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September 28, 2000

**VIA FEDERAL EXPRESS**

Ms. Blanca Bayo  
Director, Division of Records & Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

001514 - WLS

Re: Petition for Approval of Regulatory Accounting Treatment by United Water  
Florida Inc. ("Petition")

Dear Ms. Bayo:

Enclosed are an original and twelve (12) copies of a Petition for Approval of  
Regulatory Accounting Treatment by United Water Florida Inc. by, and a disk containing  
a copy of the Petition.

Please file the original and distribute the copies in accordance with your usual  
procedures.

If you have any questions or need additional information concerning this matter,  
please do not hesitate to call me.

Sincerely yours,

  
Scott G. Schildberg

SGS/arh  
Enclosures

cc: Mr. Walton F. Hill  
Mr. Mark A. Gennari  
Mr. Gary R. Moseley  
Mr. Jack Schreyer  
Mr. David deNagy

DOCUMENT NUMBER-DATE

12408 SEP 29 8

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval	)	DOCKET NO.:
of Regulatory Accounting	)	DATE SUBMITTED FOR FILING:
<u>Treatment</u>	)	September 28, 2000

PETITION FOR APPROVAL OF REGULATORY ACCOUNTING TREATMENT BY UNITED WATER FLORIDA INC.

United Water Florida Inc., a Florida corporation ("Applicant" or "United Water Florida"), by and through its undersigned attorneys, hereby files an original and twelve (12) copies of this Petition for Approval of Regulatory Accounting Treatment ("Petition") and states:

1. United Water Florida is a water and wastewater utility company doing business in Duval, Nassau, and St. Johns Counties, Florida, pursuant to Certificates of Authorization numbered 236-W and 179-S ("Certificates") issued by the Florida Public Service Commission ("Commission").

2. The names and addresses of persons authorized to receive notices and communications with respect to this Application are as follows:

Walton F. Hill  
United Water Resources Inc.  
200 Old Hook Road  
Harrington Park, NJ 07640-1779

James L. Ade  
Scott G. Schildberg  
Martin, Ade, Birchfield & Mickler, P.A.  
3000 Independent Square  
Jacksonville, Florida 32202

Pleadings should be directed to James L. Ade and Scott G. Schildberg

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

3. In 1999, United Water Florida offered a voluntary early retirement program ("ER Program"). The ER Program was available to all United Water Florida employees with 15 or more years of service who were 54 on December 31, 1999. Additionally, this offer was made to employees with ten (10) or more years of service who were 62 or older on December 31, 1999.

4. The ER Program was designed to capture efficiencies through work force reductions. United Water Florida anticipated that several of the employees with longer service terms and higher salaries and benefits would elect to take advantage of the ER Program. United Water Florida expected to utilize the result of the early retirements to restructure its staff and employ lower cost employees to replace the former higher cost employees. As a result, United Water Florida anticipated developing a staff whose members would have longer remaining years of service and who were subject to reduced future turnover while reducing the overall cost of salaries and benefits for such a staff. Such benefits should act to reduce expenses in United Water Florida's next rate case.

5. The ER Program required employees that elected the early retirement to leave the payroll by December 31, 1999 ("Closing Date"). The costs related to employees electing the ER Program could not be determined until after the Closing Date. Twelve (12) employees elected early retirement under the ER Program.

6. The costs associated with such employees' election of early retirement have been actuarially determined to be \$1,055,418.00. The costs are allocated as follows: (i) \$655,675.00 to Account No. 186-298, Deferred Pension-Early Retirement Program; and (ii) \$399,743.00 to Account No. 186-299, Deferred PBOP-Early

Retirement. Immediately following the completion of the Actuarial Study in February, 2000. United Water Florida made its initial request to the Florida Public Service Commission for deferral treatment of the costs.

7. The costs associated with the ER Program are costs which should be recovered and are not currently being recovered through United Water Florida's rates.

8. The ER Program and its results are unusual and extraordinary. The ER Program is the first time that United Water Florida has offered an early retirement program on a company wide basis. The high level of participation and the magnitude of the cost underscores the unusual and extraordinary nature of this item.

9. Rule 25-30.117, Florida Administrative Code ("FAC"), provides that:

[a]ny utility that has an established defined benefit pension plan as defined by the Financial Accounting Standard's Board in the Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions (SFAS 87), dated December, 1985, shall account for these costs pursuant to SFAS 87 as it applies to business enterprises in general.

10. United Water Florida has employed FASB No. 87 and is seeking to also use FASB No. 71 as contemplated in FASB No. 87. The Financial Accounting Standards Board ("Board") did not intend that FASB No. 87 prevent the accounting treatment requested by United Water Florida. In fact, the Board indicated that using FASB No. 71 to recognize such an asset may be entirely appropriate. As set forth by the Board in its Basis for Conclusions:

[s]ome respondents argued that accounting requirements should be different for employers subject to certain types of regulation (rate-regulated enterprises) or for employers that have certain types of government contracts for which reimbursement is a function of costs incurred. In both of those cases it was noted that a change in reported net periodic pension costs might have a direct effect on the revenues of the employer (lower cost would result in reduced revenues), or conversely, that increases in reported net periodic pension cost would not be recoverable. The Board understands the practical concerns of those respondents, but it concluded that the cost of a particular pension benefit is not changed by the circumstances described and that this Statement should include no special provisions relating to such employers. For rate-regulated enterprises, FASB Statement No. 71, *Accounting for the Effects of Certain Types of Regulation*, may require that the difference between net periodic pension cost as defined in this Statement and amounts of pension cost considered for rate-making purposes be recognized as an asset or a liability created by the actions of the regulator. Those actions of the regulator change the timing of recognition of net pension cost as an expense; they do not otherwise affect the requirements of this Statement.

Statement of Financial Accounting Standards No. 87, paragraph 210 (1985).

11. United Water Florida intends to accrue such costs in Account Nos. 186-298 and 186-299, to use such deferred costs to create a regulatory asset, and to have such costs considered in its next rate case before the Commission. The amortization of such costs would not commence until after the Commission's action in said next rate case.

12. The prudence and reasonableness of the costs related to the ER Program will be considered in United Water Florida's next rate case, which will provide an opportunity for comment by all affected parties.

Request for Relief

WHEREFORE, Applicant, United Water Florida Inc., respectfully requests the Commission to approve the accounting treatment set forth in paragraphs 6, 11, and 12.

Respectfully submitted,  
MARTIN, ADE, BIRCHFIELD & MICKLER, P.A.




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Florida Bar No. 0613990  
One Independent Drive, Suit 3000  
Jacksonville, Florida 32202  
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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that the original and twelve (12) copies of the foregoing Petition for Approval of Regulatory Accounting Treatment by United Water Florida Inc. was furnished to Blanca Bayo, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399, by Federal Express, this 24th day of September, 2000.

  
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Attorney