



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: JANUARY 19, 1999
TO: DIVISION OF RECORDS AND REPORTING
FROM: BARRY DAVIS, DIVISION OF WATER AND WASTEWATER *BD*
RE: DOCKET NO. 980214-WS, APPLICATION OF UNITED WATER FLORIDA INC.
 FOR AN INCREASE IN WATER AND WASTEWATER RATES IN DUVAL,
 NASSAU AND ST.. JOHNS COUNTIES *PWK*

Please place the three attached letters and fax documents received concerning the above referenced docket into the appropriate docket file. Thank you.

Attch: Letter received January 14, 1999
Letter received January 15, 1999
Letter received January 19, 1999

cc: Division of Water and Wastewater (Hill, Willis, Crouch, Merchant)
Division of Legal Services (Reyes)

- ACK _____
- AFA _____
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FDSC-RECORDS/REPORTING

United Water



Walton F Hill
Vice President
Regulatory Business

United Water Management and Services

700 Kinderkamack Road
Oradell, New Jersey 07649
telephone 201 986 4747
facsimile 201 986 4996
Mailing address: 200 Old Hook Road
Harrington Park, NJ 07640-1799

January 11, 1999

Mr. Marshall Willis
Chief of Economic Regulation Bureau
Florida Public Service Commission
Division of Water & Wastewater
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

RECEIVED
JAN 14 1999
Florida Public Service Commission
Division of Water and Wastewater

Re: United Water Florida
Proposed Agency Action

Dear Marshall,

Thanks to you and your Staff for taking the time to meet with us on January 6. I understand that good progress was made towards resolving the revenue issues.

With regard to Issue No. 9 in the December 3 Staff Report, you should have received by FAX, letters from A. David Degann of AON Consulting, our consulting actuaries, and AnneMarie Lobred of Price WaterhouseCoopers, our independent auditors. These letters follow up our discussions two weeks ago and support our contention that it is not proper to reduce United Water Florida's rate base by the full amount of the FAS 106 Transition Obligation, because the full amount of the Transition Obligation is not currently recorded on the Company's books, therefore no such liability exists and it does not represent funds received from customers. The liability will be created as the Transition Obligation is amortized, less any Company funding related thereto.

Moreover, the Company as part of its unfunded obligation has already recognized \$409,870 as a rate base deduction, representing the Transition Obligation through 12-31-99. Consequently, Staff's suggested adjustment duplicates the \$409,870 rate base deduction that is already reflected on United Water Florida's books as shown below:

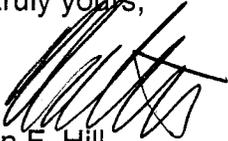
<u>YEAR</u>	<u>TRANSITION OBLIGATION</u>		<u>GENERAL LEDGER ACCOUNT #242610</u>	<u>CUMULATIVE</u>
	<u>INITIAL</u>	<u>AS AMENDED</u>		
12/31/95	\$ 50,818	\$ 31,156	\$ 81,974	\$ 81,974
12/31/96	50,818	31,156	81,974	163,948
12/31/97	50,818	31,156	81,974	245,922
12/31/98	50,818	31,156	81,974	327,896
12/31/99	50,818	31,156	81,974	409,870

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This effect on United Water Florida of this double count will increase in future years as the credits to account 242610 continue. Please note that the 1994, 1995 and 1996 amounts have already been written off the books as a result of the PSC's Order in the Limited Proceeding, and will never be recovered from customers.

In addition, in connection with Issue No. 11 relating to accumulated deferred income taxes, I have attached pertinent parts of the 12-31-97 balance sheet of United Water Florida, which was also attached to our response to Exception No. 4 of the Staff Audit Report. This shows that the \$5,692,331 of presumed DFIT which Staff recommends be included in capital structure at zero cost includes many items related to FAS 109 which are recorded as liabilities on the balance sheet but offset by identical amounts recorded as assets. This is consistent with the premise as expressed in our response to the Audit Report, that FAS 109 deferred taxes are to be revenue neutral. There are \$4,107,361 of these offsetting assets and liabilities relating to FAS 109. As set forth in the MFR's and in our response to the Audit Report, the only accumulated DFIT to be properly included in capital structure at zero cost are the amount supplied by customers and available for use by the Company; that is, the \$1,799,425 related to liberalized depreciation.

Very truly yours,


Walton F. Hill

Attachments

cc: J. Ade, Esq.
R.J. Iacullo
G. Moseley
J. Schreyer

United Water Florida
 General Ledger System
 REGULATORY BALANCE SHEET

- Current Month -

	<u>This</u> <u>Year</u>	<u>Last</u> <u>Year</u>	<u>Increase</u> <u>or</u> <u>(Decrease)</u>
71004 CIAC-Tax Connection Fee	(641,952.00)	(641,952.00)	0.00
71006 CIAC-Receipt	(1,908,123.21)	(121,339.80)	(1,786,783.41)
71007 CIAC-Work in Progress	(69,875.44)	(69,875.44)	0.00
71008 CIAC-Services Unclassified	(0.02)	(0.02)	0.00
71050 CIAC-Wastewater	(35,240,072.66)	(34,600,626.72)	(639,445.94)
271 Contribs in aid of cnstrctn	(60,900,484.82)	(57,613,513.56)	(3,286,971.26)
71055 CIAC-Amort.of Wastewater	11,659,876.07	10,726,516.07	933,360.00
72000 Accum. Amort. of CIAC	5,716,369.18	5,250,169.18	466,200.00
272 Accum amrt-entrs lae cnstrctn	17,376,245.25	15,976,685.25	1,399,560.00
Total contributions in aid of construction	<u>(43,524,239.57)</u>	<u>(41,636,828.31)</u>	<u>(1,887,411.26)</u>
Accumulated deferred income taxes			
281 Accum dfd inc tax-accel depn	0.00	0.00	0.00
282000 Accum.DIT-Liberal. Depr.	0.00	588,105.01	(588,105.01)
282001 Accum.DFIT-ACRS	3,033,440.00	(2,872,493.00)	(160,947.00)
282002 Accum.DFIT-MACRS	1,261,700.09	2,100,270.00	(838,569.91)
282010 DFIT - ADR	(481,956.00)	(463,176.00)	(18,780.00)
282011 DFIT- Pre-ADR	454,270.00	0.00	454,270.00
282012 Accum DFIT Benefit on DSIT	433,316.01	0.00	433,316.01
282013 Def FIT-FAS 109	1,914,910.00	1,914,910.00	0.00
282101 Def FIT-FAS 109-Plant	(2,501,742.00)	(2,344,662.00)	(157,080.00)
282102 Def FIT-FAS 109-Rate Exp.	(285,157.00)	(136,825.00)	(148,332.00)
282103 Def FIT-FAS 109-Tank Paint	(468,808.00)	(346,840.00)	(121,968.00)
282104 Def FIT-FAS 109-Pension	(47,451.00)	(41,187.00)	(6,264.00)
282106 Def FIT-FAS 109-Def Chg	(131,835.00)	(131,835.00)	0.00
282107 Def FIT-FAS 109-OthTax	(7,976.00)	(6,324.00)	348.00
282121 Def FIT-FAS 109 GU-Plant	(1,347,081.00)	(1,262,505.00)	(84,576.00)
282122 Def FIT-FAS 109 GU Rate Ex	(153,548.00)	(73,676.00)	(79,872.00)
282123 Def FIT-FAS 109 GU Tank Paint	(252,437.00)	(186,761.00)	(65,676.00)
282124 Def FIT-FAS 109 GU Pensions	(25,548.00)	(22,176.00)	(3,372.00)
282126 Def FIT-FAS 109 GU Def Charges	(70,989.00)	(70,989.00)	0.00
282127 Def FIT-FAS 109 GU OITaxes	(4,286.00)	(4,478.00)	192.00
282141 Def SIT-FAS 109-Plant	(509,620.00)	(487,708.00)	(21,912.00)
282142 Def SIT-FAS 109-Rate Expen	(47,592.00)	(22,836.00)	(24,756.00)
282143 Def SIT-FAS 109-Tank Paint	(78,225.00)	(57,873.00)	(20,352.00)
282144 Def SIT-FAS 109-Pension	(6,958.00)	(5,914.00)	(1,044.00)
282146 Def SIT-FAS 109-Def Charges	(21,997.00)	(21,997.00)	0.00
282147 Def SIT-FAS 109-Oth Tax	5,070.00	6,030.00	(960.00)
282161 Def SIT-FAS 109 GU-Plant	(33,606.00)	(30,762.00)	(2,844.00)
282162 Def SIT-FAS 109 GU Rate Ex	(6,172.00)	(2,956.00)	(3,216.00)
282163 Def SIT-FAS 109 GU Tank Paint	(7,221.00)	(4,581.00)	(2,640.00)
282164 Def SIT-FAS 109 GU Pensions	(581.00)	(449.00)	(132.00)
282166 Def SIT-FAS 109 GU DefChar	(1,285.00)	(1,285.00)	0.00
282167 Def SIT-FAS 109 GU OITax.	172.00	292.00	(120.00)
282 Accum dfd inc tax-liberal depn	<u>(5,456,072.90)</u>	<u>(3,992,680.99)</u>	<u>(1,463,391.91)</u>
283700 Def FIT-Pensions	22,763.00	0.00	22,763.00
283702 Def FIT-PEBOP	(2,969.00)	(33,486.00)	30,517.00
283725 Def FIT-Def. Charges	43,975.00	43,975.00	0.00
283811 Def. SIT-Excess Deprec.	147,102.35	262,453.00	(115,350.65)
283822 Def State Inc Tax-AFUOC Equity	(52,935.00)	(35,693.00)	(17,242.00)

799, 425.91

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Florida Public Service Commission
Division of Water and Wastewater

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United Water Florida
 General Ledger System
 REGULATORY BALANCE SHEET

		- Current Month -		Increase or (Decrease)
		This Year	Last Year	
184110	Clearing Trans.-Large	(30,370.20)	0.00	(30,370.20)
184111	Clearing Trans.-Small	(186,727.36)	0.00	(186,727.36)
184305	Clearing Legal	0.00	8,516.16	(8,516.16)
184500	Clearing Payroll	0.00	15,476.00	(15,476.00)
184	Clearing accounts	3,044.63	230,499.31	(227,454.68)
186000	Util/DD-Deferred Debits	267,570.38	471,308.52	(203,738.14)
186005	Def.Cash-Over/Under	0.00	60.00	(60.00)
186024	Def.Reallocation Expenses	0.00	109,890.79	(109,890.79)
186350	RA-Deferred Marketing	0.00	84.94	(84.94)
186400	RA-Deferred Rate Case	494,504.92	223,823.58	270,681.34
186403	RA-Deferred CWIP Filings	15,750.00	0.00	15,750.00
186601	RA-Deferred Tank Painting	1,147,991.69	945,345.76	202,645.93
186655	RA-Deferred Maintenance-Wstwr	0.00	763.50	(763.50)
186720	RA-Deferred Overheads	(21,201.00)	(21,201.00)	0.00
186730	RA-Deferred Studies	137,580.25	134,712.25	2,868.00
186750	RA-Def Post Retirement Ben-NB	1,077,838.00	931,280.00	146,558.00
186751	RA-Deferred FAS 109-Plant	2,501,742.00	2,344,662.00	157,080.00
186752	RA-Deferred FAS 109-Rate	285,157.00	136,825.00	148,332.00
186803	RA-Deferred FAS 109:Tank Paint	458,808.00	346,840.00	121,968.00
186804	RA-Deferred FAS 109-Pensions	47,451.00	41,187.00	6,254.00
186805	RA-Deferred FAS 109-DefCharges	131,835.00	131,835.00	0.00
186806	RA-Deferred FAS 109-OtherTaxes	7,976.00	8,324.00	(348.00)
186831	RA-Deferred FAS 109-StatePlant	509,520.00	487,708.00	21,912.00
186832	RA-Deferred FAS 109-StateRate	47,592.00	22,836.00	24,756.00
186833	RA-Def FAS 109-StateTankPaint	78,225.00	57,873.00	20,352.00
186834	RA-Def FAS 109-StatePansions	6,958.00	5,914.00	1,044.00
186835	RA-Def FAS 109-StateDefCharges	21,997.00	21,997.00	0.00
186836	RA-Def FAS 109-StateOtherTaxes	(5,070.00)	(6,030.00)	960.00
186851	RA-Def G/U-FAS 109-Plant	1,347,081.00	1,262,505.00	84,576.00
186852	RA-Def G/U-FAS 109-Rate	153,548.00	73,676.00	79,872.00
186853	RA-Def G/U-FAS 109-TankPaint	252,437.00	186,761.00	65,676.00
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186855	RA-Def G/U-FAS 109-DefCharges	70,989.00	70,989.00	0.00
186856	RA-Def G/U-FAS 109-OtherTaxes	4,286.00	4,478.00	(192.00)
186872	RA-Def G/U-FAS 109-State:Plant	33,606.00	30,762.00	2,844.00
186873	RA-Def G/U-FAS 109-State:Rate	6,172.00	2,956.00	3,216.00
186874	RA-Def G/U-FAS 109-State:TnkPt	7,221.00	4,581.00	2,640.00
186875	RA-Def G/U-FAS 109-StatePensio	581.00	449.00	132.00
186876	RA-Def G/U-FAS 109-StateDefChg	1,285.00	1,285.00	0.00
186877	RA-Def G/U-FAS 109-StateOthTax	(172.00)	(292.00)	120.00
186	Miscellaneous deferred debits	9,124,907.24	8,056,365.34	1,068,541.90
	Deferred debits	9,127,951.87	9,169,251.95	(41,300.08)
	Total assets	149,721,473.57	131,863,748.77	17,857,724.80

Liabilities

Equity capital

201000 Common Stock Issued (50 000 00) (50 000 00) 0.00

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Division of Water and Wastewater

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United Water



Walton F. Hill
Vice President
Regulatory Business

United Water Management and Services

700 Kinderkamack Road
Oradell, New Jersey 07649
telephone 201 986 4747
facsimile 201 986 4996
Mailing address: 200 Old Hook Road
Harrington Park, NJ 07640-1799

January 11, 1999

Mr. Marshall Willis
Chief of Economic Regulation Bureau
Florida Public Service Commission
Division of Water & Wastewater
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: United Water Florida
Proposed Agency Action

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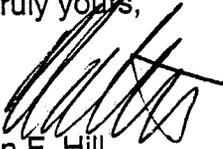
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<u>YEAR</u>	<u>TRANSITION OBLIGATION</u>		<u>GENERAL LEDGER ACCOUNT #242610</u>	<u>CUMULATIVE</u>
	<u>INITIAL</u>	<u>AS AMENDED</u>		
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Very truly yours,



Walton F. Hill

Attachments

cc: J. Ade, Esq.
R.J. Iacullo
G. Moseley
J. Schreyer

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Aon Consulting
Employee Benefits
Consulting Group

VIA FACSIMILE (850) 413-6915

January 8, 1999

Mr. Marshall Willis
Chief of Economic Regulation Bureau
Florida Public Service Commission
Division of Water & Wastewater
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

RECEIVED
JAN 15 1999
Florida Public Service Commission
Division of Water and Wastewater

Subject: United Water Florida Rate Proceeding

Dear Mr. Willis:

Aon Consulting is the actuarial firm retained by United Water Florida to perform actuarial valuations relating to both pension and other post retirement benefits. Aon has been asked by Walton Hill to respond to a question on the reporting requirements relating to the FAS 106 transition obligation for United Water Florida.

Since United Water Florida is amortizing its transition obligation over a 20 year period, as permitted under FAS106 paragraphs 110 and 112, the immediate recognition of the full amount of the transition obligation liability on the financial statements of United Water Florida is not required nor permitted with the use of the current methodology. The transition obligation liability is recorded on the financial statements of United Water Florida by the recognition of the annual amortization of the transition obligation which is included within the actuarial computation.

Yours sincerely,

A. David Degann, FSPA, FCA, MAAA
Senior Vice President &
Senior Consulting Actuary

ADD:clm

1892B

cc: Walton Hill - UWR

Aon Consulting, Inc.

125 Chubb Avenue • Lyndhurst, New Jersey 07071-0629 • tel: (201) 460-6700 • fax: (201) 460-6999

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