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STATE OF FLORIDA



GENERAL COUNSEL
S. CURTIS KISER
(850) 413-6199

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Public Service Commission

October 19, 2010

Howard E. Adams, Esq.
Pennington, Moore, Wilkinson, Bell & Dunbar, PA
215 S. Monroe Street
2nd Floor
Tallahassee, Florida 32302

CERTIFIED MAIL

Re: Docket No. 100326-SU - Application for a staff-assisted rate case in Duval County by Commercial Utilities, Division of Grace & Company, Inc.

Dear Mr. Adams:

I am writing to inform you that your client, Commercial Utilities, Division of Grace & Company, Inc. (Commercial Utilities or Utility) is not presently maintaining its accounts and records in conformance with the National Association of Regulatory Utility Commissioners' (NARUC) Uniform System of Accounts (USOA). Failure to do so amounts to a violation of Florida Public Service Commission (Commission) Rule 25-30.115, Florida Administrative Code (F.A.C.). Rule 25-30.115, Uniform System of Accounts for Water and Wastewater Utilities, provides:

Water and wastewater utilities shall, effective January 1, 1998, maintain their accounts and records in conformity with the 1996 NARUC Uniform Systems of Accounts adopted by the National Association of Regulatory Utility Commissioners. All inquiries related to the interpretation of these uniform systems of accounts shall be submitted to the Commission's Division of Economic Regulation in writing. Note: The National Association of Regulatory Utility Commissioners published separate uniform systems of accounts for three classes of water and wastewater utilities: Class A (defined as those having annual water or wastewater operating revenues of \$1,000,000 or more); Class B (defined as those having annual water or wastewater operating revenues of \$200,000 or more but less than \$1,000,000); Class C (defined as those having annual water or wastewater revenues of less than \$200,000). Copies of these systems of accounts may be purchased from the office of said Association, Post Office Box 684, Washington, D.C. 20044.

DOCUMENT NUMBER DATE

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Your client also appears to be in violation of Commission Order No. PSC-00-1508-PAA-SU,¹ which specifically ordered the Utility to maintain its books and records in compliance with NARUC USOA. Page 5 of the Order states:

Commercial Utilities shall maintain its books and records in conformance with the 1996 NARUC Uniform System of Accounts and submit a statement from its accountant by March 31, 2001, along with its 2000 annual report, stating that its books are in conformance with the NARUC Uniform System of Accounts and have been reconciled with this Order.

On September 1, 2010, the Commission's Office of Auditing and Performance Analysis issued an Audit Report of the Utility for the current staff assisted rate case. Audit Finding No. 1 indicates that the Utility's accounting system is currently not in full compliance with Order No. PSC-00-1508-PAA-SU, or Commission Rule 25-30.115, F.A.C. Page 6, of the Audit Report states:

The Utility's current accounting system is not in full compliance with the Commission Order referenced above and was not conducive for our requirements or needs for this rate proceeding.

The auditors did indicate that that they were able to derive the necessary information for the rate case because they had full access to Commercial Utilities' underlying records, but they recommended that the books be maintained in accordance with NARUC USOA going forward.

Section 367.161, Florida Statutes (F.S.) provides that the Commission has the authority to impose upon any entity subject to its jurisdiction that is found to have refused to comply with, or to have willfully violated, any statute, rule or order of the Commission, a penalty for each offense of not more than \$5,000. Each day that such refusal or violation continues constitutes a separate offense.

Please submit an affidavit from the appropriate Utility representative to the Commission Clerk, no later than November 18, 2010, stating Commercial Utilities' books and records, 2010 Annual Report, and all subsequent annual reports will be in compliance with NARUC USOA. If the Commission does not receive this information by that time, staff intends to recommend an initiation of Show Cause proceedings as part of its final recommendation.

¹ Issued August 18, 2000, in Docket No. 991902-SU, In re: Investigation into the wastewater rates of Commercial Utilities, Division of Grace & Company, Inc., in Duval County.

Howard E. Adams, Esq.

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Please let me know if you have any questions about this matter. I can be reached by telephone at (850) 413-6187 or by email at mbrown@psc.state.fl.us.

Sincerely,



Martha C. Brown
Senior Attorney
Office of General Counsel

MCB/sh

cc: Office of General Counsel (Teitzman, Murphy)
Division of Economic Regulation (Smith, Hudson, Fletcher, Maurey)
Office of Commission Clerk (Docket No. 100326-SU)
Ms. Anne Lee
Mr. Cobb Harbeson