

**Rhema Business Services, Inc.**

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2800  
11:11

ORIGINAL

July 13, 2000

Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket No. 991902-SU, Investigation into the Wastewater Rates of  
COMMERCIAL UTILITIES, DIVISION OF GRACE & COMPANY, INC.  
in Duval County

Gentlemen:

By this letter, Commercial Utilities is responding to the Audit Report in the  
referenced docket. Each exception and disclosure will be individually addressed.

**Exception No. 1:** No comment.

**Exception No. 2:** Only \$1,577 of the \$6,573 adjustment relates to the current  
period. Therefore, Depreciation Expense should be credited for \$1,577 and Retained  
Earnings should be credited \$4,996. The Schedule of Net Operating Income on page  
19 correctly reflects the current period adjustment.

**Exception No. 3:** Commercial Utilities did not pay the total amount of impact fees  
up front, but paid them over time. Impact fees should be recognized when paid. By  
recognizing all the impact fees as being paid up front, the auditor has overstated the  
accumulated amortization. Amortization should be recalculated recognizing the  
payment of \$4,120.54 per month as actually took place.

APP	_____	
CAF	_____	Exception No. 4: No comment.
CMP	_____	
COM	_____	Disclosure No. 1: No Comment.
CTR	_____	
ECR	_____	
LEG	_____	Disclosure No. 2: No Comment.
OPC	_____	
PAI	_____	Disclosure No. 3: No Comment.
RGO	_____	
SEC	_____	
SER	_____	
OTH	_____	

DOCUMENT NUMBER-DATE

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**Disclosure No. 4:** This disclosure removed the payment of 1998 regulatory assessment fees from expenses, but did not accrue 1999 regulatory assessment fees. The commission should recognize regulatory assessment fees based on its determination of revenue.

**Disclosure No. 5:** The reasons supporting increases in the costs of overhead are detailed in the response to Audit Document Request No. 10. Salaries have only been increased by the FPSC inflation factors, except for adjustments for "salary in lieu of benefits @ 15%" and "salary in lieu of transportation allowance" made in 1997 pursuant to the response to Audit Document Request No. 1.

**Disclosure No. 6:** No comment.

**Disclosure No. 7:** The commission should calculate income taxes in a fashion similar to that made in the last rate proceeding based on the final adjusted balances.

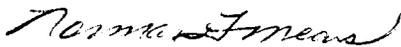
**Schedule of Wastewater Rate Base:** No comment.

**Schedule of Net Operating Income:** This schedule shows a negative adjustment of \$334 to Operation and Maintenance Expenses not supported by any exception or disclosure. This adjustment should be deleted.

**Schedule of Capital Structure:** No comment.

Please call me at 562-9886 if you need clarification or additional information.

Sincerely,



Norman F. Mears  
Senior Utility Consultant

Certified Mail Receipt No. 7099 3400 0000 1442 4632  
cc: Mr. Elroy C. Grace