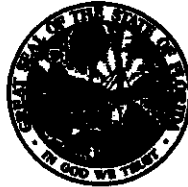


STATE OF FLORIDA

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DIVISION OF LEGAL SERVICES
NOREEN S. DAVIS
DIRECTOR
(850) 413-6199

Public Service Commission

October 23, 2000

Ben E. Girtman, Esquire
1020 E. Lafayette Street, Suite 207
Tallahassee, Florida 32301

Re: Docket No. 991437-WU, Application For Increased Water Rates by Wedgefield Utilities, Inc. In Orange County, Florida

Dear Mr. Girtman:

This is in response to your request for guidance as to what Wedgefield Utilities, Inc. needs to do in order to bring its books and records into compliance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA), and with Commission rules. Staff analysts and auditors have reviewed Wedgefield's Response and Petition on Final Order Initiating a Show Cause Proceeding, and disagree with two of the major contentions therein.

In regard to paragraph 8, the condition of the utility's books and records and its effect on the length of time audit staff needed to complete the audit report is not limited to the amount of time audit staff spent at the utility's offices in Northbrook, IL. Prior to traveling to the utility's offices, audit staff spent a considerable amount of time reconciling the MFRs to its books and records. No reconciliation would have been possible without the direct intervention and assistance of utility staff.

In regard to paragraph 9, the utility's contention that electronic data processing (EDP) tapes were provided on a timely basis is incorrect. Staff requested EDP tapes on November 4, 1999, and the utility did not provide a "usable" copy until March 1, 2000, which was over three months after the due date. Additionally, the use of EDP information to reconcile the utility's MFRs to its books and records is of limited use because many of the account balances contained in the MFRs are adjusted book balances which were calculated specifically for the current filing.

There are two substantial areas of concern which must be addressed:

The utility's account structure must be brought into compliance with the USOA, so that transactions are recorded correctly as a matter of course. Examples of non-compliance were included in the audit report for this docket, and should be used as a guideline for the types of

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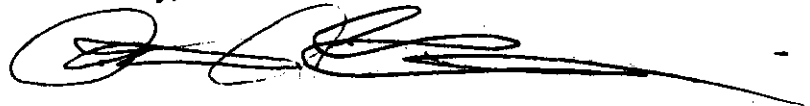
October 23, 2000

corrections needed. Beyond correction of the specific examples, Wedgefield and Utilities, Inc. should thoroughly review the USOA and Rules 25-30.115 and 25-30.450, Florida Administrative Code, and ensure that the accounting system as a whole is in compliance. Staff will be available to provide guidance to the utility, but acting upon guidance from staff on specific issues will not guarantee that the system as a whole will be deemed to be in compliance in future proceedings.

Further, the utility's system must be structured so that Minimum Filing Requirements (MFRs) filed in rate proceedings will have the true book balance in the first column, "Balance per Books." Any adjustments to book balances should be shown in the "Utility Adjustments" column, and explained clearly in supporting worksheets. The utility will be expected to file MFRs which conform to this requirement in all future rate proceedings in Florida.

I hope that this letter provides the specific guidance which you have requested. If you have additional questions, please do not hesitate to contact us.

Sincerely,



Patricia A. Christensen
Senior Attorney

cc: Division of Economic Regulation (Willis, Merchant, Kyle)
Division of Regulatory Oversight (Vandiver, Small)
Division of Legal Services (Fudge, Gervasi)
Division of Records and Reporting (Docket No. 991437-WU)
Office of Public Counsel (Charles Beck, Esquire)