



October 10, 2016

Carlotta S. Stauffer, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RE: Docket No. 160065-WU; Application for an increase in water rates in Charlotte County by
Bocilla Utilities, Inc.
Our File No. 47016.04

Dear Ms. Stauffer:

The following is Bocilla Utilities, Inc.'s ("Utility") response to the Staff Audit Report:

Finding 1: Utility's Books and Records

Staff findings draw conclusions from invoices located for all distribution systems during the timeframe 2007 to 2015, this conclusion disallowed all costs for the distribution system from 1986 to 2007 (however all CIAC was included). This disallowed system comprises almost 8 miles of distribution lines. Since this is the Utility's first rate case original cost documentation is not available. The Utility is having an original cost study prepared to substantiate cost associated with these lines and also costs for which no invoices were available. The Utility expects that study to be completed the week of October 17 and it will be provided to the Staff.

Finding 2: Utility Plant in Service

As indicated in the Audit Analysis, staff has disallowed all costs for which no invoices were provided. This is placing an undue hardship on the Utility as costs incurred to construct the majority of the system have been ignored. An original cost study is being prepared to substantiate that the original cost as shown in the MFRs. The Utility expects the original cost study to show more original cost than the Utility has booked, therefore the Utility is requesting that the amount shown in its historical records be considered. As shown in Exhibit 2-1, the Utility has compared the MFR, staff findings and utility response. The Utility requests rate base as shown in Exhibit 2-1.

Finding 3: Plant Retirement

Although the Audit Report did not address the loss associated with the water plant, the Audit Report did address the issue of accumulated amortization in Item 6: Accumulated Amortization of CIAC (Contributions in aid of Construction). With the suggested changes proposed by audit staff (which the Utility concurs), it has an effect on the loss from abandonment of the water plant. This effect is illustrated in Exhibit 3-1. The Utility requests annual expense of this loss in accordance with Rule 25-30.433, F.A.C. Please see Finding 6 for a discussion of amortization.

Finding 4: Land and Land Rights

Audit staff made no recommendations on the cost of the land that the Utility's former plant and storage tank presently occupy. The Utility agrees that this property is no longer used and useful in providing service to existing customers so at this point the cost is irrelevant for ratemaking purposes.

Finding 5: Accumulated Depreciation

See Finding 2 for a discussion regarding cost of distribution lines from 1986 until December 31, 2015. The Utility's position is that the cost of distribution lines is correct, therefore all depreciation calculations are correct. The Utility erroneously has calculated depreciation in past years with the use of incorrect years of service, this amount is immaterial and as such should not be taken into account. Utility considers the depreciation as submitted to be correct and thus no additions or subtractions should be allocated to accumulated depreciation.

Finding 6: Accumulated Amortization

Audit staff determined that the Utility has used the wrong number of years to amortize the CIAC, the utility used 32.5 years instead of the correct number of 40 years, for years prior to 2011 and 43 years for each subsequent year. A complete amortization schedule as it relates to both the plant and distribution systems has been recalculated and is submitted as Exhibit 6-1. The audit staff when calculating the distribution systems accumulated amortization did not take into account the new amortization rate and thus used an incorrect accumulated amortization to subtract from the recalculated accumulated amortization, this results in an incorrect amount of accumulated amortization as a beginning balance for the distribution share after the plant is abandoned. Detailed amortization and depreciation schedules by year are available to Staff in excel upon request.

Finding 7: Working Capital

Utility is in agreement with the adjustment to working capital

Finding 8: Operation and Maintenance Expense

Utility disagrees with some items disallowed as unsupported, audit staff did not request any additional information regarding these items and disallowed without any request for a supporting invoice. The Utility has analyzed the work papers to determine the items disallowed and will submit invoices for as many items possible. Utility is in agreement with items shown as out of period. See attached Exhibit 8-1.

Capital Structure:

Although discussions were held with the audit staff regarding the capital structure and upon review of the loan note it was determined that loan proceeds were used for non-PSC activities, no adjustments were made

for this or loan costs that showed on the closing statement. The closing statement and note are part of audit staff working papers, even though staff indicated there were no exceptions they changed the interest rate from 5% to 4%. The note included in the work papers clearly indicates a loan rate of 4.5% and with loan fees was originally computed to be 5% as shown in the MFR. Upon review of the note and closing statement the Utility feels that the interest rate computed with closing costs should be 4.77% not 5%. Utility requests that this change be made in addition to the subtraction of the non PSC funds from the loan balance. Please see Exhibit CS-1.

Should you or Staff have any questions regarding this filing, please do not hesitate to give me a call.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Martin S. Friedman", with a long, sweeping underline that extends to the right.

MARTIN S. FRIEDMAN
For the Firm

MSF/

cc: Craig Noden (via email)
Ray Flischel (via email)
Margo Leathers, Esquire (via email)
Danielle Roth, Esquire (via email)
Charlie Johnson (via email)

BOCILLA UTILITIES, INC.
 DOCKET NUMBER 160065-WU
 UTILITY RESPONSE TO FIELD AUDIT REPORT
 ITEM:FINDING 2: RATE BASE
 SCHEDULE 2-1

	Per Utility MFR	Per Audit 2014	Per Audit 2015	Response 2014	Response 2015	Simple Avg.	Notes:
UPIS	1,182,756	566,434	608,851	1,090,860	1,186,651	1,138,756	(A)
Construction In Progress	42	-	-	42	42	42	
Land and Land Rights	44,000	44,000	44,000				
Less Acc Depreciation	(349,108)	83,020	96,844	(339,410)	(358,888)	(349,149)	(B)
Less CIAC	(458,848)	(457,348)	(460,348)	(457,348)	(460,348)	(458,848)	(D)
Plus Acc. Amortization CIAC	225,846	112,166	122,858	178,728	190,165	184,447	(F)
Working Capital	45,466	45,466	44,823	45,466	44,823	45,145	(G)
Total	690,154	393,738	457,028	518,338	602,445	560,392	

Note (A)

During Field Audit, staff only allowed items for which invoices were provided, all distribution costs before 2007 were disallowed, utility is providing an engineering original cost study that shows utility's total distribution system with an estimated cost of \$ This amount exceeds utility's cost for the system, therefore the original cost as shown in the MFR should be used in the calculation of rate base.

Note (B)

By using the original cost of the utility, the depreciation schedule as submitted to field auditors should be used, although there are minor differences in depreciation years, timing and amounts are immaterial therefore amounts as submitted should be used. In the staff report the accumulated depreciation is added to rate base instead of subtracted, this has been corrected in response.

Note (D)

Field auditors counted all CIAC from 1986 to present, even though no capital expenditures were allowed on the majority of the complete distribution system. By using the cost study and replacing the cost of the system all CIAC should be used.

Note (F)

Field auditors re calculated all amortization based on a correct number of amortization years of 40, as the utility had used 32.5 in error. Based on the re calculation this also changes accumulated amortization each year. Field staff used the utilities accumulated amortization in calculating amount allocated to plant abandonment. This results in using an incorrect amount as the accumulated amortization changed with the recalculation of yearly amortization by staff. A complete schedule of amortization and accumulated amortization is attached as Schedule 1.

**BOCILLA UTILITIES, INC
DOCKET # 16006S-WU
RESPONSE TO FIELD AUDIT REPORT
ITEM: FINDING 3: PLANT RETIREMENT
SCHEDULE 3-1**

NET LOSS CALCULATION:

Total Plant Cost	993,703	
Accumulated Depreciation	(431,004)	
CIAC	(667,778)	
Accumulated Amortization	255,818	Note A
Salvage Value	<u>(60,000)</u>	

NET LOSS 90,739

Annual Depreciation net of Amortization of CIAC	17,534	Note A
Rate of Return Requested	6.17%	Note B
Rate Base of Plant	<u>179,198</u>	
Allowed Rate of Return if not abandoned	<u>11,057</u>	
 Total	 28,591	

CALCULATION OF AMORTIZATION PERIOD:

Net Loss as a ratio to the above total	119,198/28.591
Amortization Period	4.17

CALCULATION OF ANNUAL EXPENSE PER RULE 25-30.433(9), F.A.C.

Net Loss	90,739
Amortization Period	<u>4.17</u>
Annual Expense	<u><u>21,760</u></u>

Note A: Please see reponse to Finding 6: Accumulated Amortization of CIAC, as this changes the amount of accumulated amortization

Note B: Please review response to Capital Structure, as this changes the rate of return requested

BOCILLA UTILITIES, INC 000
 DOCKET # 160065-WU
 RESPONSE TO FIELD AUDIT REPORT
 ITEM: FINDING 6: ACCUMULATED AMORTIZATION
 SCHEDULE 6-1
 PAGE 1 OF 2

	59.83%	40.17%	100.00%
Original MFR filing:	Plant	Distribution System	Total
Accumulated Amortization 2013	311,142	208,901	520,043
Amortization Expense 2014	14,518	9,747	24,265
Abandoned Plant	<u>(325,659)</u>		<u>(325,659)</u>
Accumulated Amortization 2014	0	218,649	218,649
Amortization 2015		<u>14,228</u>	<u>14,228</u>
Accumulated Amortization 2014		<u>232,877</u>	<u>232,877</u>

	59.83%	40.17%	100.00%
Per Staff Field Audit Report	Plant	Distribution System	Total
Accumulated Amortization 2013	246,413	165,442	411,855
Amortization Expense 2014	15,538	10,433	25,971
Abandoned Plant	<u>(325,659)</u>		<u>(325,659) Note A</u>
Accumulated Amortization 2014	(63,708)	175,875	112,167
Amortization 2015		<u>10,691</u>	<u>10,691</u>
Accumulated Amortization 2014		<u>186,566</u>	<u>122,858</u>

Note A: Although staff used a different amortization schedule, when it came to abandonment of plant staff reverted back to accumulated amortization under the old MFR amortization schedule, this produces as can be seen from the above chart a negative amount in the accumulated amortization of plant. This is corrected in the below chart by using the staff recommendations for years of service, a complete new amortization schedule as indicated in Schedule 6-1, thus resulting in the proper amount of accumulated amortization allocated to both plant and distribution system, thus allowing for the proper amount of amortization to be allocated for loss on plant abandonment. The utility requests the below chart be used in calculating amortization and accumulated amortization in agreed with staff recommendations for years of service.

Staff also changed years of service for amortization in 2011 to 43 year amortization, the attached schedule reflects this change but not retro active to all years before 2011, 40 years is continued for all years before 2011.

BOCILLA UTILITIES, INC

Docket #160065-WU/CAN 16-187-2-1

Test Year Ended December 31, 2015

Documentation - Unsupported Expenses

	Date	Amount	Receipt/Invoice		Notes
			Yes	No	
<i>Expense Item:</i>					
Electric Bill - account #89302 46374	03/31/15	76.40	X		Florida Power and Light
Capital One	11/20/15	35.06	X		Barracuda Bill's - Fuel (10/14/15)
Capital One	11/20/15	345.81	X		Home Depot (Part of \$397.71 total charge 10/15/15)
Ace of Cape Haze	01/20/15	345.81		X	Expense not found
Sanders Labs	12/24/15	30.00	X		Inv #048999 12/2/15
650 Unknown Payee	02/02/15	79.49		X	Capital One Charge - No Receipt
650 Unknown Payee	01/20/15	93.62	X		Capital One Charge -Barracuda Bill's (12/8/14)
<i>Miscellaneous Expense Item</i>					
675.11 Internet Charges	01/20/15	134.19		X	Capital One Auto Payments: Efax Services \$16.95 + Evoice \$12.99 + Amazon \$24.39 & \$79.94 (12/2014)
675.12 Unknown Payee	01/20/15	79.86		X	Capital One Auto Payments: Intuit Payroll \$45.00 + Intuit Quickbooks \$13.47 + Amazon \$21.39 (12/2014)
675.19 All Ways Better Storage	06/25/15	94.16	X		Automatic Monthly Bill Pay - Englewood Bank & Trust
675.19 All Ways Better Storage	12/21/15	94.16	X		Automatic Monthly Bill Pay - Englewood Bank & Trust
675.3 Ace Hardware of Cape Haze	07/06/15	1,236.56	X		Valves: Item #4540480/James Stoner (07/02/15)
675.4 Charlotte County Tax Collector	01/15/15	25.00		X	Capital One Charge - FDEP (11/25/15)



FPL
GENERAL MAIL FACILITY
MIAMI FL 33188-0001

BOCILLA INC
214 S GULF BLVD # RO PLANT
PLACIDA FL 33946

Mar 11, 2015 Electric Bill

For: Feb 11, 2015 to Mar 11, 2015 (28 days)

Service Address
214 S GULF BLVD # RO PLANT
PLACIDA, FL 33946
office@bocillautilities.com
Account Number 89302-46247

Questions? Contact Us
Reliable energy is affordable energy.
Learn how we save you money at fpl.com/savings

BOCILLA INC:
Here's what you owe for this billing period.

Amount of your last bill	\$600.84
Payments	-\$340.00
New charges due by Apr 2, 2015	\$76.40
Total amount you owe	\$337.24

Amount of your last bill	600.84
Payment received - Thank you	-340.00
Balance before new charges	\$260.84
NEW CHARGES	
Rate: GSD-1 GENERAL SERVICE DEMAND	
Customer charge:	\$19.48
Non-fuel: (\$0.020360 per kWh)	\$1.14
Fuel: (\$0.034180 per kWh)	\$1.91
Demand: (\$10.61 per KW)	\$42.44
Electric service amount	64.97
Storm charge	0.05
Gross receipts tax	1.67
Franchise charge	4.07
Florida sales tax	4.93
Discretionary sales surtax	0.71
Taxes and charges	11.43
Total new charges	\$76.40
Total amount you owe	\$337.24

Meter Summary

Meter reading - Meter KJ47812	Next meter reading Apr 10, 2015
Current reading	00094
Previous reading	-00038
kWh used	56
Demand reading	4.25
Demand KW	4

Energy Usage Comparison

	This Month	Last Month
Service to	Mar 11, 2015	Feb 11, 2015
kWh Used	56	98
Service days	28	21
kWh/day	2	4
Amount	\$76.40	\$245.96

Keep In Mind

- Payments received after April 02, 2015 are considered late; a late payment charge, the greater of \$5.00 or 1.5% of your past due balance will apply. Your account may also be billed a deposit adjustment.

Keep Florida beautiful together



We're bringing even more solar energy to your community. Learn how

Your FPL.com upgrade is here



We're making things better. See what we've done so far. Take a look

Energy Answers for your business



Does heating use more energy than cooling? Get answer

Useful Links

[Billing and service details](#)
[Energy News](#)
[View back of the bill](#)

Important Numbers

Customer Service:	1-800-375-2434
Outside Florida:	1-800-226-3545
To report power outages:	1-800-4OUTAGE (468-8243)
Hearing/speech impaired:	711 (Relay Service)

EXPRESS PAY
WELCOME

Barracuda Bill's
Placida FL
33946

DATE 10/14/15 08:05
TRAN# 9104585
PUMP# 10
SERVICE LEVEL: SELF
PRODUCT: REGUNL
GALLONS: 16.800
PRICE/G: \$ 2.119
FUEL SALE \$ 35.60
CREDIT \$35.60

Visa
XXXXXXXXXXXX0906
Auth #: 093286
Resp Code: 0
Stan: 01791091932
Invoice #: 234473
Shift #: 1

Store #
SITE ID: FE121264170
01

THANK YOU
HAVE A NICE DAY



More saving.
More doing.™

3941 TAMiami TRAIL
PUNTA GORDA, FL 33950 (941)5759799

6950 00056 99590 10/03/15 12:12 PM
CASHIER SELF CHECK OUT - SCOT56

046396013224 RYOBI 2800 <A>	329.00
2800 PSI RYOBI HONDA POW CON PW 15	
046396550804 FITTING 	5.47
3/8" PLUG X F-M22 FOR PW	
648846003498 VAC ACCY 	12.97
RIDGID 1-7/8" CREVICE TOOL/BRUS	
731919189103 100DISBNIT 	15.77
BLUE NITRILE DISP GLOVES 100PK - FG	
046396550811 COUPLER 	8.48
3/8" M-M22 COUPLER FOR PW	

SUBTOTAL	371.69
SALES TAX	26.02
TOTAL	\$397.71

XXXXXXXXXXXX0639 VISA USD\$ 397.71

AUTH CODE 050360/8562678 TA
 Chip Read
 AID A0000000031010 Capital One Visa
 TVR 8080008000
 IAD 06010A03601000
 TSI 6800
 ARC 00

P.O.#/JOB NAME: CRAIG



6950 56 99590 10/03/2015 1327

RETURN POLICY DEFINITIONS

POLICY ID	DAYS	POLICY EXPIRES ON
A	7	30 11/02/2015
B	1	90 01/01/2016

THE HOME DEPOT RESERVES THE RIGHT TO
 LIMIT / DENY RETURNS. PLEASE SEE THE
 RETURN POLICY SIGN IN STORES FOR
 DETAILS.

Sanders Laboratories, Inc.

A subsidiary of South East Analytical Laboratories, Inc.

1050 Endeavor Court

Nokomis, FL 34275

(941) 488-8103 fax (941) 484-6774

Invoice

Date	Invoice#
12/2/2015	048999

BILL TO
Bocilla Utilities Accounts Payable 7025 Placida Rd, Unit A Englewood, FL 34224

REPORT TO
Bocilla Utilities 7025 Placida Rd, Unit A Englewood, FL 34224

	P.O. NO.	TERMS	PROJECT
		Due Upon Receipt	

Description	Price	QTY	Amount
Lab Project N1511346			
Total Coliform - 11/30/15	\$15.00	2	\$30.00
SubTotal			\$30.00

Remit Payment To: Sanders Laboratories, Inc.
1050 Endeavor CT
Nokomis, FL 34275

Total

\$30.00

To ensure proper credit to your account please include invoice # with your payment

-Invoices over 30 days may be charged interest at the rate of 18% per year. We gladly accept credit cards with a 3% up charge. Clients that require collection actions will be responsible for any and all collection costs incurred, including attorney's fee.

AS

BUI (1012)
846
12/24/15

EXPRESS PAY
WELCOME

Barracuda Bill's
FL

DATE 12/08/14 13:28
TRAN# 9082238
PUMP# 08
SERVICE LEVEL: SELF
PRODUCT: REGUNL
GALLONS: 35.475
PRICE/G: \$ 2.639
FUEL SALE \$ 93.62
CREDIT \$93.62

Visa
XXXXXXXXXXXX0906
Auth #: 010212
Resp Code: 0
Stan: 0074280680
Invoice #: 81862
Shift #: 1

Store # 00000000974
6116
SITE ID: FE121264170
01

THANK YOU
HAVE A NICE DAY

Account #: DDA-0210011012

PERIODIC STATEMENT

Bocilla Utilities Inc

Jun 30, 2015

Transaction Information (continued)

Date	Check#	Description	Debit Amount	Credit Amount
06/16		ACH Debit PREM PYMTS BRIDGEFIELD CASU	493.23	
06/19		ACH Debit ONLINE PMT CAPITAL ONE CARD Internet Initiated Transaction-	8,734.43	
06/19		ACH Debit ONLINE TRF Payroll	2,993.29	
06/22		ACH Debit USATAXPYMT IRS	1,170.07	
06/25		ACH Debit ONLINE PMT ALL-WAYS BETTER Internet Initiated Transaction-	94.16	
06/26		ACH Debit ONLINE TRF Payroll	2,905.06	
06/26		ACH Debit ONLINE PMT ACE OF CAPE HAZE Internet Initiated Transaction-	173.50	
06/29		ACH Debit USATAXPYMT IRS	1,142.58	
06/30		Miscellaneous Debit	52.99	
06/30		ACH Debit ONLINE PMT ALEJANDRA M. JUF Internet Initiated Transaction-	1,343.00	
06/03		Deposit		1,106.30
06/04		Deposit		992.97
06/10		Deposit		1,911.19
06/12		Deposit		1,545.64
06/19		Deposit		6,270.18
06/19		Deposit		4,282.72
06/26		Deposit		5,204.91
06/26		Deposit		1,056.00

Check Information

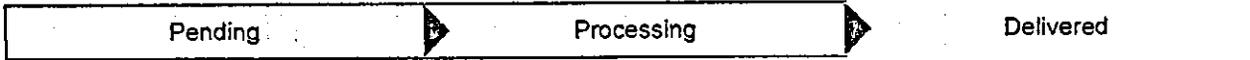
Date	Check#	Amount	Date	Check#	Amount
06/11	25755	435.32	06/09	25784 *	761.77
06/09	25778 *	69.70	06/04	25785	1,464.44
06/10	25779	1,470.00	06/16	25786	501.32

* Indicates a break in the Check number order.



1111 S McCall Road Englewood FL 33223-4229
 Call 475-6771
 BANKING (941) 473-2266
 Out of town BANKING (888) 472-6661
 www.inglewoodbankandtrust.com





All-Ways Better Stora
All-Ways Better Storage
*#318

Check #5654 was mailed to All-Ways Better Storage for receipt by Jun 25, 2015.

Pay From BUI-CHECKING *1012

Amount \$94.16

Withdraw On Info Not Available



Confirmation J8DH5-RHLLM

Account #: DDA-0210011012

PERIODIC STATEMENT

Bocilla Utilities Inc

Dec 31, 2015

Transaction Information (continued)

Date	Check#	Description	Debit Amount	Credit Amount
12/14		ACH Debit USATAXPYMT IRS	1,145.42	
12/15		ACH Debit PREM PYMTS BRIDGEFIELD CASU	361.13	
12/18		ACH Debit ONLINE TRF Payroll	3,062.82	
12/21		ACH Debit USATAXPYMT IRS	1,183.96	
12/24		ACH Debit ONLINE TRF Payroll	3,042.22	
12/24		ACH Debit ONLINE PMT USABLUEBOOK Internet Initiated Transaction-	197.16	
12/24		ACH Debit ONLINE PMT ALL-WAYS BETTER Internet Initiated Transaction-	94.16	
12/24		ACH Debit ONLINE PMT SANDERS LABORATO Internet Initiated Transaction-	60.00	
12/28		ACH Debit USATAXPYMT IRS	1,177.66	
12/31		ACH Debit ONLINE TRF Payroll	3,083.51	
12/31		ACH Debit ELEC PYMT FPL DIRECT DEBIT	39.93	
12/02		Deposit		1,000.00
12/02		Deposit		603.11
12/10		Deposit		4,233.84
12/11		Deposit		1,104.73
12/17		Deposit		4,122.32
12/17		Deposit		3,000.00
12/23		Deposit		10,000.00
12/23		Deposit		5,748.35
12/23		Deposit		4,142.16

Check Information

Date	Check#	Amount	Date	Check#	Amount
12/07	25811	19,932.93	12/23	25815	2,550.00
12/21	25812	116.78	12/30	25817 *	3,000.00
12/03	25814 *	1,464.44			

* Indicates a break in the Check number order.

Page: 2



1111 S McCall Road, Englewood, FL 34223-4229
 (941) 475-8771
 Ext 100 (941) 473-2265
 24 hr. Inland (800) 427-8851
 www.inglewoodbankandtrust.com



Pending

Processing

Delivered

All-Ways Better Stor
All-Ways Better Storage
*#318

Check #5697 was mailed to All-Ways Better Storage for receipt by Dec 24, 2015.

Pay From BUI-CHECKING *1012

Amount \$94.16

Withdraw On Info Not Available

CHECK 

DELIVERED

Dec
24

Confirmation JWBJS-SHDFR

CRAIG NODEN

From: ACE HARDWARE OF CAPE HAZE INC <acehaze@comcast.net>
Sent: Thursday, July 02, 2015 10:47 AM
To: craig.noden@gmail.com
Subject: Valve Order - Bocilla Utilities

Hi Craig

Thanks for stopping in this morning. I ordered the 34 units we spoke about and they should arrive here on Thursday 7/9. I also have a call into my District Manager to get the other 30 you needed and to verify the consistency of supply info for you.

When the first batch arrives and we get them off the truck, we will give John a call so he can pick them up.

Your total for this order would be

Item #4540480	Dual Check Valve	34 at \$33.99 each	subtotal	1155.66
			sales tax	80.90
			Grand Total	1236.56

Thanks for your business Craig. Always good to see you. Have a great time in Michigan!

Jim

James L. Stoner, Owner
Ace Hardware of Cape Haze, Inc.
8501 Placida Rd. Unit #6
Cape Haze, Florida 33946
Phone (941) 697-1669
Fax (941) 697-3171
Email acehaze@comcast.net



BUI (2012)
_____ UNCLASSIFIED
C.E. 7/6/15

BOCILLA UTILITIES, INC.

07/06/2015

Ace of Cape Haze

25792

Duel Check Valve 34 @ \$33.99 each (+ tax)

1,236.56

106 (EBT) Operating

1,236.56

PRODUCT DLT103

USE WITH 91683 ENVELOPE

A



105 C28ADD CHDPOX02 04/03/2014 08:23

BOCILLA UTILITIES, INC.
DOCKET NUMBER 160065-WU
UTILITY RESPONSE TO FIELD AUDIT
ITEM: CAPITAL STRUCTURE
SCHEDULE S-1

Capital Components	Balance Staff 12/31/2015	Balance Staff 12/31/2014	Simple Average	Rate Base	Percentage of Rate Base	Rate	Composite Rate	
Long Term Debt	988,002	1,022,450	1,005,226	1,005,226	82.30	4.00	3.29	SEE NOTE A
Common Equity	192,205	240,097	216,151	216,151	17.70	11.16	1.98	
Total Equity and Debt	1,180,207	1,262,547	1,221,377	1,221,377	100		5.27	

Capital Components	Balance Staff 12/31/2015	Balance Staff 12/31/2014	Simple Average	Rate Base	Percentage of Rate Base	Rate	Composite Rate	
Long Term Debt	729,660	764,108	746,884	746,884	77.56	4.73	3.67	See Note B
Common Equity	192,205	240,097	216,151	216,151	22.44	11.16	2.50	
Total Equity and Debt	921,865	1,004,205	963,035	963,035	100		6.17	

Note A:

Per field audit report, all numbers in this report reflect data reported in the audit report

Note B: Utility Response

The Utility is in agreement with all calculations as in regards to capital and has the following objection to long term debt amounts. During field audit it was discussed with audit staff that a portion of the loan was used to complete the interconnection with Knight Island Utilities, this was substantiated with cost allocation and loan documentation, this amount of the loan is non PSC and as such should not be included in the capital structure computation. Thus the capital structure as shown should produce a rate of return due equal to 6.17%

Additionally loan costs were discussed with the audit staff and provided, in the form of the closing document. This document is enclosed in staff work papers. It indicates the loan interest rate is 4.5% with closing costs of \$12,027. In using these numbers a interest rate of 4.73% is established based on a five year balloon note. This interest rate is used in the above computations.