

LAW OFFICES  
**ROSE, SUNDBSTROM & BENTLEY, LLP**

2548 BLAIRSTONE PINES DRIVE  
TALLAHASSEE, FLORIDA 32301

ORIGINAL

FREDERICK L. ASCHAUER, JR.  
CHRIS H. BENTLEY, P.A.  
ROBERT C. BRANNAN  
DAVID F. CHESTER  
F. MARSHALL DETERDING  
JOHN R. JENKINS, P.A.  
STEVEN T. MINDLIN, P.A.  
DAREN L. SHIPPY  
WILLIAM E. SUNDBSTROM, P.A.  
DIANE D. TREMOR, P.A.  
JOHN L. WILKINSON  
  
ROBERT M. C. ROSE, OF COUNSEL  
WAYNE L. SCHIEFELBEIN, OF COUNSEL

(850) 877-6555  
FAX (850) 656-4029  
www.rsbattoorneys.com

CENTRAL FLORIDA OFFICE  
600 S. NORTH LAKE BLVD., SUITE 160  
ALTAMONTE SPRINGS, FLORIDA 32701-6177  
(407) 830-6331  
FAX (407) 830-8522

REPLY TO ALTAMONTE SPRINGS

MARTIN S. FRIEDMAN, P.A.  
VALERIE L. LORD

November 5, 2004

Ms. Bianca Bayo  
Commission Clerk and Administrative Services Director  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

RECEIVED-FPSC  
NOV - 8 AM 10: 21  
COMMISSION  
CLERK

Re: Docket No. 040316-WS; Analysis of Utilities, Inc.'s plan to bring Florida subsidiaries into compliance with Rule 25-20.115, Florida Administrative Code  
Our File No.: 30057.81

Dear Ms. Bayo:

Utilities, Inc. proposes the following in settlement of the issues in this docket:

1. Annual Report and Minimum Filing Requirements (MFRs) to begin with balance per books. Beginning with all years ending after December 31, 2004, each of the Utilities' annual report balances shall agree with the general ledger balances. All MFR pages that require a balance per book's column shall either be the actual balance per the general ledger or an average test year balance, with supporting calculations provided that show that the components of the calculation came from the general ledger.

2. Adjustments to Rate Base to be timely made. Beginning with the year ended December 31, 2003, and continuing through December 31, 2004, UI shall have reviewed all Commission transfer and rate case orders to determine if proper adjustments have been made to correctly state rate base balances. UI shall complete the adjustments to the books of Labrador Utilities, Inc., Bayside Utility Services, Inc., Mid-County Services, Inc. and Utilities, Inc. of Eagle Ridge when the Commission orders in their respective pending rate cases have become final. UI will complete the adjustments to the remaining Utilities' books on or before December 31, 2004. If UI has questions regarding adjustments for a specific Utility, it shall notify Commission Staff prior to December 31, 2004. UI shall maintain sufficient workpapers so that Commission Staff can easily review adjustments made and whether appropriate adjustments to reserve accounts have been made since the date of transfer or the end of the test year in a rate case, or other proceeding where rate base was established.

CMP \_\_\_\_\_  
COM \_\_\_\_\_  
CTR \_\_\_\_\_  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_  
OPC \_\_\_\_\_  
MMS \_\_\_\_\_  
RCA \_\_\_\_\_  
SCR \_\_\_\_\_  
SEC | \_\_\_\_\_  
OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE

11995 NOV-8 8

FPSC-COMMISSION CLERK

3. Improvements to account cross reference and allocation methodology. Beginning with the year ended December 31, 2004, and annually thereafter, UI shall maintain a schedule reconciling each general ledger account and sub-account to the USOA primary accounts. For any system that is utilizing a December 31, 2003-test year, UI shall complete this analysis before filing its MFRs. For all future rate cases, UI will prepare a detailed schedule for reconciliation of the general ledger account and sub-account to the USOA primary accounts.

4. Correction of pumping equipment account number. UI will continue to review accounts 310 and 311 to correct any mismatches between accounts 310 and 311. UI shall maintain supporting documentation to allow Commission Staff to confirm that the adjustments have been made for any future Commission Staff audits, and any adjustment will be reflected in future rate cases.

5. Retirements to be made consistently. UI shall complete, by the end of 2004, a review of all systems to ensure that all appropriate retirement entries have been made. Beginning with the year ended December 31, 2003, UI shall ensure that its operation and accounting personnel consistently utilize UI's existing retirement policy. Beginning September 30, 2004, UI's regulatory accounting and operations personnel shall make quarterly analyses of all plant additions to ensure that all required retirements have been made. Adjustments to the books of the Utilities will be completed either before December 31, 2004, or prior to the filing of a rate case by the relevant Utility. UI has implemented a fully automated work order system to facilitate its work order process. UI has already added the following fields to its work order form and input screen to track retirements when items are moved from the CP ledger to the general ledger: 1. New, 2. Upgrade, 3. Repair, and 4. Replace. These additional data entry fields will allow UI to sort all projects and better evaluate which projects require retirements. In addition, UI will require operations employees to provide accounting staff with the original date the asset was placed in service or the original cost, if available.

6. Corrections to CIAC amortization rate. UI has completed these adjustments.

7. Lack of support for Water Service Corp. Allocations. Pursuant to Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 0200710WS, the Commission ordered that "Utilities, Inc. shall use ERCs as its primary allocation factor for affiliate costs in future cases in Florida as of January 1, 2004, and shall use the end of the applicable test year as the measurement date." UI is reviewing the appropriateness of an ERC allocation methodology in other jurisdictions in which it operates. Until the appropriateness of this type of allocation can be determined, UI will prepare a second Water Services Corp. allocation book specifically for its Florida subsidiaries using the ERC as its primary allocation factor as delineated in Rule 25-30.055, Florida Administrative Code,

beginning January 1, 2004. UI shall also maintain workpapers for each Utility to show how the ERCs are determined on an annual basis.

8. Allocation to non-owned systems. UI agrees to implement its methodology to systems that it doesn't own but operates, and has included these systems in the 2003 allocation book.

9. Documentation of "other water uses." UI has implemented and is using the following standard operating protocol to track other water usage. UI believes that this protocol conforms to the Staff's proposal.

For each water system in Florida, the operator or field supervisor for each system will submit a report form each month entitled **WATER LOSS RECORD** to the Florida regional office. This document shall identify the estimated volume of unmetered water used in the system on a given day and the reason why it was lost. For example, water lost due to a water main break would be calculated from the duration of the event, the size of the pipe, and the estimated flow rate.

Other types of unmetered water use include, but are not limited to:

- water main flushing activities;
- hydrant flow testing;
- filling and chlorinating new water main extensions, storage tanks, or treatment units;
- filling new force main and reuse main extensions;
- water used internally in the treatment or disinfection process.

Each month, the total sum of water noted on the **WATER LOSS RECORD** is entered into our spreadsheet that tracks and compares water pumped and water purchased, against water sold for each system. In this way, UI has the means to review the data on a routine basis. The monthly form is attached to and filed with the file copy of each Utility's Monthly Operating Report and retained for future use.

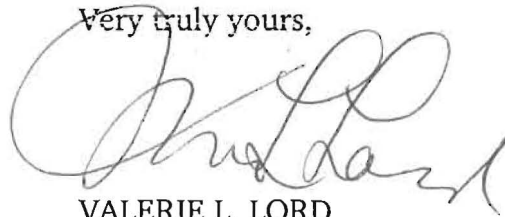
10. Maintenance of adjusting an entry log book. For all years beginning with January 1, 2003, UI shall maintain an adjusting entry log book and supporting documentation (purpose of the entry, person making the entry, worksheets showing any calculations and any supporting documents, reconciliations, invoices, etc.), with each adjustment to the journal.

Ms. Blanca Bayo  
November 5, 2004  
Page 4

11. Detail supporting cash book and general ledger. UI shall maintain supporting documentation (purpose of the entry, person making the entry, worksheets showing any calculations and any supporting documents, reconciliations, invoices, etc.), or a reference where the supporting documentation can be found.

Please do not hesitate to contact me, if you have any questions.

Very truly yours,



VALERIE L. LORD  
For the Firm

VLL/tlc

cc: Ms. Tricia Merchant, Division of Economic Regulation (by facsimile)  
Mr. Steven M. Lubertozi

M:\1 ALTAMONTE\UTILITIES INC\SUBSIDIARIES COMPLIANCE (.81)\PSC Clerk (Bayo)03 (Stipulation and Settlement).ltr.wpd