425-PAA-WS issued September 18, 2013, established water and wastewater Accumulated Depreciation balances of \$104,221 and \$89,658 as of December 31, 2012.

Audit staff calculated Depreciation Expense for the test year using the depreciation rates prescribed in Commission Rule 25-30.140 F.A.C. to be \$4,792 and \$2,190 for water and wastewater, respectively. The water Depreciation Expense resulting from Finding 1 totals $((\$49)((\$3,910 * 2.50\%)/2))$ for Account 30 - Organization, and \$2,190 $((\$18)(\$603*5.88)/2)$ for Account 310 – Power Generation Equipment.

The wastewater Depreciation Expense resulting from Finding 1 totals (\$14) $((\$1,125 * 2.5\%)/2)$ for Account 351 – Organization, and (\$35) $((\$1,057 * 6.67\%)/2)$ for Account 371 – Pumping Equipment, in addition to the effect of the retirement amount of \$563 which reduced Accumulated Depreciation by the retirement amount for this specific account. In addition to (\$8) $((\$245 * 6.67\%)/2)$ for Account 393 – Tools, Shop, and Garage Equipment. Accumulated Depreciation is calculated to be \$106,618 for water and \$90,191 for wastewater as of June 30, 2013.

**Table 2-1
Water Accumulated Depreciation
As of June 30, 2013**

Acct No.	Account Description	Balance per Utility	Adjustment	Balance Per Audit
301	Organization	\$242	\$134	\$375
304	Structure & Improvement	242	2,441	2,683
307	Wells & Springs	104,221	(78,907)	25,314
309	Supply Mains	0	188	188
311	Pumping Equipment	242	3,383	3,624
311.1	Pumping Equipment	242	2,093	2,335
320	Water Treatment Equipment	242	7,558	7,800
320.1	Water Treatment Equipment	0	1,105	1,105
330	Distribution Reservoirs & Standpipes	242	1,258	1,500
331	Transmission & Distribution Mains	0	24,464	24,464
333	Services	0	7,020	7,020
334	Meter & Meter Installation	242	28,431	28,672
339	Other Plant & Miscellaneous Equipment	242	1,296	1,538
	Total	\$106,153	\$464	\$106,618

Finding 2 (cont'd)

**Table 2-2
Wastewater Accumulated Depreciation
As of June 30, 2013**

Acct No.	Account Description	Balance per Utility	Adjustment	Balance Per Audit
351	Organization	\$758	(\$383)	\$375
354	Structure & Improvement	758	5,322	6,080
360	Collection Sewers – Force	89,658	(86,520)	3,138
361	Collection Sewers – Gravity	758	18,023	18,782
361.1	Collection Sewers – Gravity	0	4,500	4,500
362	Special Collecting Structures	0	105	105
363	Services to Customers	0	4,620	4,620
364	Flow Measuring Devices	0	2,474	2,474
365	Flow Measuring Installation	758	658	1,416
370	Receiving Wells	758	15,242	16,000
371	Pumping Equipment	758	329	1,711
380	Treatment & Disposal Equipment	0	28,795	28,795
380.1	Treatment & Disposal Equipment	758	141	899
389	Other Plant & Misc. Equipment	758	959	1,717
393	Tools, Shop, & Garage Equipment	0	203	203
	Total	\$95,725	(\$5,534)	\$90,191

Effect on the General Ledger: An adjustment is needed as of June 30, 2013, to Accumulated Depreciation to increase the water balance by \$464 and decrease the wastewater balance by \$5,534.

Effect on Staff Prepared Exhibits: Increase Accumulated Depreciation by \$464 for water, and \$5,534 for wastewater. The averaging adjustment decreases Accumulated Depreciation by \$2,396 and \$266 for water and wastewater, respectively.

Increase Water Depreciation Expense by \$2,860 and decrease Wastewater Depreciation Expense by \$3,878 for the test year ended June 30, 2013.

Finding 3: Accumulated Amortization of CIAC

Audit Analysis: The Utility's water and wastewater Accumulated Amortization of CIAC balances are \$5,830 and \$11,929, respectively as of June 30, 2013. Commission Order PSC-13-0425-PAA-WS issued September 18, 2013, established water and wastewater Accumulated Amortization of CIAC balances of \$5,830 and \$6,099, respectively, as of December 31, 2012.

Audit Staff calculated Accumulated Amortization of CIAC for water and wastewater as of June 31, 2013, using the Order balances and applicable amortization rates to be \$6,075 and \$6,238, respectively. The Amortization of CIAC Expense for the test year is \$490 and \$278, for water and wastewater, respectively.

Effect on the General Ledger: An adjustment is needed as of June 30, 2013, to increase water accumulated amortization of CIAC by \$245 and to decrease wastewater accumulated amortization of CIAC by \$5,691.

Effect on Staff Prepared Exhibits: Increase Accumulated Amortization of CIAC by \$245 for water and decrease wastewater by \$5,691, as of June 30, 2013. The averaging adjustment decreases Accumulated Amortization of CIAC by \$245 and \$139 for water and wastewater, respectively.

Increase Amortization Expense by \$490 and \$278 for water and wastewater, respectively.

Finding 4: Operating Revenue

Audit Analysis: The Utility reported total water revenues of \$38,080 and total wastewater revenues of \$31,949. Table 5-1 shows the audit balances with the audit adjustments.

**Table 4-1
Water**

Customer Class	Meter Size	Per Utility	Per Audit	Adjustments	
Residential	5/8" Meter	\$35,111	\$35,603	\$492	(A)
Residential	1" Meter	2,085	1,989	(96)	(B)
General Service	5/8" Meter	854	730	(124)	(A)
Misc Rev		30	30	0	
Total		\$38,080	\$38,352	\$272	

Wastewater

Customer Class	Meter Size	Per Utility	Per Audit	Adjustments	
Residential	5/8" Meter	\$31,944	\$32,176	\$232	(A)
General Service	5/8" Meter	5	120	115	(A)
Total		\$31,949	\$32,296	\$347	

- A) These adjustments resulted from Staff's recalculation of the billing registers for these customers for the test year.
- B) From December 2012 – June 2013 (seven months), the Utility charged seven customers \$32.42 for a 1" meter rate. Audit Staff's review indicates that there are only three customers with a 1" meter. Revenues calculated for the 1" meter totaled \$1,989. This includes the gallonage charges.

Audit Staff Calculated Regulatory Assessment Fee (RAF) for the test year to be \$1,726 (\$38,352 * 4.5%) and \$1,453 (\$32,296 * 4.5%), for water and wastewater respectively. The Utility had not calculated RAF for the test year. Therefore, there was no adjustment to TOTI.

Effect on the General Ledger: None.

Effect on the Staff Prepared Exhibits: Increase water and wastewater Revenues by \$272 and \$347, respectively.

Finding 5: Operation and Maintenance Expense

Audit Analysis: The Utility reported O&M Expense balances for the test year of \$40,438 and \$34,389, for water and wastewater, respectively. Audit Staff calculated O & M Expenses for water and wastewater to be \$41,760 and \$43,474, respectively. Audit adjustments are summarized in Tables 5-1 and 5-2.

**Table 5-1
O&M Expense - Water
For the Year Ended June 30, 2013**

Acct. No.	Per Utility Balance	Audit Adjustments	Audit Amounts
601.00	\$1,799	\$0	\$1,799
603.00	1,727	0	1,727
615.00	1,916	739	2,655
616.00	437	(108)	329
61800	269	49	318
620.00	1,767	(926)	841
630.00	2,030	(2,030)	0
632.00	1,250	(1,250)	0
633.00	5,068	(2,448)	2,620
636.00	18,259	9,075	27,334
640.00	2,996	(428)	2,568
655.00	576	(54)	521
670.00	865	(865)	0
675.00	1,480	(433)	1,047
Total	\$40,438	\$1,322	\$41,760

Account 615 – Purchased Power is understated by \$739 (\$2,655-\$1,916). Invoices for all applicable electric bills of the water system for the test year total \$2,655.

Account 616 – Fuel For Power Production is overstated by \$108 (\$329-\$437). There is one invoice of \$329 that represents fuel for power production.

Account 618 – Chemicals is understated by \$49 (\$318-\$269). Invoices support \$318 for chemical expense.

Account 620 – Materials and Supplies is overstated by \$926 (\$841-\$1,767). Invoices support \$841 of Materials & Supplies.

Account 630 – Contractual Services – Professional is overstated by \$2,030 due to lack of documentation.

Account 632 – Contractual Services – Accounting is overstated by \$1,250. Invoices do not support \$1,250 of Contractual Services for Accounting.

Account 633 – Contractual Services – Legal is overstated by \$2,448 (\$2,620-\$5,068).

A review of legal contractual services indicate the allocation between water and wastewater is not correct. Water legal services should be \$2,620 and wastewater legal services should be \$2,620.

Account 636 – Contractual Services – Other is understated by \$9,075 (\$27,334 - \$18,259). We compiled all the invoices for operating the plant for a total of \$27,334.

Account 640 – Rent is overstated by \$428 (\$2,568-\$2,996). The land lease is \$5,136 annually. The audit staff allocated the rent equally between water and wastewater. The water allocation is \$2,568 per year.

Account 655 – Insurance Expense is overstated by \$54 (\$521 - \$576). We reviewed the invoice of \$1,043 for General Liability Insurance. We allocated the amount equally between water and wastewater. The water allocation is \$521 ($\$1,043 \times 50\%$) per year.

Account 670 – Bad Debt Expense is overstated by \$865. Documentation does not support bad debt expense of \$865.

Account 675 – Miscellaneous Expense is overstated by \$433 (\$1,047- \$1,480). The utility had no documentation for \$433.

**Table 5-2
O&M Expense - Wastewater
For the Year Ended June 30, 2013**

Acct. No.	Per Utility Balance	Audit Adjustments	Audit Amounts
701.00	\$1,799	\$0	\$1,799
703.00	849	0	849
711.00	0	2,500	2,500
715.00	3,519	1,336	4,855
718.00	404	393	797
720.00	77	63	140
730.00	18,230	(18,230)	0
733.00	1,334	1,286	2,620
736.00	4,824	21,817	26,640
740.00	0	2,568	2,568
750.00	19	(19)	0
755.00	424	97	521
770.00	638	(638)	0
775.00	2,273	(2,088)	185
Total	\$34,389	\$9,085	\$43,474

Account 711- Sludge Removal Expense is understated by \$2,500. Invoices for all applicable bills for sludge removal total \$2,500.

Account 715 – Purchased Power is understated by \$1,336 (\$4,855-\$3,519). Invoices for all applicable electric bills of the wastewater system for the test year total \$4,855.

Account 718 – Chemicals is understated by \$393. We compiled applicable chemical expense bills to be \$797.

Account 720 – Materials and Supplies is understated by \$63. Invoices support \$140 for Materials and Supplies expense.

Account 730 – Contractual Service – Billing is overstated by \$18,230. We reclassified the amount to Account 736 – Contractual Services – Other.

Account 733 – Contractual Services – Legal is understated by \$1,286. A review of legal contractual services indicate the allocation between water and wastewater is not correct. Water legal services should be \$2,620 and wastewater legal services should be \$2,620.

Account 736 – Contractual Services – Other is understated by \$21,817. We compiled the invoices of other contractual services and added the reclassification from Account 730.

Account 740 – Rent is understated by \$2,568. The land lease is \$5,136 annually. The audit staff allocated the rent equally between water and wastewater. The wastewater allocation is \$2,568 per year.

Account 750 – Transportation Expense is overstated by \$19 for lack of supporting documentation.

Account 755 – Insurance Expense is understated by \$97 (\$521- \$424). We viewed the invoice of General Liability Insurance to be \$1,043. We allocate the amount between water and wastewater. The wastewater allocation is \$521 ($\$1,043 \times 50\%$).

Account 770 – Bad Debt Expense is overstated by \$638. Documentation does not support bad debt expense of \$638.

Account 775 – Miscellaneous Expense is overstated by \$2,088 (\$185 - \$2,273). Documentation and invoices support \$185 for Miscellaneous Expense.

Audit staff calculated the Working Capital allowance of 1/8 of O&M for water and wastewater to be \$5,220 and \$5,434, respectively.

Effect on the General Ledger: None.

Effect on Staff Prepared Exhibits: O&M Expenses were increased by \$1,249 and \$9,085 for water and wastewater, respectively.

Exhibits

Exhibit 1: Rate Base

Lakeside Waterworks, Inc.

Water

Description	Balance Per Utility @6/30/2013	Adjustments	Balance Per Audit @6/30/2013	Averaging Adjustment	Simple Average Per Audit
Utility Plant In Service	\$138,299	(\$3,763)	\$134,536	\$0	\$134,536
Land and Land Rights	0	0	0	0	0
Contribution in-Aid-of-Construction	(13,776)	0	(13,776)	0	(13,776)
Accumulated Depreciation	(106,153)	(465)	(106,618)	(2,396)	(104,222)
Accumulated Amortization of CIAC	5,830	245	6,075	245	5,830
Working Capital		5,220	5,220	0	5,220
TOTAL	\$24,200	\$1,237	\$25,437	(\$2,151)	\$27,588

Wastewater

Description	Balance Per Utility @6/30/2013	Adjustments	Balance Per Audit @6/30/2013	Averaging Adjustment	Simple Average Per Audit
Utility Plant In Service	\$147,414	(\$2,427)	\$144,987	\$93	\$144,894
Land and Land Rights	0	0	0	0	0
Contribution in-Aid-of-Construction	(18,257)	0	(18,257)	0	(18,257)
Accumulated Depreciation	(95,726)	5,535	(90,191)	(266)	(89,925)
Accumulated Amortization of CIAC	11,929	(5,691)	6,238	139	6,099
Working Capital		5,434	5,434	0	5,434
TOTAL	\$45,360	\$2,851	\$48,211	(\$34)	\$48,245

Exhibit 2: Capital Structure

Lakeside Waterworks, Inc. Water and Wastewater Combined

Capital Component	Per Utility as of June 30, 2013	Adjustments	Per Audit as of June 30, 2013	Adjustment	Ratio	Balance	Ratio	Cost	Weighted Cost
Affiliate Payable	\$0	\$0	\$0	\$0	0.00%	\$0	0.00%	0.00%	0.00%
Long Term Debt	\$0	\$0	\$0	\$0	0.00%	\$0	0.00%	0.00%	0.00%
Common Equity	181,898	0	181,898	(106,065)	100.00%	75,833	100.00%	7.88%	7.88%
Customer Deposits	0	0	0	0	0.00%	0	0.00%	0.00%	0.00%
Total Capital	\$181,898	\$0	\$181,898	(\$106,065)	100.00%	\$75,833	100.00%		8.74%

Order No. PSC-13-0241-PAA-WS, issued June 3, 2013

Exhibit 3: Net Operating Income

Lakeside Waterworks, Inc.

Water

DESCRIPTION	PER UTILITY	ADJUSTMENT	PER AUDIT
OPERATING REVENUES	\$38,080	\$272	\$38,352
OPERATING EXPENSES:			
O & M EXPENSE	40,438	1,322	41,760
DEPRECIATION EXPENSE	1,932	2,860	4,792
CIAC AMORTIZATION	0	490	490
TAXES OTHER THAN INCOME	1,987	0	1,987
TOTAL OPERATING EXPENSES	44,357	4,672	49,029
NET OPERATING INCOME (LOSS)	(\$6,277)	(\$4,400)	(\$10,677)

Wastewater

DESCRIPTION	PER UTILITY	ADJUSTMENT	PER AUDIT
OPERATING REVENUES	\$31,949	\$347	\$32,296
OPERATING EXPENSES:			
O & M EXPENSE	34,389	9,085	43,474
DEPRECIATION EXPENSE	6,068	(3,878)	2,190
CIAC AMORTIZATION	0	278	278
TAXES OTHER THAN INCOME	1,706	0	1,706
TOTAL OPERATING EXPENSES	42,163	5,485	47,648
NET OPERATING INCOME (LOSS)	(\$10,214)	(\$5,138)	(\$15,352)