

STATE OF FLORIDA

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Public Service Commission

January 30, 2001

**STAFF'S SECOND
DATA REQUEST**

Scott G. Schildberg, Esquire
Ade & Schildberg, P.A.
One Independent Drive
Suite 3000
Jacksonville, Florida 32202

RE: Docket No. 001514-WS - Petition for approval of regulatory accounting treatment in Duval, Nassau, and St. Johns Counties by United Water Florida Inc., holder of Certificates Nos. 236-W and 179-S, and request for relief.

By this letter, Commission staff requests that United Water Florida Inc. (UWF) provide responses to the following data requests:

1. The following questions relate to United Water Resources, Inc.'s SEC Form 10-K for the year ended December 31, 1999.

a) On page 18, it states:

"On July 13, 1999, United Water announced that it was offering a voluntary early retirement program to employees who qualified based on age and length of service. This program, which ended September 14, 1999, resulted in a charge to net income of \$5 million and is expected to result in annual savings of approximately \$3.5 million in payroll costs, starting in 2000."

- 1) Is the amount requested in this proceeding to be capitalized to construction work in progress (CWIP) and deferred as a regulatory asset included in the \$5 million?
- 2) Describe in detail, by employee position title, the annual savings in payroll costs for UWF starting in 2000 and continuing to 2003?

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- b) Please provide a list of UWF's actual Information Technology Strategic Plan (ITSP) costs related to Y2K compliance efforts in 1999 broken down between water and wastewater. What is UWF's 2000 budgeted amount?

2. The following requests pertain to UWF's response to question number two of Staff's First Data Request, dated December 5, 2000.

- a) It appears that the pension cost of \$721,077 and the post retirement medical cost of \$439,616 represent one-third of the total one time charge for actuarial valuation. What is the cost using the actual amount of salaries of the twelve UWF employees who elected the early retirement program instead of prorating by the total company number of electing employees?
- b) Please provide a schedule showing the following information for the twelve UWF employees who elected to participate in the early retirement program:
 - 1) Employee's name
 - 2) Title or position
 - 3) Last annual salary & benefits
 - 4) Proposed salary & benefits for replacement
- c) Please explain why deferring the cost of the early retirement program until UWF's next rate case benefits the ratepayers instead of expensing those costs in the year incurred?

3. In regard to the utility's response to Staff's First Data Request, question number four, please explain why it is appropriate to capitalize a portion of the early retirement program to CWIP. What future benefit of the early retirement program exists for ratepayers?

4. The calculations for the year ended December 31, 1999, rate base and net operating income, provided by the utility in response to Staff's First Data Request, question number six, do not match the amounts in the 1999 annual report submitted to the Commission. Please explain the difference. Also, please provide itemized schedules of rate base and net operating income for water and wastewater by component (i.e., plant, accumulated depreciation, used and useful, etc., for rate base; and operating revenues, operation and maintenance expense, etc., for net operating income).

5. The following questions pertain to UWF's 1999 annual report.

- a) When did UWF write-off to income the Other Postretirement Employee Benefits (OPEB) deferred expenses for the years 1994-1997 disallowed by Order No. PSC-97-

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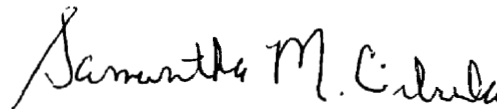
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0618-FOF-WS, issued May 30, 1997, in Docket No. 960451-WS? The First District Court Appeal upheld Order No. PSC-97-0618-FOF-WS in February 2000. Please provide a copy of the journal entries.

- b) What is the amount, excluding the employees that chose to participate in the early retirement program, of the current OPEB expense (including transition obligation amortization), salaries, and benefits for UWF as of December 31, 2000?
- c) UWF's 1999 annual report does not reflect its unfunded OPEB obligation on its rate base schedule. Please explain why this adjustment was not reflected in the 1999 annual report.
- d) UWF's 1999 annual report shows exactly the same amount of working capital allowance as in the projected schedule of rate base for December 31, 1999 for the most recent rate case, Docket No. 980214-WS. Please explain why the calculation was not made using actual amounts.
- e) Based on staff's comparison of Order No. PSC-97-1146-FOF-WS, issued on September 30, 1997, and UWF's 1999 annual report, the utility has not corrected the amortization of acquisition adjustment pursuant to Order No. PSC-97-0618-FOF-WS, issued April 24, 1995, and Amended Order No. PSC-97-1146-FOF-WS, issued on September 30, 1997. Please explain.
- f) Did the year ended December 31, 1999, contain any material non-recurring expenses that were in excess of 1% of above the line revenues for UWF? If so, please provide a description of the expense, the account number, and the dollar amount for each item(s).

Please file the original and two copies of the requested information by March 2, 2001, with Ms. Blanca Bayo, Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850. If you have any questions, please contact me at (850) 413-6202.

Sincerely,



Samantha M. Cibula
Senior Attorney

cc: Division of Economic Regulation (Quijano, Merchant)
Division of Records and Reporting