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October 26, 2000

Ms. Patricia A. Christensen, Esquire  
Division of Water and Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**Re: Docket No. 991407-00, Application For Increased Water Rates by Wedgefield Utilities, Inc. In Orange County, Florida**

Dear Ms. Christensen:

This letter is in reply to your letter dated October 23, 2000, in which you addressed what Wedgefield Utilities, Inc. needs to do in order to bring its books and records into compliance with the NARUC Uniform System of Accounts. Herein, the Utility will also respond to the issues related to the Order to Show Cause discussed at an informal meeting attended by members of the Commission Staff, Utility representatives, and OPC representatives held on Friday, October 20, 2000. However, I would like to first comment on your letter's two major contentions with Wedgefield's Response and Petition on Final Order Initiating a Show Cause Proceeding.

In regard to the Staff audit, the Utility fully understands that the time necessary to complete an audit report is not limited to the amount of time an audit staff spends on-site. In fact, in paragraph 8 of the above-mentioned Response and Petition, the Utility acknowledges that some additional time may have been required by the Utility and by the Audit Staff to appropriately reconcile various expense accounts prior to the on-site visit. However, the Utility does not follow how this earlier conduct forced any delay in issuing the audit report after completion of the on-site audit, which was not pushed forward due to Staff's requests made prior to the on-site audit. Furthermore, the Utility agrees with Staff's contention that assistance from the Utility staff was necessary to fully reconcile some of the accounts, although it should be duly noted that the Utility made every effort to oblige Staff's request for assistance, in an attempt to avoid delays.

In regard to Staff's contention that the Utility did not provide a "usable" electronic data processing (EDP) tape until March 1, 2000, I will provide some details. First of all, the filing was deemed complete on February 29, 2000. This means a "usable" EDP tape was readily available to Staff within one day after the official filing date. Secondly, let me clarify that any delay experienced with the arrival of a "usable" EDP tape was not due to the Utility's lack of responsiveness. In November of 1999, after receiving a request for the EDP tape, the Utility's IT Manager/Systems Administrator spoke with a member of Staff. It was suggested by Staff to have the Utility dump the data onto a different form of media then previously used. In December, the Utility's System Administrator sent an e-mail to Staff addressing the types of media available. It was then agreed that the tapes could not be produced during January because of the year-end closing schedule. In February, the Utility sent

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four sets of tapes. One of the 4mm cassette sets was lost by UPS (the Utility has the receipt), the other set of 4mm cassettes were sent to Mr. Bud Halbert of the Commission Staff for preliminary tests to make sure that all needed information could be extrapolated with this new type of media. In addition, two sets of the old type of tapes were also sent. The Staff found 4 incomplete records in the first of these sets totaling \$1,577. No fault was determined; however the Utility went ahead and dumped a fourth set of tapes and sent them to Mr. Jeff Small, the Commission Staff's audit manager, by March 1, 2000. As a note, this EDP program was written and installed in February of 1997, specifically at the request of the FPSC. Since that time the Utility has revised and updated this program to be compatible with the revised USOA, as well as new forms of media. In the sixteen states in which Utilities, Inc. provides utility services, Florida is the only Commission that requests information in this manner, and the Utility fully believes it has made a substantial effort to accommodate this request in a timely manner.

Your recent letter also states two areas of concern with the Utility's current accounting and records system: making reference to specific examples of non-compliance included in the audit report, and suggesting that true book balances are necessary in the first column of the minimum filing requirements (MFR's). In an effort to mitigate these concerns, the Utility will agree to again thoroughly review the USOA and Rules 25-30.115 and 25-30.450, Florida Administrative Code by January 31, 2001 to ensure compliance on a going forward basis. The Utility also agrees that in future rate cases it will provide the MFR's in a format that will have the unadjusted, true book balance in the first column for purposes of increased clarity, efficiency and convenience to the Staff.

As discussed in Wedgefield's Response and Petition filed on September 13, 2000, the Utility already has made a significant good faith effort to modify its accounting system to fully comply with the Florida Commission's interpretation of the NARUC Uniform System of Accounts. However, as also mentioned in Wedgefield's Response and Petition, the Utility has determined that there are a few accounts remaining, especially account numbers 620 and 675, that may not be considered in full compliance with the NARUC USOA. The Utility has requested Staff's guidance to correct these few remaining differences in an expedient manner.

Prior to the receipt of your letter, an informal meeting was held at the Public Service Commission on Friday, October 20, 2000, at which Wedgefield's Response and Petition was discussed. The Utility thought it had responded to all outstanding issues in that written response. Therefore, when Staff still insisted on a \$1000 fine, the Utility's representatives requested specifics on what remained to be accomplished so that the Utility would be in substantial compliance with the NARUC USOA. A member of the PSC accounting staff, Ms. Patricia Merchant, joined the meeting to discuss those specific requirements. Those issues are addressed below.

- The "Balance per Books" in MFR's should be shown without any adjustments. The Utility agrees to conform to this in future rate cases, as stated above.

- It was alleged that some wastewater items were included in the water accounts. This is true, in part, due to the Utility's general allocation methodology. For instance, an office supply invoice billed to a utility system that provides both water and wastewater service initially would be coded to water expense and then a portion would be allocated to wastewater expense. However, in a few cases, an item that may be specifically identifiable to water or wastewater will be initially coded to water, and then allocated between the two. This could especially happen if an invoice does not specify whether each item is water or wastewater. The Utility will make specific refinements in its accounts payable procedures in effort to ensure that specifically identifiable items, within a reasonable degree of accuracy, are properly coded to water or wastewater, respectively.

- It was requested that the Utility promptly bring any newly acquired utility's accounting system into substantial compliance with the NARUC USOA within six months after a purchase. The Utility is in the business of identifying and purchasing often troubled water and wastewater systems. Inevitably, these utilities have substandard accounting systems and records. The Utility will pledge to do its best to bring each new system into substantial compliance with NARUC USOA, as promptly as possible, in an effort to meet the six-month goal.

- It was asserted that "In every case there is a new problem." To gain the benefits and advantages of a larger overall system, with professional management, centralized services, and improved quality of services, the Utility is compelled to fix a lot of problems, and not just mains, lines and plant. Accounting and record systems also need upgrading, along with numerous other categories of effort that are required to operate water and wastewater systems and to provide quality services at a reasonable price. The Utility is genuinely trying to identify and resolve the problems which are concerning Staff, but the concern that "In every case there is a new problem" is difficult to address and resolve. I am inclined to believe that a new problem is at least preferred to an old problem that has not yet been corrected. In any event, the Utility again pledges to work to satisfy all legitimate issues raised by Staff.

- The last issue discussed in relation to the Order to Show Cause relates to the EDP tapes requested for the audit. This has been addressed in detail above.

In summary, the Utility believes that its books and records are in substantial compliance with the NARUC USOA. The Utility further pledges to work diligently with Staff to correct any specific issues raised, and requests that the Commission waive the proposed fine. With the effort that the Utility has put forth to be in substantial compliance with Staff's interpretation of the NARUC USOA, imposing a fine now would seem to be improperly focused on punishment for prior problems which have been corrected or on the few remaining problems which are being identified and corrected, rather than encouraging compliance in the future.

Sincerely,



Erin L. Nicholas  
Regulatory Analyst

cc: Charles Beck, Esquire (Office of Public Counsel)  
Ben E. Girtman, Esquire