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Public Service Commission

December 15, 2006

Ms. Valerie L. Lord
Rose, Sundstrom & Bentley, LLP
Sanlando Center
2180 W. State Road 434
Suite 2118
Longwood, FL 32779

Re: Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities Inc., of Florida, (UI), specifically, request for a confidential classification for certain materials obtained by staff auditors during Utilities Inc., Affiliate Transaction Investigation as of December 31, 2005, Audit Control No. 06-135-2-1, Documents Nos. 06381-06 and 07990-06.

Dear Ms. Lord:

We have reviewed your request for a confidential classification filed on August 31, 2006, in Docket No. 060253-WS, and believe that UI's justification for confidential treatment of the following is deficient:

Audit Working Paper No. 31-4, pages 3-16, entitled: "Audited Financial Statements"

CMP _____
COM _____ It appears that the utility has not justified and demonstrated that release of all the information
CTR _____ contained within the 14 pages of financial statements described above would cause harm as required
ECR _____ by Rule 25-22.006(4)(c) and (e), Florida Administrative Code. Nor does the utility identify a prior
_____ decision of this Commission where a financial statement of a rate regulated utility was granted a
_____ confidential classification.

GCL _____
OPC _____ The utility offers the following four reasons why these financial statements are confidential:
RCA _____ (1) release of the information would harm the competitive business of UI; (2) release of the
SCR _____ information would harm the ability of UI and its affiliates to contract for goods and services in the
_____ future; (3) the information would not, otherwise, be released to the public; and (4) courts in this state
_____ would, otherwise, treat this information as confidential.

SGA _____
SEC 1
OTH _____

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Further, the utility offers three reasons why release of this information would harm UI and the ratepayer: (1) release of the information would impair UI's ability to negotiate for goods and services; (2) the information is irrelevant to, and has no impact on, the outcome of this proceeding; and (3) release of the information would impair the ability of UI to purchase and sell utility systems at reasonable prices.

Section 367.156, Florida Statutes, provides that the Commission shall have reasonable access to utility records and records of affiliated companies "to ensure that a utility's ratepayers do not subsidize nonutility activities." (see also, Commission Order No. PSC-92-0752-PCO-WS, issued August 6, 1992, in Docket No. 911188-WS, In re: Application for a rate increase in Lee County by Lehigh Utilities, Inc.) In the instant case, overhead costs and capital costs of the parent company are charged to the ratepayer.

Audited financial statements are filed by 15,000 public companies with the U.S. Securities and Exchange Commission each year. In addition, hundreds of Florida water companies must file an annual report with the Commission each year. All regulated gas companies in Florida must file an annual report with the Commission each year. Electric utilities around the country must file detailed, public Federal Energy Regulatory Commission Annual Reports (FERC Form 1) each year. These summarized annual reports reveal a great deal of information regarding these companies. If these companies were experiencing contractual or competitive harm, it seems as though this summary information would be protected. Staff further believes that it is speculative that release of general financial information provided in summary financial statements would cause harm.

The utility also claims its business of buying and selling entire utility systems would be harmed if this information were released. Extensive public records in Commission files reveal the price paid for regulated utility systems. Also, when a utility system is sold to a Florida municipality or city, the price paid is part of the public record. Thus, it appears there are numerous public sources for research into the potential sales price of a utility system.

Lastly, there are many different types of information provided in summary financial statements, but the utility has only provided general statements as to why all these different types of general financial information should be granted a confidential classification. Presently, staff's opinion is that the utility has not met its burden of proof that release of this summary financial information would cause harm.

Response to Perceived Deficiency

In response to this letter, the utility may provide additional justification as to why the Commission should grant the above material a confidential classification. Within 21 days from the date of this letter, as deemed necessary, the utility may: revise, modify or withdraw its pleading; modify any justification; or provide additional redacted copies or highlighted copies within its request. Otherwise, staff will present a recommendation to the prehearing officer based upon the existing record.

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If you have procedural or other questions regarding this matter, please contact me (email: rjaeger@psc.state.fl.us or telephone: 850-413-6234). If you have any technical questions regarding this matter, please contact Robert Freeman (email bfreeman@psc.state.fl.us or telephone: 850-413-6485).

Sincerely,



Ralph R. Jaeger
Senior Attorney

RRJ/jb

cc: Division of Regulatory Compliance & Consumer Assistance (Vandiver, Freeman, Rohrbacher)
Division of the Commission Clerk and Administrative Services (Lockard, docket file)