

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-

DATE: May 2, 2018

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 20180022-WU
Company Name: Pine Harbour Waterworks, Inc.
Company Code: WU978
Audit Purpose: A1b: Staff Assisted Rate Case
Audit Control No.: 2018-047-1-1

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 Commission Clerk. There are no confidential work papers associated with this audit.

LMD/cmm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

State of Florida



Public Service Commission

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

Auditor's Report

Pine Harbour Waterworks, Inc.
Staff-Assisted Rate Case

Twelve Months Ended December 31, 2017

Docket No. 20180022-WU
Audit Control No. 2018-047-1-1
April 12, 2018

A handwritten signature in black ink, reading "Donna D. Brown", written over a horizontal line.

Donna D. Brown
Audit Manager

A handwritten signature in blue ink, reading "Marisa N. Glover", written over a horizontal line.

Marisa N. Glover
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 and Finance in its audit service request dated February 15, 2018. We have applied these procedures to the attached schedules prepared by the audit staff in support of Pine Harbour Waterworks, Inc.'s request for a Staff-Assisted Rate Case in Docket No.20180022-WU.

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

Objectives and Procedures

General

PHWI/Utility refers to Pine Harbour Waterworks Inc.

Test Year refers to the twelve months ended December 31, 2017.

NARUC refers to the National Association of Regulatory Utility Commissioners.

USOA refers to the NARUC Uniform Systems of Accounts as adopted by Rule 25-30.115 – Uniform System of Accounts for Water and Wastewater Utilities, Florida Administrative Code (F.A.C.).

Background

Pine Harbour Waterworks, Inc. is a Class C utility serving prior to the transfer, approximately 64 residential water customers in Lake County.

The Utility has been under Commission jurisdiction since 1985, when it was known as Pine Harbour. The certificate was subsequently transferred to Pine Harbour Water Utilities, LLC. On October 6, 2008. Ownership changed again to its current owners in Docket Number 20160169-WU, on February 2, 2017. Rate base was last established as of April 12, 1990. However the net book value was determined for the transfer.

Utility Books and Records

Objectives: The objective was to determine whether the Utility maintains its books and records in conformity with NARUC USOA.

Procedures: We reviewed the Utility's accounting system by examining the records provided for this proceeding and compared them to the 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 into service, and 4) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

Procedures: We reconciled the beginning balances for UPIS, as of June 29, 2016 from Order No. PSC-2017-0043-PAA-WU to the general ledger. We traced asset additions to supporting documentation. We ensured that retirements were made when an asset was removed or replaced. We determined the year-end and simple average balances as of December 31, 2017. Findings 1 and 4 discuss our recommended adjustments to UPIS.

Land & Land Rights

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

Procedures: We reconciled the beginning balances for land, as of June 29, 2016 from Order No. PSC-2017-0043-PAA-WU to the general ledger. We scheduled land activity from December 2015 through December 31, 2017. We verified that the land is owned by the Utility and determined that there have been no changes to the Utility's cost of land since transfer. We determined the year-end and simple average balances as of December 31, 2017. 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, and 3) Adjustments required in the Utility's last rate proceeding were recorded in its books and records.

Procedures: We reconciled the beginning balances for accumulated depreciation, as of June 29, 2016 from Order No. PSC-2017-0043-PAA-WU to the general ledger. We calculated annual accruals to accumulated depreciation using the depreciation rates established by Rule 25-30.140(2), F.A.C., from December 31, 2015 to December 31, 2017. We determined the year-end and simple average balances as of December 31, 2017. Findings 2 and 4 discuss our recommended adjustments to accumulated depreciation.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to determine whether contributions in aid of construction (CIAC): 1) Consist 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, and 4) Adjustments in the Utility's last rate proceeding were recorded to its books and records.

Procedures: We reconciled the beginning balances for CIAC, as of June 29, 2016 from Order No. PSC-2017-0043-PAA-WU to the general ledger. We scheduled additions from December 31, 2015 to December 31, 2017. We verified the amounts collected. We determined the year-end and simple average balances as of December 31, 2017. No exceptions were noted.

Accumulated Amortization of CIAC

Objectives: 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, and 3) Adjustments required in the Utility's last rate proceeding were recorded to its books and records.

Procedures: We reconciled the beginning balances for amortization of CIAC, as of June 29, 2016 from Order No. PSC-2017-0043-PAA-WU to the general ledger. We calculated annual accruals to accumulated amortization of CIAC using the composite rate calculated by audit staff,

from December 31, 2015 to December 31, 2017. We determined the year-end and simple average balances as of December 31, 2017. Finding 3 discusses our recommended adjustment to accumulated amortization of CIAC.

Working Capital

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

Procedures: We calculated the Utility's working capital balance as of December 31, 2017 using one-eighth of operation and maintenance expense as required by Rule 25-30.433 (2), F.A.C. Finding 6 discusses our recommended adjustment to working capital.

Capital Structure

Objectives: The objectives were to determine the: 1) Components of the Utility's capital structure, 2) Cost rate 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 determined that the Utility's capital structure consists of common equity and customer deposits. We determined the year-end and simple average Capital Structure balance and its weighted average cost as of December 31, 2017. No exceptions were noted.

Net Operating Income

Operating Revenue

Objectives: 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 NARUC USOA.

Procedures: We determined individual customer consumption for the test year ended December 31, 2017, using the Utility's monthly customer billings. We calculated test year revenues based on billing determinants and compared our calculated revenue amount to the revenues reflected in the general ledger. We determined whether the Utility is charging its authorized tariff rates. We also determined the number of miscellaneous service charges by type. We calculated miscellaneous service charges by multiplying the Commission approved tariff by the number we determined and traced the amounts to the general ledger. Finding 5 discusses our recommended adjustment to operating revenues.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether operation and maintenance expenses (O&M) are: 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 the invoices provided in support of the Utility's O&M expense for the test year. We ensured all expenses were correctly classified, and verified that they were recurring in nature. Findings 6 discusses our recommended adjustments to O&M expense.

Depreciation and Amortization

Objectives: The objectives were to determine whether the Utility's depreciation and CIAC amortization expense is properly calculated using the Commission authorized rates.

Procedures: We compiled a schedule from audited UPIS items and recalculated depreciation for the test year based on depreciation rates authorized by Rule 25-30.140, F.A.C. We also recalculated amortization of CIAC for the test year using Commission approved rates for the test year. Findings 2 and 3 discuss our recommended adjustments to depreciation and amortization expense.

Taxes Other than Income

Objectives: The objectives were to determine whether taxes other than income expense (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 utility services, and 4) Recorded in compliance with NARUC USOA.

Procedures: We scheduled TOTI based on documentation provided by the Utility. We included property taxes and regulatory assessment fees (RAF) for the test year and confirmed their utility classification. We recalculated RAFs using the approved RAF rate and the audited revenue balances. Finding 7 discusses our recommended adjustments to TOTI.

Audit Findings

Finding 1: Utility Plant in Service

Audit Analysis: According to the Utility’s general ledger the UPIS balance was \$93,021 as of December 31, 2017. In a Utility provided invoice for repaired roof damage from a hurricane in 2017, audit staff noted the amount of \$1,076.51 was recorded in Account 320 – Water Treatment Equipment. According to NARUC, Account 320 pertains to the “cost installed of apparatus, equipment and other facilities used for the treatment of water. This invoice was inadvertently recorded to account 320 instead of Account 304 – Structures and Improvements.

Audit staff increased Account 331-Mains and Account 334-Meters for an installation of a 2” line and a ¾” meter in the amount of \$5,475 and \$82, respectively that went into service in December 2016 and was not booked by the utility into plant. The customer reimbursed the utility for actual cost of installing the 2” line and the utility charged the customer an additional \$82 for meter installation. The utility did increase CIAC by these amounts. Audit staff recalculated utility plant in service, as shown in Table 1-1.

Table 1-1

Acct. No.	Acct. Name	Utility Balance 12/31/2017	Audit Adjustment	Audit Balance 12/31/2017	Simple Average
301	Organization	\$ 500	\$ -	\$ 500	\$ 500
303	Land and Land Rights	\$ 5,000	\$ -	\$ 5,000	\$ 5,000
304	Structures and Improvements	\$ 8,241	\$ 1,077	\$ 9,318	\$ 6,093
307	Wells and Springs	\$ 7,763	\$ -	\$ 7,763	\$ 7,763
308	Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -	\$ -
309	Supply Mains	\$ 6,885	\$ -	\$ 6,885	\$ 6,885
311	Pumping Equipment	\$ 16,314	\$ -	\$ 16,314	\$ 16,314
320	Water Treatment Equipment	\$ 1,427	\$ (1,077)	\$ 350	\$ 350
330	Distribution Reservoirs and Standpipes	\$ 15,811	\$ -	\$ 15,811	\$ 15,811
331	Transmission and Distribution Mains	\$ 22,468	\$ 5,475	\$ 27,943	\$ 27,943
333	Services	\$ 5,692	\$ -	\$ 5,692	\$ 5,692
334	Meters and Meter Installations	\$ 3,373	\$ 82	\$ 3,455	\$ 3,449
335	Hydrants	\$ 4,547	\$ -	\$ 4,547	\$ 4,547
	Subtotal	\$ 98,021	\$ 5,557	\$ 103,578	\$ 100,347
303	Less Land	\$ 5,000	\$ -	\$ 5,000	\$ 5,000
	Total	\$ 93,021	\$ 5,557	\$ 98,578	\$ 95,347

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

Effect on the Filing: Audit staff determined UPIS to be \$98,578, and the simple average UPIS to be \$95,347, as of December 31, 2017.

Finding 2: Accumulated Depreciation and Depreciation Expense

Audit Analysis: According to the Utility’s general ledger, the accumulated depreciation balance was \$70,927 as of December 31, 2017 and test year depreciation expense was \$2,113. Due to the misclassification of \$1,076.51 recorded in UPIS Account 320 – Water Treatment Equipment, instead of Account 304 – Structures and Improvements, an adjustment is necessary. This adjustment is due to Account 304 – Structures and Improvements having a 3.70 percent depreciation rate and Account 320 – Water Treatment Equipment having a 5.88 percent depreciation rate. In addition, audit staff noted that the depreciation expense calculated is minimal because the current owners have not made any substantial improvements and plant assets consist of aging plant.

Due to the Utility inadvertently not including the CIAC amounts related to the 2” installation line and ¾” meter, an adjustment should be made to include the accumulated depreciation and depreciation expense.

Audit staff recalculated accumulated depreciation and depreciation expense, as shown in Tables 2-1 and 2-2.

Table 2-1

Acct. No.	Acct. Name	Utility Balance 12/31/2017	Audit Adjustment	Audit Balance 12/31/2017	Simple Average
301	Organization	\$ 400	\$ -	\$ 400	\$ 394
304	Structures and Improvements	\$ 785	\$ 78	\$ 863	\$ 750
307	Wells and Springs	\$ 7,044	\$ (0)	\$ 7,044	\$ 6,900
308	Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -	\$ -
309	Supply Mains	\$ 3,013	\$ 1	\$ 3,013	\$ 2,906
311	Pumping Equipment	\$ 16,314	\$ -	\$ 16,314	\$ 16,314
320	Water Treatment Equipment	\$ 420	\$ (70)	\$ 350	\$ 350
330	Distribution Reservoirs and Standpipes	\$ 12,047	\$ (0)	\$ 12,047	\$ 11,807
331	Mains	\$ 18,791	\$ 155	\$ 18,946	\$ 18,579
333	Services	\$ 5,115	\$ 0	\$ 5,115	\$ 5,034
334	Meters and Meter Installations	\$ 3,363	\$ 169	\$ 3,532	\$ 3,447
335	Hydrants	\$ 3,637	\$ 0	\$ 3,637	\$ 3,580
	Total	\$ 70,927	\$ 332	\$ 71,260	\$ 70,060

Table 2-2

Acct. No.	Acct. Name	Utility Balance Depreciation 12/31/2017	Audit Adustment	Audit Balance Depreciation 12/31/2017
301	Organization	\$ 13	\$ -	\$ 13
304	Structures and Improvements	\$ 148	\$ 77	\$ 225
307	Wells and Springs	\$ 287	\$ -	\$ 287
309	Supply Mains	\$ 215	\$ 1	\$ 216
311	Pumping Equipment	\$ -	\$ -	\$ -
320	Water Treatment Equipment Distribution Reservoirs and	\$ 70	\$ (70)	\$ -
330	Standpipes Transmission and Distribution	\$ 479	\$ -	\$ 479
331	Mains	\$ 591	\$ 144	\$ 735
333	Services	\$ 163	\$ -	\$ 163
334	Meters and Meter Installations	\$ 34	\$ 165	\$ 199
335	Hydrants	\$ 114	\$ -	\$ 114
	Total	\$ 2,113	\$ 317	\$ 2,431

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

Effect on the Filing: Audit staff determined accumulated depreciation and depreciation expense to be \$71,260 and \$2,431 respectively for the test year ended December 31, 2017. We also determined the simple average for accumulated depreciation to be 70,060.

Finding 3: Accumulated Amortization of CIAC and Amortization Expense

Audit Analysis: According to the Utility’s general ledger, the accumulated amortization of CIAC balance was \$57,037 as of December 31, 2017 and test year amortization expense was \$133. Prior to the addition to CIAC in 2016 by the Utility, the balance of CIAC was \$56,883 and was fully amortized. The addition in 2016 to CIAC is specific to plant accounts and should be amortized at the same rate the addition to PIS is depreciated. Therefore, audit staff calculates the increase in accumulated amortization of CIAC specific to the addition to be \$161 and the amortization of CIAC specific to the addition for 2017 to be \$149. Therefore the audit balance of accumulated amortization of CIAC at December 31, 2017 is \$57,044 (\$56,883+\$161). Audit staff recalculated accumulated amortization of CIAC and amortization expense, as shown in Tables 3-1 and 3-2.

Table 3-1

Acct. No.	Description	Utility Balance Accum. Amortization 12/31/2017	Audit Adjustment	Audit Balance Accum. Amortization 12/31/2017
272	Accumulated Amortization of CIAC	\$ 57,037	\$ 7	\$ 57,044
	Total	\$ 57,037	\$ 7	\$ 57,044

Table 3-2

Acct. No.	Acct. Name	Utility Balance Amortization 12/31/17	Audit Adjustment	Audit Balance Amortization 12/31/17
	Amortization Expense	\$ 133	\$ 16	\$ 149
	Total	\$ 133	\$ 16	\$ 149

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

Effect on the Filing: Audit staff determined accumulated amortization of CIAC and amortization expense to be \$57,044 and \$149, respectively for the test year ended December 31, 2017. We also determined the simple average for accumulated amortization of CIAC to be \$56,970.

Finding 4: Meter Replacement

Audit Analysis: While testing the customer bills, audit staff noted several meters that appeared to have rolled over. Audit staff requested the limit at which a meter rolls back to zero. The Utility informed audit staff that the meters did not roll over, but were replaced. It was determined that the Utility replaced approximately 44 meters between August and December of 2017 at a total cost of \$1,930.28. Audit staff does not know the original cost of the meters, therefore, we followed Commission practice and retired the meters at 75 percent of the known cost. We determined the retired meters to be \$1,447.71 ($\$1,930.28 \times 0.75$). We also determined a balance of \$483 for the meters ($\$1,930.28 - \$1,447.71$), as of December 31, 2017.

For Accumulated Depreciation, audit staff utilized the half year conversion method to determine the additions and retirements in the amount of \$57 and \$1,490.27. Due to the retirement, we noted that accumulated depreciation has a debit balance

The Utility did not record these on the books, but plans to record them in March 2018. Audit staff recalculated the utility plant in service, accumulated depreciation and depreciation for the additional meters, as shown in Tables 4-1 and 4-2.

Table 4-1

Acct. No.	Acct. Name	Balance as of 12/31/2017	Audit Adjustment	GL Balance as per 12/31/2017	Simple Average
334	Meters and Meter Installations	\$ 483	\$ (483)	\$ -	\$ 241
	Total	\$ 483	\$ (483)	\$ -	\$ 241

Table 4-2

Acct. No.	Acct. Name	Audit Balance Accum. Dep. 12/31/17	Simple Average	Audit Balance Depreciation 12/31/17
334	Meters and Meter Installations	\$ (1,434)	\$ (717)	\$ 14
	Total	\$ (1,434)	\$ (717)	\$ 14

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

Effect on the Filing: Audit staff determined UPIS to be \$483, and the simple average UPIS to be \$241, as of December 31, 2017. We also determined accumulated depreciation and depreciation expense to be \$1,434 and \$14, respectively for the test year ended December 31, 2017. We also determined the simple average for accumulated depreciation to be \$717.

Finding 5: Operating Revenue

Audit Analysis: The Utility's general ledger reflected operating revenue of \$23,286 for the twelve months ended December 31, 2017. Audit staff recalculated revenue by determining the number of customer bills and gallons used on the utility billing register. We noted in the billing register that the adjustments totaled \$505.42. These adjustments were due to leaks and customer complaints. In addition, a supervisor for the Utility inadvertently thought that several customer were billed incorrectly and made an adjustment. However, it was later determined that the customers were billed correctly and an adjustment was made to reverse the initial adjustment. Audit staff did not include any adjustments in the audit staff's balance. We also determined the number of miscellaneous service charges and reconciled them to the Commission approved tariff rates. In addition, we noted that there are timing differences between the billing register and the general ledger.

Audit staff recalculated the operating revenue, as shown in Table 5-1.

Table 5-1

NARUC	Description	Utility Bal 12/31/17	Audit Adj	Audit Bal 12/31/2017
461.1	Metered Water Revenue	\$ 22,418	\$ 1,356	\$ 23,774
		\$ 22,418	\$ 1,356	\$ 23,774
471.1	Initial Connect Fees	\$ 110	\$ -	\$ 110
471.2	Reconnection Fees	\$ 65	\$ -	\$ 65
474.4	Late Fees	\$ 670	\$ -	\$ 670
474.5	Credit Card Fees	\$ 23	\$ -	\$ 23
		\$ 868	\$ -	\$ 868
	Grand Total	\$ 23,286	\$ 1,356	\$ 24,642

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

Effect on the Filing: Audit staff determined the operating revenues to be \$24,642 for the test year ended December 31, 2017.

Finding 6: Operations and Maintenance Expense

Audit Analysis: According to the Utility's general ledger, \$22,886 is recorded for Operation and Maintenance for twelve months ended December 31, 2017. Audit staff determined that Account 657 – Insurance – General Liability contained a \$200 policy fee in addition to the premium. We could not determine if this is a fee charged to cover initial costs or a recurring fee, so we removed it. Audit staff determined O&M expenses to be \$22,686 as shown in Table 6-1.

Table 6-1

Acct. Nos.	Acct. Description	Balance Per Utility	Adjustment	Balance Per Audit
603	Salaries & Wages - Officers	\$ 3,200	\$ -	\$ 3,200
615	Purchased Power	\$ 939	\$ -	\$ 939
618	Chemicals	\$ 540	\$ -	\$ 540
632	Contractual Services - Accounting	\$ 350	\$ -	\$ 350
633	Contractual Services - Legal	\$ 1,045	\$ -	\$ 1,045
636	Contractual Services - Other	\$ 15,367	\$ -	\$ 15,367
657	Insurance- General Liability	\$ 1,112	\$ (200)	\$ 912
670	Bad Debt Expense	\$ 217	\$ -	\$ 217
675	Miscellaneous Expense	\$ 116	\$ -	\$ 116
	Total	\$ 22,886	\$ (200)	\$ 22,686
	Working Capital Adjustment	\$ -	\$ 2,836	\$ 2,836

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

Effect on the Filing: Audit staff determined that Operation and Maintenance expense to be overstated by \$200 and should be reduced to \$22,886 for the test year ended December 31, 2017. Working Capital was determined to be \$2,836.

Finding 7: Taxes Other than Income

Audit Analysis: According to the Utility's general ledger, the Taxes Other than Income balance was \$1,517 as of December 31, 2017. In Finding 5, Audit staff recommended an adjustment to increase revenues by \$1,356. Regulatory Assessment Fees (RAF) should be increased by \$61 ($\$1,356 \times 0.045$). Audit staff determined that the TOTI balance was \$1,578 as shown in Table 7-1.

Table 7-1

Description	Per Utility	Adjustments	Per Audit
Real Property Tax	\$ -	\$ 469	\$ 469
Tangible Property Tax	\$ 469	\$ (469)	\$ -
Payroll Tax	\$ -	\$ -	\$ -
Regulatory Assessment Fees (RAF)	\$ 1,048	\$ 61	\$ 1,109
Other	\$ -	\$ -	\$ -
Total	\$ 1,517	\$ 61	\$ 1,578

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

Effect on the Filing: Audit staff determined the TOTI to be \$1,578 for the test year ended December 31, 2017.

Exhibits

Exhibit 1: Rate Base

**PINE HARBOUR WATERWORKS, INC.
STAFF-ASSISTED RATE CASE
DOCKET NO. 20180022-WU; ACN 2018-047-1-1
SCHEDULE OF RATE BASE
AS OF DECEMBER 31, 2017**

Description	Utility Balance 12/31/2017	Audit Adjustments	Audit Balance 12/31/2017	Simple Average per Audit 12/31/2017
Utility Plant in Service	\$ 93,021	\$ 6,040	\$ 99,061	\$ 95,589
Land	\$ 5,000	\$ -	\$ 5,000	\$ 5,000
Accumulated Depreciation	\$ (70,927)	\$ 1,101	\$ (69,826)	\$ (69,343)
Contributions in Aid of Construction	\$ (62,440)	\$ -	\$ (62,440)	\$ (62,440)
Accumulated Amortization of CIAC	\$ 57,037	\$ 7	\$ 57,044	\$ 56,970
Working Capital Allowance:	\$ -	\$ 2,836	\$ 2,836	\$ 2,836
RATE BASE	\$ 21,691	\$ 9,984	\$ 31,675	\$ 28,612

Exhibit 2: Capital Structure

Pine Harbour Waterworks, Inc.
Staff Assisted Rate Case
As of December 31, 2017
Dkt: 20180022-WU ACN: 2018-047-1-1

Description	Simple Average Balance per Utility 12/31/2017	Audit Adjustments	Simple Average Balance per Audit 12/31/2017	Ratio	Cost Rate	Weighted Cost
Long Term Debt	\$ -	-	\$ -	0.00%	0.00%	0.00%
Short Term Debt	\$ -	-	\$ -	0.00%	0.00%	0.00%
Common Equity	\$ 33,018	-	\$ 33,018	99.83%	8.74%	8.73%
Customer Deposits	\$ 56	-	\$ 56	0.17%	2.00%	0.00%
Total Capital	\$ 33,074	\$ -	\$ 33,074	100.00%		8.73%

Exhibit 3: Net Operating Income

PINE HARBOUR WATERWORKS, INC.
STAFF-ASSISTED RATE CASE
DOCKET NO. 20180022-WU; ACN 2018-047-1-1
SCHEDULE OF NET OPERATING INCOME
FOR TEST YEAR ENDED DECEMBER 31, 2017

Description	Balance per Utility 12/31/2017	Audit Adjustments	Balance per Audit 12/31/2017
Operating Revenues	\$ 23,286	\$ 1,356	\$24,642
Operation & Maintenance Expenses	22,886	(200)	22,686
Depreciation Expense	2,113	331	2,444
Amortization Expense	(133)	(16)	(149)
Taxes Other than Income	1,517	61	1,578
Income Tax Expense	-	-	-
Total Operating Expenses:	\$ 26,383	\$ 176	\$ 26,559
Net Operating Income (Loss)	\$ (3,097)	\$ 1,180	\$ (1,917)