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December 17, 1996

VIA FEDERAL EXPRESS

Blanca Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Betty Easley Building, Room 110  
Tallahassee, Florida 32399-0850

RE: Application for Rate Increase in Duval, Nassau, and St. Johns  
Counties by United Water Florida Inc., Docket No. 960451-WS

Dear Ms. Bayo:

In connection with the above-referenced matter, please find enclosed for filing an original and seven copies of United Water Florida Inc.'s Comments of United Water Florida Inc. To Audit Report Rate Audit Ended December 31, 1995 by the Florida Public Service Commission. Please file the original and distribute the copies in accordance with your usual procedures.

If you have any questions or comments regarding this matter, please do not hesitate to call.

Sincerely yours,

*Scott G. Schildberg*

Scott G. Schildberg

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- ACK
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- Mr. James L. Ade

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for Rate Increase )  
in Duval, Nassau, and St. Johns )  
Counties by United Water Florida )  
Inc. )

DOCKET NO. : 960451-WS

Date Submitted for  
Filing: December 17, 1996

**COMMENTS OF UNITED WATER FLORIDA INC. TO AUDIT REPORT  
RATE AUDIT YEAR ENDED DECEMBER 31, 1995  
BY THE FLORIDA PUBLIC SERVICE COMMISSION**

United Water Florida Inc., a Florida corporation (hereinafter referred to as "United Water Florida" or the "Company"), by and through its undersigned attorneys, makes the following responses to certain audit exceptions contained in that certain Audit Report Rate Audit Year Ended December 31, 1995, Audit Control Number 96-214-1-2 ("Audit Report"):

Comment to Audit Exception No. 1

In Audit Exception No. 1, the Auditor states that the Company's general ledger does not follow the Uniform System of Accounts ("USOA") and the table provided by the Company to cross reference the general ledger accounts to the USOA does not fully comply with the USOA.

United Water Florida does maintain its accounts and records in conformity with the NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners ("NARUC"). NARUC's accounting instructions state that:

the numbers prefixed to the account titles [in the USOA] are solely for the convenience of reference and are not a part of the titles. Each utility may adopt such scheme of account numbers as it deems appropriate....

Uniform System of Accounts for Class A Water Utilities 1984, National Association of Regulatory Utility Commissioners ("Water USOA"), page 15, paragraph 3D; Uniform System of Accounts for Class A Sewer Utilities 1984, National Association of Regulatory Utility Commissioners ("Wastewater USOA"), page 15, paragraph 3D (emphasis added).

In accordance with the accounting instruction, United Water Florida keeps readily available (i) a list of the account numbers and subdivisions of accounts which it uses, and (ii) a reconciliation of such account numbers and subdivisions with the USOA account numbers and titles.

United Water Florida originally belonged to family of utility companies under the General Waterworks Corporation. The utility companies were located in several states and subject to the jurisdiction of several regulatory agencies. The General Waterworks family of utility companies used a standard account numbering system so that the performances, capital requirements, and budgets of the utility companies, and other such items could be compared and analyzed using data arranged in a consistent format. The accounting system data allowed the utility companies to properly plan and budget and the central management to compare the needs and performances of the utility companies. Such standardized information is essential for the operation and oversight of the utility companies.

Since the merger with United Water Resources, the United Water family of utility companies is adopting a standard accounting system. The new system is primarily the same as the existing accounting system from the General Waterworks family with some minor revisions. As mentioned above, such standardized information gathering system is

necessary for the operation and oversight of the utility companies, which are located in 13 states and subject to the oversight and rules of multiple jurisdictions.

It is United Water Florida's position that its cross reference table is sufficient to provide a reconciliation. United Water Florida did discover a few inconsistencies in its cross reference table during the audit. However, such minor matters did not preclude the usefulness of the cross reference table. United Water Florida has corrected such inconsistencies. United Water Florida will reflect the final changes to its accounting system in its cross reference table. By the use of the cross reference table, United Water Florida's information will continue to be able to be converted to the account numbers suggested by USOA for Commission review. United Water Florida is providing information in accordance with the USOA and will continue to do so in the future.

#### Comment to Audit Exception No. 2

United Water Florida complies with NARUC accounting instructions for maintaining its books and records, including the books and records of its plant accounts.

United Water Florida maintains its plant accounts in its Plant, Depreciation Reserve, and Accumulated Depreciation Schedule ("Plant Schedule"). United Water Florida also maintains the books, records, and memoranda that support the entries in the Plant Schedule with its records of Investment Work Orders, Invoices, Retirement Work Orders, Florida Public Service Commission Orders, and supporting documentation for journal entries. The books, records and memoranda readily will furnish full information as to any item included in the Plant Schedule. Such information includes the NARUC plant account numbers, description of the asset, facility location, investment work order number, project number, direct cost, overheads, and interest during construction.

United Water Florida owns and operates its functionally related facilities as a single utility system. Accordingly, each facility and portion thereof, is a part of the single utility system. The Plant Schedule, as supported by the other books, records and memorandum discussed above, provides sufficient information for the single utility system to satisfy the informational requirements of the Company's policy on Continuing Property Records.

Therefore, United Water Florida is complying with NARUC accounting instructions and will continue to do so.

Comment for Audit Exception No. 3

In the Statement Of Fact for Audit Exception No. 3, the Audit Report states that United Water Florida did not use a monthly discounted rate to calculate monthly AFUDC charges, but instead divided the AFUDC rate by 12 and calculated monthly charges. The report also notes that United Water Florida did not use the approved AFUDC rate of 11.12% as of January 1, 1995, but used an AFUDC rate of 14.83%.

United Water Florida notes that it has used the Commission established AFUDC rate of 11.12% effective January 1, 1995. The 11.12% rate which the Commission established included an equity portion of 5.91%. In accordance with Financial Accounting Standard ("FAS") No. 109, Financial Accounting Standards Board, the equity portion was grossed up for the federal and state income tax due on the equity portion, which resulted in increasing the overall AFUDC rate to 14.83%. However, the deferred taxes relating to the gross-up of the equity portion of the AFUDC rate were recorded as deferred taxes relating to FAS 109, and consequently were not included in the capital structure of United Water Florida at zero cost. According to the calculation set forth on Attachment 1, that difference

is \$26,453. The difference in the AFUDC rate resulting from the using 1/12 of the 11.12% AFUDC rate as opposed to using the discount rate is 0.044124%.

Comment to Audit Exception No. 4

In Audit Exception No. 4, the Auditor referred to nine corrections and provided a schedule of the Auditor's recalculated 13 Month Average capital structure of United Water Florida and United Waterworks Inc.

United Water Florida has provided a schedule on a 13 Month Average basis of the capital structures of United Water Florida and United Waterworks Inc., set forth in Attachment 2, page 1. Also, attached as Attachment 3 is a schedule of United Waterworks Inc.'s long term debt cost, which shows that United Waterworks Inc.'s long term debt cost is 8.72%.

Although United Water Florida has provided capital structure information on a 13 Month Average basis, it is United Water Florida's position that it is more appropriate to use a year end balance for capital structure because any revenues resulting from this rate filing will not be collected until June 1997 or later if the phase-in of rates is used. A year end capital structure is appropriate to avoid the regulatory lag associated with an average capital structure. There should be no earnings loss associated with Company investment necessary to continue to provide good service to customers. Accordingly, United Water Florida has provided a schedule of United Water Florida's and United Waterworks Inc.'s capital structures on a 1995 year end basis in Attachment 2, pages 2 and 3.

The Commission should use United Water Florida's schedule of capital structure on a 1995 year end basis set forth in Attachment 2, pages 2 and 3.

Comment to Audit Exception No. 5

It is United Water Florida's position that it is more appropriate to use a year end balance for rate base because any resulting revenues from this rate filing will not be collected until June 1997 or later if the phase in of rates is used. A year end rate base is appropriate to avoid the regulatory lag associated with an average rate base. There should be no earnings loss associated with Company investment necessary to continue to provide good service to customers. Accordingly, United Water Florida prepared MFR Schedules A-1 and A-2 using year end rate bases, as clearly indicated in the column headings of the schedules.

The Commission should use year end rate bases for both water and wastewater. Therefore, no 13 Month Average schedules of rate bases should be required.

Comment to Audit Exception No. 6

Audit Exception No. 6 relates to \$23,776 in Property [Held] for Future Use and suggests that the \$23,776 should be removed from rate base.

The \$23,776 relates to two items. One item is a five (5) acre tract of land acquired in the acquisition of the facilities of Greenland Utilities. The second item is an easement acquired in the acquisition of the facilities of Ponte Vedra Utilities Company.

In Commission Order No. 20945, issued March 27, 1989, Docket No. 880658-WS, the Commission required that the five (5) acres of land and its accompanying \$15,000 value be booked to Property Held for Future Use. The land was originally the site of a wastewater treatment facility that has since been retired. United Water Florida anticipates that the usefulness of the five acres can be realized at a future date.

In Order No. PSC 93-1819-FOF-WS, issued December 22, 1993, Docket No. 930204-WS, the Commission required that the easement and its accompanying value of \$8,776.00 be booked to Property Held for Future Use. The easement is needed for a force main providing effluent disposal, and, therefore, is useful and should not be removed from rate base.

Consequently, only \$15,000, at the most, should be removed from rate base.

Comment to Audit Exception No. 7

Audit Exception No. 7 relates to depreciation and sets forth two major points in concluding that the Company's accumulated depreciation is understated.

First, the Audit Exception discusses United Water Florida's change in depreciation rates in 1986 and claims that the change in rates caused underdepreciation of sewer plant in the MFRs and the General Ledger.

Second, the Audit Exception discusses United Water Florida's account for "Reserve for Depreciation prior to 1982". The Audit Exception concludes that the balance of this account (\$3,129,090) was written off by 1985.

Reserve for Depreciation Prior to 1982 Account

The Audit Exception statement that the \$3,129,090 was written off by 1985 is in error. At December 31, 1982, United Water Florida had a balance of \$3,129,090 for accumulated depreciation in its account for Reserve for Depreciation prior to 1982. The activity in that account during 1983 and 1984 is as follows:

Balance 12/31/82	\$	3,129,090
Retirements		(204,591)
Cost of Removal		( 23,605)
Balance 12/31/83		2,900,894
Retirements		(121,168)



Cost of Removal  
Balance 12/31/84

( 52,230)  
2,727,496

This amount was reclassified in 1985 to the appropriate depreciation plant accounts shown as follows:

<u>Plant Account</u>	<u>Amount</u>
303.5	\$ 30,447
352.1	(35,126)
352.2	2,084,499
353	333,033
354	(9,652)
361	(95,685)
362	(3,028)
363	(151,536)
365	73,956
371	(124,442)
372	542,857
374	57,229
375	24,944
	<u>\$ 2,727,496</u>

Accordingly, the amount of \$3,129,090 in the account for Reserve for Depreciation prior to 1982 has been properly removed because of retirement or transferred to the appropriate plant depreciation account and no change is required.

#### Change in Depreciation Rates in 1986

United Water Florida has already addressed the issue of the change in its depreciation rates in its response to Audit Exception No. 8, Rate Base Activity Audit for the Fourteen Years Ended December 31, 1994, Undocketed, Audit Control No. 93-216-1-1 ("Rate Base Audit"), a copy of which is attached as Attachment No. 4. In Audit Exception No. 8, Rate Base Audit, the Audit Staff sought to reduce the amount of accumulated depreciation of wastewater plant accounts by \$173,981 with a debit adjustment, which is the opposite of the suggested revision in Audit Exception No. 7 to increase wastewater

accumulated depreciation. As shown in Attachment No. 4, including its schedules 2, 3, and 4, United Water Florida's depreciation rates, including its rates since 1986, are consistent with the rates approved in its last rate case.

Therefore, there should be no change to United Water Florida's wastewater accumulated depreciation.

Comment to Audit Disclosure No. 1

RENT

The Company will make the adjustments of \$51,330 relating to rent for water and wastewater as set forth in Audit Disclosure No. 1.

#641 Rent - Sewer	\$ 51,330
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#741 Rent - Water	(\$ 51,330)
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The Company also will adjust its pro forma numbers that were included in the pool of expenses that was adjusted by the Gross Domestic Implicit Price Deflator of 2.4% and 2.5% for 1996 and 1997, respectively.

INSURANCE

The Company will correct the mistitled expense account by changing its title from Insurance-Water to Travel-Water.

#656 Insurance - Water	(\$ 10,580)
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#675 Travel - Water	\$ 10,580
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LIFE INSURANCE

The USOA provides for the recovery of expenses related to life insurance. Account numbers 604 and 704 of the USOA provides support for payments for employee accident, sickness, hospital and death benefits or insurance therefor. Life insurance is a part of the

overall compensation package for employees. The cost of Life Insurance is an appropriate cost of doing business and the Company appropriately has included these numbers in United Water Florida's cost of service.

#604 Life Insurance for Officers and Employees - Water	\$5,336
#704 Life Insurance for Officers and Employees - Sewer	\$12,451

Such costs should not be removed from the Company's Operation and Maintenance Expenses.

### MISCELLANEOUS EXPENSES

These costs are appropriate and have been included in United Water Florida's cost of service. The USOA provides for the recovery of expenses related to industry and association dues. Specifically, items 1 and 2 listed under account numbers 675 and 775 of the USOA provide support for the recovery of industry and association dues for memberships and contributions for conventions and meetings of the industry. Membership in professional societies keeps the Company informed about current and emerging issues in the industry. Membership in local business societies helps to keep the Company informed about changes in the area, provides the Company with a forum to inform the business community of upcoming changes, and cultivates personal relationships which are useful for the Company in solving or avoiding disputes. Membership in professional societies and local business societies help the Company to serve their customers better.

## Comments to Audit Disclosure No. 2

### INVESTOR RELATIONS

Investor Relations expenses include the expenses related to (i) financial reporting to shareholders, the Securities and Exchange Commission, and the Internal Revenue Service; (ii) expenses relating to annual meeting of shareholders; and (iii) shareholder mailings. The USOA provides for the recovery of expenses related to shareholder relations and reporting activities. Specifically, items 3, 4, 5, 6, 7, 8, and 9 listed under account numbers 675 and 775 of the USOA provides support for the recovery of the shareholder relations and reporting activities expenses. Recoverable expenses include trustee, registrar and transfer agent fees and expenses; stockholder meeting expenses; dividend and other financial notices; printing and mailing dividend checks; directors' fees and expenses; publishing and distributing annual reports to stockholders; and communication service not chargeable to other accounts. These costs are appropriate since they are a legitimate cost of doing business which probably would be much higher if United Water Florida was an unaffiliated entity, and, therefore, should be included in United Water Florida's costs of service.

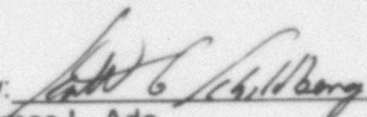
United Water Florida states that the base year amount of \$78,112 for Investor Relations Expense should have been split between water and wastewater based on the levels of rate bases. Accordingly, the 1995 base year levels for Investor Relations Expenses for water and wastewater should be \$23,434 and \$54,678, respectively. The Investor Relations Expenses were included in the pool of expenses that was adjusted by the Gross Domestic Implicit Price Deflator of 2.4% and 2.5% for 1996 and 1997, respectively.

While the costs for Investor Relations Expenses should be reallocated between water and wastewater, the costs should be included in approved expenses.

DATED this 17th day of December, 1996.

Respectfully submitted,

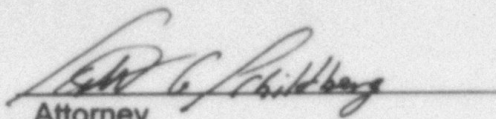
MARTIN, ADE, BIRCHFIELD &  
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Telephone: (904) 354-2050

Attorneys for United Water  
Florida Inc.

### CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original and seven copies of the Comments of United Water Florida Inc. To Audit Report Of the Year Ended December 31, 1995 by the Florida Public Service Commission have been furnished by Federal Express this 17th day of December, 1996 to Blanca Bayo, Director, Division of Records and Reporting, Florida Public Service Commission, 2450 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and a copy of the foregoing has been furnished to Rosanne G. Capeless, Attorney for the Staff of the Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and to Harold McLean, Esquire, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee, Florida 32399-1400, by U.S. Mail, this 17th day of December, 1996.

  
Attorney

Audit Exception No. 3

United Water Florida Inc

1995 AFUDC Income as shown on United Florida's Income Statement

	(1) Total	(2) WW	(3) Water	(4) Rate	Gross-Up
Interest/Debt	115,978	79,810	36,168	6.21%	5.21%
Equity Portion	214,641	147,657	66,984	6.91%	9.62%
Total	<u>330,619</u>	<u>227,467</u>	<u>103,152</u>	<u>11.12%</u>	<u>14.83%</u>

Total Construction (Above AFUDC amounts divided by Rates in Column 4)

Debt	2,226,666	1,531,862	694,203
Equity	2,230,660	1,534,658	696,192
Total	<u>4,456,915</u>	<u>3,066,520</u>	<u>1,390,395</u>

AFUDC using rate of 11.12%

Interest/Debt	115,978	79,810	36,168
Equity Portion	131,843	90,608	41,146
Total	247,821	170,508	77,313
Plant Difference	82,798	66,969	25,839
Different Methods**	1,967	1,353	613
Total Difference	<u>84,764</u>	<u>68,312</u>	<u>26,453</u>

\*\* Difference x Construction:

Discount Rate	0.882543%
1/12 Annual Rate	0.926667%
Difference	<u>-0.044124%</u>

United Water Florida  
Audit Exception No. 4

The Company's calculations regarding the 13-month averages for 1995 are shown below.

United Waterworks Inc. - 13-month Averages

Source	for 1995	Percentage	Cost	Weighted Cost
D-5, page 3	\$ 217,731,546	54.40%	8.72%	4.75%
	1,952,405	0.49%	6.41%	0.03%
D-2, Page 3	811,000	0.20%	5.00%	0.01%
D-2, Page 3	179,117,000	44.82%	11.57%	5.19%
<b>Total</b>	<b>399,611,890</b>	<b>100.00%</b>		<b>8.89%</b>

United Water Florida - 13-Month Averages

Source	Capital Structure	Company's Equity allocated from Parent above	United Water Florida 13-month Capital Structure	Ratio
Long-term debt		32,354,976	32,354,976	52.40%
Short-term debt		290,128	290,128	0.47%
Preferred stock		120,515	120,515	0.20%
Common Equity	D-2, Page 2	26,616,843	26,616,843	43.18%
Customer deposits	D-2, Page 2	8,133	8,133	0.01%
* Investment tax		1,234,033	1,264,038	2.05%
* Accumulated Def. Income Tax		960,755	960,755	1.58%
<b>Total</b>		<b>61,636,383</b>	<b>61,636,388</b>	<b>100.00%</b>
* Accept Staff's calculation				



However, the above notwithstanding, United Water Florida believes the appropriate capital structure should be based on year-end 1995. This is appropriate because any resulting revenues from its rate filing will not begin to be collected until June, 1997. The year-end capital structure is developed below.

United Waterworks Inc. - Year-end 1995

Item:	From Schedule D-2, Page 3 12/31/95 Y/E (\$000's)	Portion	Cost	Wghtd Cost
Long-term debt	225,877	55.64%	8.72%	4.85%
Short-term debt	-			
Minority Interest	797	0.20%	5.00%	0.01%
Common Equity	179,117	44.16%	11.61%	5.13%
Total	405,691	100.00%		9.99%

United Water Florida Year-end 1995

Item	From D-2, Pg 2
Common Equity	65,244,106
Customer Deposits	7,900
Accum. Def. Inc. Taxes	917,179
Investment Tax Credit	1,246,516
Total	67,415,701

Since United Waterworks Inc. provides all of the equity to the Company, the Company will adopt for its common equity the characteristic of its Parent as shown above resulting in the following year-end capital structure.

Item:	Amount	Ratio	Cost	Wghtd Cost
Long-term debt	36,302,813	53.85%	8.72%	4.70%
Customer deposits	7,900	0.01%	0.07	0.00%
Investment Tax Credit	1,246,516	1.85%	9.99%	0.18%
Deferred Income Taxes	917,179	1.36%	0	0.00%

Attachment 2, page 2 of 3

Sheet2

Minority Interest  
Common Equity  
Total

128,207  
28,813,086  
67,415,703

0.19%  
42.74%  
100.00%

0.05  
11.81%

0.01%  
4.86%  
8.85%

Long-term debt cost

Schedule D-5, Page 2

**United Waterworks Inc  
Long-Term Debt Cost**

	From D-5 Pa. B, Col 2 (1)	From D-5 Page 3 of 6 (2)	(3) (Col. 4 x 2 Interest Cost	(4) Includes annual amortiz. of Col 1 Interest Rate
	13-month Ave Unamortized Iss & other	13-Month Average		
Mortgage Bonds		1,420,948	100,887	7.10%
Prm. Note		12,384,615	1,058,885	8.55%
Prm. Note	8,391	15,000,000	1,530,000	10.21%
Prm. Note		18,000,000	1,794,600	9.97%
Prm. Note		20,000,000	1,898,000	9.49%
Prm. Note		11,596,154	1,177,010	10.15%
Prm. Note		20,000,000	2,010,000	10.06%
Prm. Note		15,000,000	1,435,500	9.57%
Prm. Note		4,185,000	280,395	6.70%
Medium Term Note	379,991	8,461,538	748,000	8.26%
TEF, Delaware	318,329	632,116	39,191	12.41%
TEF, Del.	432,263	4,650,000	299,925	7.11%
TEF, Idaho	1,891,003	30,000,000	2,175,000	7.74%
TEF, Fla.	683,078	11,972,203	808,124	7.16%
TEF, Del	892,003	16,959,046	1,153,215	7.18%
TEF, NY	811,186	9,096,363	582,167	7.03%
TEF, Pa.	593,142	9,914,114	684,074	7.34%
TEF, Idaho	1,384,585	6,318,890	404,415	8.20%
TEF, Fla.	246,741	2,063,537	127,939	7.04%
<b>Total</b>	<b>7,638,712</b>	<b>217,654,622</b>	<b>18,307,327</b>	<b>8.72%</b>

Audit Exception No. 8

The Auditor recommends that United Water Florida be directed to increase its Accumulated Depreciation by \$1,088,067, and thereby reduce United Water Florida's rate base by over one million dollars. United Water Florida's response to this exception

consists of two major points. First, United Water Florida's depreciation rates are consistent with the rates approved in its last rate case. Second, the auditor has significantly overdepreciated items in the general plant accounts.

United Water Florida's depreciation rates from its last rate case are set forth on Schedule 2. United Water Florida's General Plant accounts (e.g., office furniture, small tools, power operated equipment, transportation equipment, laboratory equipment, communication and miscellaneous equipment) have depreciation rates ranging from 10% to 33 1/3%. United Water Florida's composite rates for its remaining accounts are 2.0% for water accounts and 2.5% for wastewater accounts. United Water Florida has reviewed its accumulated depreciation for 1986 through 1994, the time period addressed in Audit Exception No. 8, and confirmed that United Water Florida's rates are consistent with the rates approved by the Commission in United Water Florida's last general rate case (Docket No. 810071-WS). See attached Schedule 3. United Water Florida's average of depreciation rates on total depreciable plant, excluding General Plant, for United Water Florida during the relevant time period (1986-1994) were 1.97% (sum of rates divided by 9 years: 17.75% + 9 years) and 2.46% (sum of rates divided by 9 years: 22.11% + 9 years) for water and wastewater, respectively. Accordingly, United Water Florida's rates for depreciation on total depreciable plant, excluding General Plant, varied less than two percent from United Water Florida's composite rates of 2.0% and 2.5% for water and wastewater, respectively, [(2.0% - 1.97%) + 2.0%

= 1.5% overall variance for water, and  $(2.5\% - 2.46\%) + 2.5\% = 1.6\%$  overall variance for wastewater].

The major error in Audit Exception No. 8 relates to the auditor's recalculation of United Water Florida's accumulated depreciation on United Water Florida's General Plant accounts. In United Water Florida's review of the auditor's recalculation of United Water Florida's accumulated depreciation for 1986 through 1994, the time period addressed in Audit Exception No. 8, United Water Florida discovered a serious flaw which renders the auditor's results inaccurate. The recalculation results in the overdepreciation of items in United Water Florida's General Plant accounts. As shown by Schedule 4, the auditor's recalculations result in the accumulated depreciation for such accounts actually exceeding the original cost of the assets by approximately \$1.2 million dollars  $(\$947,914 + \$245,039 = \$1,192,953)$ . Therefore, the recalculations result in more depreciation being taken on assets than is possible.

The incorrect overdepreciation results in a proposed increase in depreciation (i.e., a net credit adjustment) of \$1,192,953, which is slightly more than the net credit adjustment of \$1,088,067 recommended by audit exception no. 8.

United Water Florida will make its work papers on accumulated depreciation available to the Staff for further review.

Because United Water Florida's rates are consistent with the rates approved by the Commission in its last rate case and the auditor's calculations are inaccurate, United Water Florida should

not be required to make any changes to its accumulated depreciation.

JACKSONVILLE SUBURBAN UTILITIES CORPORATION  
Docket No. 810071-WS  
Interrogatories Dated November 13, 1981

Interrogatory No. 8

What is the overall depreciation rate used by the Company to determine depreciation expense?

Answer

<u>Plant in Service</u>	<u>Jacksonville</u>		<u>Southern</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
Utility Plant				
Office Furniture	2%	2.5%	2%	2.5%
Hand tools, power operated equipment and transportation equipment	10%	-	10%	-
Laboratory equipment, communication and miscellaneous equipment	33.33%	-	33.33%	-
	20.0%	20%	20%	-



UNITED WATER FLORIDA  
 ANALYSIS OF PSC AUDIT SCHEDULES (RE: 1995 RATE CASE)  
 COMPOSITE DEPRECIATION RATES

YEAR	WATER	SEWER
1996	2.02%	2.53%
1997	2.01%	2.48%
1998	1.97%	2.48%
1999	1.97%	2.07%
2000	1.92%	2.45%
2001	1.94%	2.49%
2002	1.90%	2.56%
2003	1.99%	2.54%
2004	1.95%	2.51%

- Supporting workpapers are available for review upon request -

ASSUMPTIONS:

All figures used were taken from the workpapers prepared by the PSC Audit Staff and are assumed to be correct.

NOTE:

Composite rates were calculated by dividing Depreciation Expense - Company, net of expense on General Plant, by Total Depreciable Plant, excluding General Plant.

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UNITED WATER FLORIDA  
ANALYSIS OF PSC AUDIT SCHEDULES (RE: 1995 RATE CASE)  
GENERAL PLANT ACCUMULATED DEPRECIATION AT 12/31/94

	Gross Plant @ 12/31/95	Accumulated Depreciation @ 12/31/95	Acc. Depr. Greater than Gross Plant	Gross Plant @ 12/31/94	Accumulated * Depreciation @ 12/31/94	Acc. Depr. Greater than Gross Plant
<b>33 GENERAL PLANT - WATER:</b>						
34 303 Land and Land Rights	27,710	0		269,595	0	
35 304 Structures & Improvements	13,418	19,261	5,843	805,801	60,006	
36 340 Office Furn & Eq	86,232	34,591		220,495	233,920	13,425
37 341 Transportation Eq	397,477	264,968		212,360	890,893	678,533
38 342 Stores Eq	0	0		3,181	1,261	
39 343 Tool, Shop and Garage Eq	62,392	58,351		64,280	207,590	143,310
40 344 Laboratory Eq	13,614	12,172		12,135	34,644	22,509
41 345 Power Operated Eq	56,291	38,490		86,386	160,397	74,011
42 346 Communication Eq	143,454	139,785		424,745	368,110	
43 347 Misc Eq	47,462	13,189		28,898	46,022	16,126
44 348 Other Tangible Plant	0	0		4,892	3,397	
45 Total General Plant	846,056	578,807	5,843	2,133,766	2,006,240	947,914
<b>32 GENERAL PLANT - SEWER:</b>						
33 353 Land and Land Rights	0	0		423,604	0	
34 354 Structures & Improvements	0	0		789,525	112,381	
35 390 Office Furn & Eq	0	0		163,762	58,208	
36 391 Transportation Eq	0	0		455,443	(117,457)	
37 392 Stores Eq	0	0		3,181	967	
38 393 Tool, Shop and Garage Eq	0	0		62,430	21,070	
39 394 Laboratory Eq	20,641	20,641		91,562	89,800	
40 395 Power Operated Eq	0	0		67,791	34,718	
41 396 Communication Eq	0	0		822,504	894,586	72,082
42 397 Misc Eq	0	0		34,073	17,356	
43 398 Other Tangible Plant	0	0		4,077	177,034	172,957
44 Total General Plant	20,641	20,641	0	2,927,942	1,289,668	245,039

- Supporting workpapers are available for review upon request -

**ASSUMPTIONS:**

All figures used were taken from the workpapers prepared by the PSC Audit Staff and are assumed to be correct.

**NOTE:**

12/31/94 Accumulated Depreciation Balance arrived at by taking total depreciation expense for the years 1986 through 1994, as calculated by the Audit Staff, net of Retirements, Cost of Removal, and Salvage, and adding it to the 12/31/85 Accumulated Depreciation Balance. Note how this results in several plant accounts becoming over-depreciated.

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