

STATE OF FLORIDA

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DIVISION OF WATER & WASTEWATER
DANIEL M. HOPPE, DIRECTOR
(850) 413-6900

Public Service Commission

April 14, 2000

Mary Egan-Long
United Water Management & Services
200 Old Hook Road
Harrington Park, NJ 07640-1799

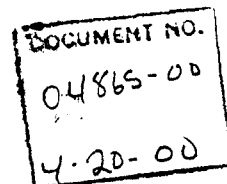
Re: Deferral of Expenses, United Water Florida, Inc.

Dear Ms. Egan-Long:

This is in response to your letter addressed to Ms. Blanca Bayo, dated February 22, 2000, in which you notified Commission staff of United Water Florida, Inc.'s (UWF's) intention to defer costs of certain legal fees and an early retirement program, and to seek recovery of the costs in UWF's next rate filing. Your letter was forwarded to the Division of Water and Wastewater for response.

Please be advised that UWF's notice of intention in the form of a letter to staff is not sufficient to secure Commission approval of subsequent recovery of costs deferred for financial statement purposes. Any request for formal Commission approval of your proposed accounting treatment must be made by filing a formal petition setting forth your request, along with a detailed explanation of the justification and benefits of your request. The Commission will not determine the prudence or reasonableness of costs without thorough documentation of the benefit of the costs in providing service to customers and opportunity for comment by all affected parties.

Additionally, with respect to the legal costs relating to the appeal of the Commission's decision relating to FASB 106 costs, please be advised that the Commission's past practice has generally been to disallow such costs in situations in which the utility did not prevail. For example, in UWF's most recent rate case (Docket No. 980214-WS), the Commission disallowed certain costs relating to the limited proceeding on FASB 106 costs because the adjustments requested in the limited proceeding were not approved.



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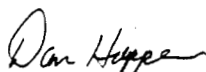
PSC Website: <http://www.floridapsc.com>

Internet E-mail: contact@psc.state.fl.us

Mary Egan-Long
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Please be advised that the opinions contained in this letter do not bind the Commission in any way. If you have any questions regarding this letter, please feel free to contact us.

Sincerely,



Daniel M. Hoppe
Director

DMH/JBK

cc: Division of Records and Reporting (Bayo)
Division of Water and Wastewater (Willis, Merchant, Kyle)
Division of Legal Services (Brubaker, Gervasi)
Mr. Walton Hill, United Water Management & Services