

ORIGINAL

WEDGEFIELD UTILITIES, INC.

*an Affiliate of Utilities, Inc.
1920 Merredith Parkway
Orlando, FL 32833*

**Corporate Offices:
2335 Sanders Road
Northbrook, IL 60062**

Ms. Blanca Bayo
Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 991437-WU, Application of Wedgefield Utilities, Inc. to Increase its Water Rates and Charges; Utility's Response to Audit Exceptions No. 5 (part 2) and No. 7

Dear Ms. Bayo:

In response to the Staff Audit Report dated May 6, 2000, Wedgefield Utilities, Inc. objects to the Auditor's recommendations in Audit Exception No. 5 (part 2) and Audit Exception No. 7.

Audit Exception No. 5 (part 2) recommends a reduction in Account 311 by \$1,737 due to the lack of support for this addition. We have found and enclosed the related invoice, which should provide sufficient documentation for inclusion of this dollar amount. The Company apologizes that this invoice was apparently misplaced at the time of the field audit.

The Company also strongly disagrees with the Auditor's recommendations in Audit Exception No.7 that:

- a) 99.58% of the \$17,264 land purchase be reclassified to Account 103, Property Held for Future Use, and
- b) 99.58% of the \$1,200 survey cost associated with the land purchase also be reclassified to Account 103, Property Held for Future Use.

In 1996, Wedgefield Utilities, Inc. purchased the assets of Econ Utilities Corporation (Econ). At the time of the purchase, a portion of Tract "A", the non-residential portion of Lot 25 (see Attachment 1, Wedgefield Service Area Map), was deeded to Wedgefield by Econ. The land conveyed was to include all of the existing water treatment, supply, and storage facilities serving the Wedgefield service area. The remainder of Tract "A" had been deeded to the Wedgefield Homeowners Association (HOA) for recreational purposes in 1994 by Magna Properties, Inc. (Magna), the developer of the Wedgefield subdivision and owner of Econ Utilities

Subsequently, defects in the prior deeds were discovered, including incorrect descriptions of property in the deeds to both Wedgefield and the HOA. Specific to Wedgefield's concerns, only a portion of the land on which the water plant was located had been included in the description of property deeded to Wedgefield.

APP _____
 CAF _____
 CMP _____
 COM _____
 CTR _____
 ECR _____
 LEG _____
 OPC _____
 PAI _____
 RGO _____
 SEC _____
 SER _____
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JUN 15 8 AM 8 25
 DIVISION OF RECORDS AND REPORTING

DOCUMENT NUMBER-DATE

07316 JUN 15 8

FPSC-RECORDS/REPORTING

After concluding negotiations to resolve this matter, simultaneous transactions were carried out to correct the situation in June 1999. Magna quit-claimed to the HOA a tract containing 1.22 acres within Tract "A", thereby correcting previous deeds. The 1.22 acres was composed of Parcels B and C (see Attachment 2, Survey Map). The HOA then entered into a contract with Wedgefield and transferred to it those same two parcels. The contract between Wedgefield and the HOA acknowledged that the portion with the tank and shed (Parcel B) should have been conveyed previously, and conveyance of that portion was to correct an oversight. The contract then stated that the additional property (Parcel C) was being purchased by Wedgefield. Thus, the actual conveyance of Parcel B and Parcel C to Wedgefield was done in a single transaction. The area identified as Parcel A on the survey map already had been conveyed to Wedgefield in 1996. It is only Parcel C and its related costs that are addressed in Audit Exception No.7.

The HOA land immediately north of Parcel A (water tank site) and west of Parcel C (well site), which would have provided a complete rectangle of property to the utility, was not available for purchase because it already had recreational improvements on it, was partially paved, and was being used by the community through the HOA. To the east, Parcel C abuts existing platted home lots.

The purchase of Parcel C provides sufficient land on which to locate additional wells and storage, and it provides a buffer between the water treatment and storage facilities and platted residential lots. The purchase of Parcel C also guarantees access to an existing well site and to supply and related mains already running in different directions through Parcel C in various places and to any other wells or mains that may be required to be located on the property. Prior to the purchase of Parcel C, no such access was guaranteed. The purchase of Parcel C also reserves the land for utility purposes at a reasonable cost. Otherwise, Parcel C could have become unavailable, like the land adjacent to it that is already being used for recreational purposes.

It would have been imprudent for the utility not to have purchased the approximately one acre Parcel C at one time. Likewise, it would have been imprudent for the utility to have purchased only the 169 square foot well Site. Had the utility done that, it would have had no guaranteed access and would only be able to bring in its trucks and personnel by continuing to encroach on HOA land. In addition, the utility would have had no means of preventing the HOA from utilizing that land and from building structures upon it, as it already was done on other adjacent property. Such use probably would have made access difficult or impossible and would have made it less safe and more expensive. At best, the utility would have had to purchase easements of sufficient size to allow ingress, turning, and egress for trucks and heavy equipment to the well site and to the various mains within Parcel C. Easements are not without cost. If the utility had postponed to a later date the purchase of the approximate one acre included in Parcel C (assuming it still would be available), the land almost certainly would have come at a higher price. If the utility were to have purchased micro-parcels of the size the audit exception recommended (0.42% of the acre) as Plant in Service, it could do so only at a much higher unit price than the larger parcel. Micro parcels break up the land and make land adjacent to them less useable or desirable.

In addition to the higher unit costs that one would expect, in this particular case a plan to purchase in micro-parcels would also be imprudent because it would result in the existing interconnecting mains being located on lands not under utility control but subject to paving and other uses, with the associated higher utility repair and maintenance costs. Having all of these facilities on utility-owned land also will allow for safer operations. The purchase of the entire Parcel C in one parcel also was prudent

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June 12, 2000
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because, otherwise conflicting land use would box in the existing supply and treatment plant site, resulting in land for plant expansion being available only through the exercise of eminent domain rights at this site, or purchase of land at another site, either of which would have resulted in higher costs.

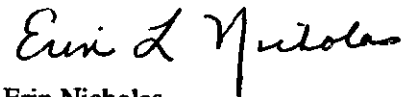
Furthermore, the Commission in its regulation of other utilities, has always recognized that securing land sites in a cost-efficient manner and in anticipation of need is a good management decision that benefits ratepayers and warrants inclusion in rate base.

As a practical matter, the auditor's recommended adjustment, on a purely mathematical basis of the ratio of one fenced well site to total acreage (0.42%), simply ignores reality.

Therefore, the total land cost and associated survey cost are reasonable and prudent and should remain in Plant in Service.

The Staff's Audit Exception No. 7 should not be accepted, and the Staffs Audit Exception No. 5 (Part 2) has been satisfied.

Sincerely,



Erin Nicholas
Regulatory Analyst

Encls.

cc: w/ encls.
Mr. Marshall Willis

Invoice

Invoice # 00026895
 Cust No. : UTIINC
 Inv. Date: 12/26/96
 Page No. 1
 Order No. 132465

Bill To:
 UTILITIES, INC.
 200 WEATHERSFIELD AVENUE
 ALTAMONTE SPRINGS, FL

Ship To:
 UTILITIES INC.
 WEDGEFIELD

32714

RECEIVED JAN 6 1997

Ship Date : P.O. No. : Terms : Ship Via : Slrpr No. : Due Date :
 12/26/96 : SEE BODY : NET 30-DAY : SERVICE : 9 : 01/25/97 :

Qty Ordered	Qty. Ship	Item No.	Unit	T	Extended
	Qty. Bkord	Description	Price	X	Amount

BALANCE DUE IS LOCATED AT THE BOTTOM OF THIS INVOICE

P. O. #RR69-0649W

12/23/96 SERVICE TO CHANGE OUT 25 HP MOTOR AND DROP OFF
 OLD MOTOR AT ELECTRIC MOTOR SERVICE

*Water Plant
 Motor for Well #2-*

6.00	6.00	SERVICE CALL LABOR			
	0.00	CHARGED BY THE HOUR	65.000	N	390.00
		MEN & TRUCK			

1.00	1.00	NEW 25 HP U.S. MOTOR			
	0.00	FR284TP 3-PH 230/460V	1674.290	Y	1674.29

LESS TRUCK LINE'S INSURANCE PAYING FOR SUPERFICIAL DAMAGE

DONE TO BONNET AND MOTOR PAINT

1.00-	1.00-	INSURANCE			
	0.00	PAYING	403.090	Y	403.09-

SERVICE CHARGES of 1.5% per month, or the maximum allowed by law will be added to any past due balances. Also added will be all costs, including reasonable attorney fees, whether suit be brought or not, if the charges due hereunder are not discharged within (30) days of date of invoice and counsel shall be employed herein.

BALANCE DUE IS SHOWN BELOW:

LOCKE WELL AND PUMP COMPANY
 3685 OLD WINTER GARDEN ROAD
 ORLANDO, FL 32805-1038

PLEASE PAY FROM INVOICE TOTAL.

Sub Total : 1661.20

Sales Tax : 176.27

Freight : 0.00

INVOICE TOTAL: 1837.47

FAX: 407/578-1840
 407/299-8888

STATEMENTS RENDERED ONLY UPON REQUEST.

BLOCK 25
LAT BOOK Z, PAGE 29

ROCKET CITY UNIT 1, PLAT BOOK Z, PAGE 29

PAVED ROAD

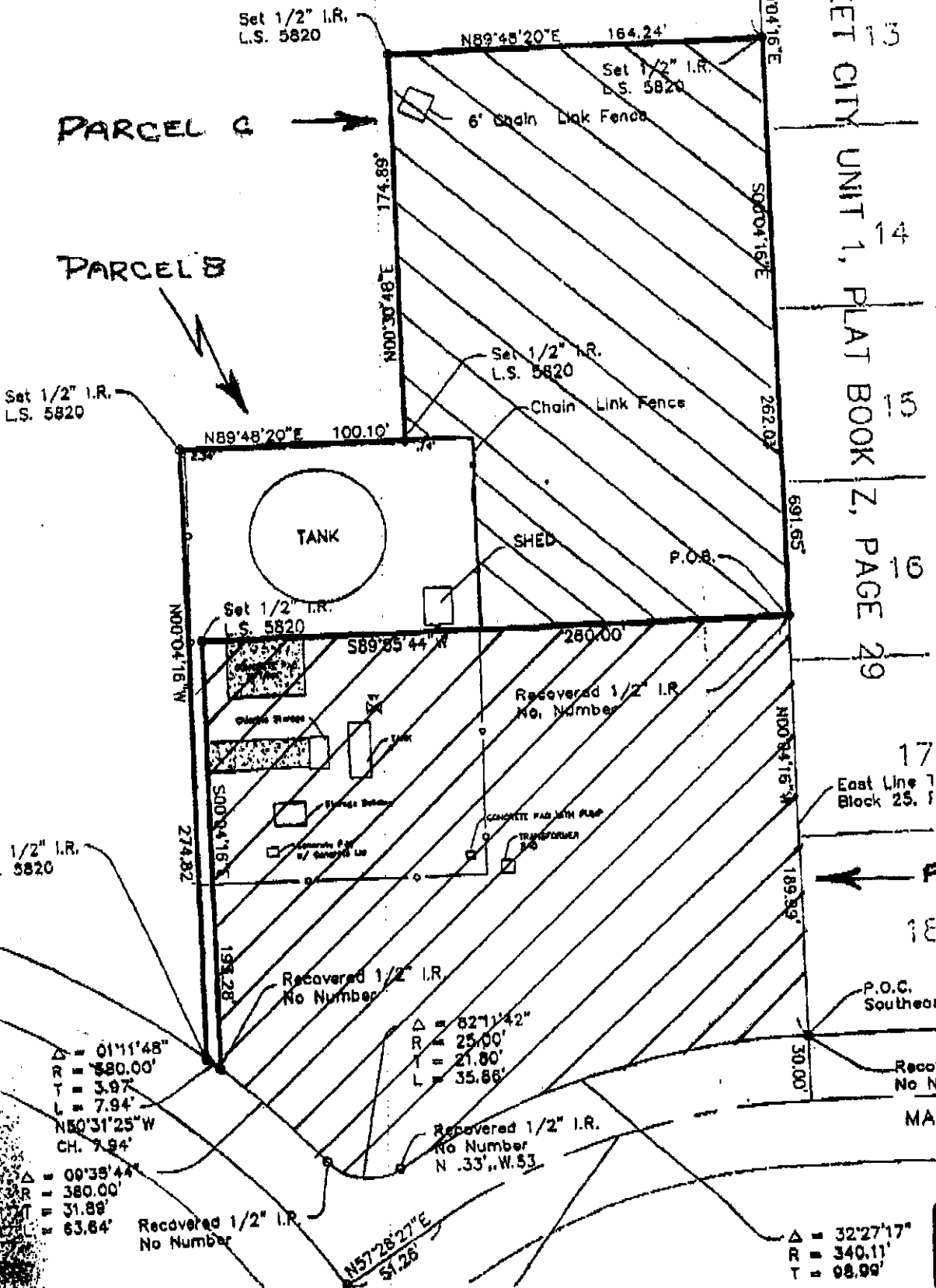
PAVED ROAD

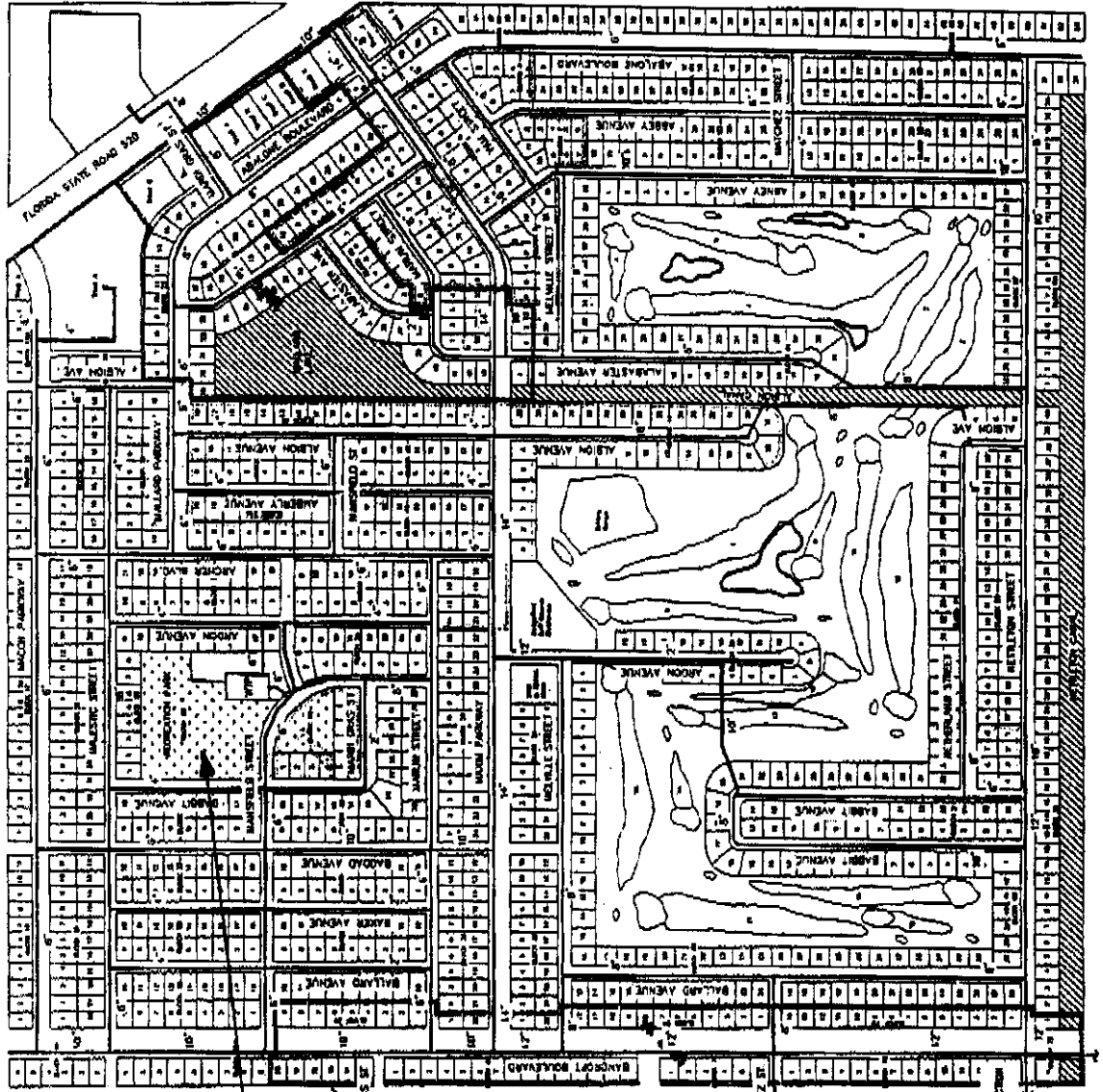
PAVED ROAD

PARCEL C

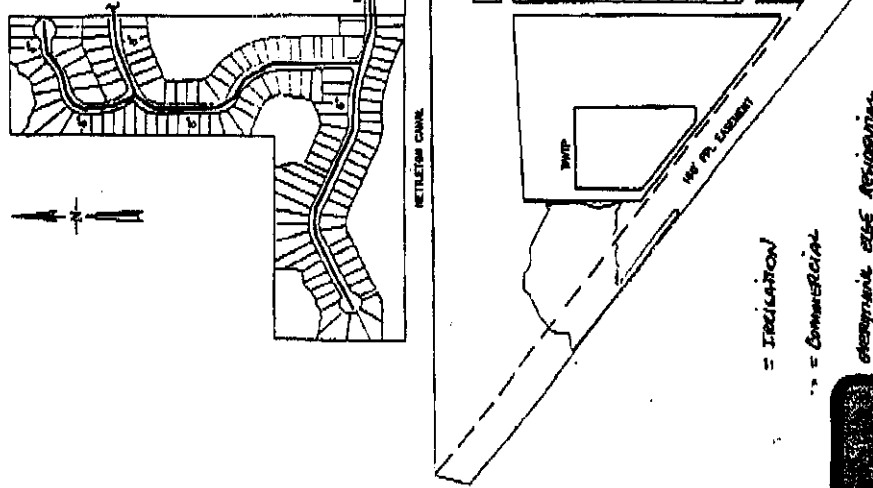
PARCEL B

PARCEL A



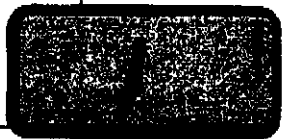


TRACT
1A
BLOCK X
LARGE BLOCK



= IRRIGATION
-- = Commercial

PROPERTY LINE REVISION



WEDGEFIELD CUSTOMER
WATER SERVICE MAP

WEDGEFIELD UTILITIES, INC. /
UTILITIES, INC.
of FLORIDA

