

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase)
in water rates in Orange County)
by Wedgefield Utilities, Inc.)
_____)

DOCKET NO. 991437-WU

Filed: September 13, 2000

**WEDGEFIELD UTILITIES, INC.'S
RESPONSE AND PETITION ON
FINAL ORDER INITIATING A SHOW CAUSE PROCEEDING**

Wedgefield Utilities, Inc. ("Wedgefield" or "the Utility"), by its undersigned counsel and pursuant to §367.161 and §367.081, Florida Statutes, hereby files its Response and Petition on Final Order Initiating a Show Cause Proceeding, including a request for waiver of the \$3,000 fine imposed in the Show Cause portion of Order No. PSC-00-1528-PAA-WU entered in this Docket on August 23, 2000. That portion of the Order is referred to herein as the "Order to Show Cause". The Utility also requests a formal hearing thereon pursuant to §120.57(1), Florida Statutes, if the proposed fine is not otherwise waived. As its response, and as grounds for its request for waiver and/or hearing, Wedgefield states:

1. The petitioner's name and address is:

Wedgefield Utilities, Inc.
200 Weathersfield Avenue
Altamonte Springs, FL 32714

2. Copies of all notices, orders, pleadings, discovery, and correspondence

regarding this Petition should be sent to the following attorney on behalf of petitioner:

Ben E. Girtman, Esq.
1020 E. Lafayette Street, Suite 207
Tallahassee, FL 32301
Telephone: (850)656-3232
Facsimile: (850)656-3233

3. The undersigned counsel for Wedgefield received a copy of the PAA Order from the Commission on August 23, 2000.

4. Wedgefield Utilities, Inc. is a wholly owned subsidiary of Utilities, Inc., which owns and operates approximately 75 utility companies. These subsidiaries are spread throughout 16 states including Florida, Arizona, Georgia, Illinois, Indiana, Louisiana, Maryland, Mississippi, North Carolina, Nevada, New Jersey, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. Utilities, Inc. maintains the books and records of each of these 75 subsidiaries, in a manner consistent with that of Wedgefield Utilities, Inc.

5. Of the sixteen states in which subsidiaries of Utilities, Inc. provide service, fifteen regulate water and wastewater utilities, and all those fifteen jurisdictions prescribe the NARUC Uniform System of Accounts or a modification thereof. None of those State Commissions, except Florida, has determined, or even alleged, that the accounts and records of any of the subsidiaries of Utilities, Inc. are not maintained in conformance with the NARUC Uniform System of Accounts.

6. The Show Cause Order identifies four prior Commission Orders, issued between 1995 and 1998, which cited Utilities, Inc. and its Florida subsidiaries for failure to fully comply with the Rule 25-30.115 and/or Rule 25-30.450, Florida Administrative Code. However, the Order to Show Cause does not acknowledge that Utilities, Inc., in 1998, made a significant good faith effort to modify its accounting system to fully comply with the Florida Commission's interpretation of the NARUC Uniform System of Accounts, as specified in those orders. Utilities, Inc. consulted extensively with the Florida Public

Service Commission during the transition period.

7. The Order to Show Cause further pointed out that, in previous proceedings, a show cause order was not issued because, "Although the auditors' finding was that the utility was not in compliance, the dollar amounts of the errors were not considered sufficiently material to initiate a show cause action at that time." [Order, page 32.] Similarly, in the current case, it is clear that there is no material impact in the dollar amounts in determining the proper level of revenues required in the Wedgefield rate case.

8. The Order to Show Cause stated that the auditors in the current case were able to perform the audit, but that, ". . . the condition of the books and records resulted in significant excess time in the field and a corresponding delay in completing the audit report". [Order, page 34.] Although the Utility acknowledges that some additional time may have been required by the Utility and by the Audit Staff to appropriately reconcile various expense accounts, the Staff did not remain at the Utility's office for any longer than the two-week period originally allotted by Staff to perform the audit. The on-site audit began on Monday, May 1, 2000, and was completed on Friday, May 12, 2000. Furthermore, the Utility made every effort to work with the Staff on a punctual basis.

9. On April 7, 2000, approximately three weeks before the Commission's on-site audit commenced, the Commission's audit staff requested the Utility to reconcile operating expense Account Nos. 620, 635, 641, 642, and 675. The Utility staff timely provided data tapes to the audit staff prior to the audit. With the data tapes and the assistance of the Utility staff, commission audit personnel were able to verify the accounts in an expedient

amount of time and were able to complete the on-site audit within the time period that the Commission audit staff had allotted for it, thus meeting the requirements of PSC Rule 25-30.450, Florida Administrative Code.

10. The Order to Show Cause (at page 34) states that the problems encountered by the Staff were caused by a "complex utility accounting system" that must be converted to the NARUC format for each rate proceeding and that "clearly is a violation of the requirement to keep the information readily available." The Utility submits that there are some variations in the accounting system necessitated by the large number of systems and jurisdictions involved. Nevertheless, the Utility also submits that the use of an accounting system that may require conversion of the format of certain accounts does not, in and of itself, violate the requirement to keep information readily available. The practical measure of whether there is a violation is whether any significant delays were actually experienced in completing the on-site audit. As previously stated and to the knowledge of the Utility, the Commission audit staff did not find it necessary to set aside a longer than normal on-site auditing period for this utility because of any "complex utility accounting system".

11. Since the Order to Show Cause was issued on August 23, 2000, the Utility has carefully reviewed its entire Chart of Accounts, as well as the 1996 Uniform System of Accounts for Class B Water Utilities. Utility representatives have also talked with members of the FPSC Staff involved in the Wedgefield Utilities, Inc. rate case audit to attempt to determine the specific areas of concern. Through this process, the Utility has been able to determine that there are a few accounts remaining, especially Utility Account Nos. 620 and

675, which the Utility may not be utilizing totally in accordance with the NARUC Uniform System of Accounts.

12. The Utility recognizes that, because of a few specific issues remaining with Account Nos. 620 and 675, it is not in total compliance with the NARUC Uniform System of Accounts. However, the Utility believes that its books and records are in substantial compliance with the NARUC USOA. The Utility further promises to sufficiently correct these differences by January 31, 2001, if given some guidance from the FPSC Audit Staff.


13. Other than as specifically set forth above, no other portion of the Order is protested herein.

14. Wedgefield is entitled to relief under Chapters 120 and 367, Florida Statutes, and Chapters 25-22 and 25-30, Florida Administrative Code.

WHEREFORE, Wedgefield Utilities requests that the Commission:

- (a) Waive the \$3,000 fine imposed in this Order to Show Cause;
- (b) Allow the Utility to work with Staff to resolve any discrepancies remaining after the 1998 modification of its accounting system, and direct Staff to perform a compliance audit of the books and records as they exist as of January 31, 2001;
- (c) If (a) is not approved by the Commission, the Commission is hereby requested to hold a formal hearing pursuant to §120.57(1), Florida Statutes, on the Show Cause portions of the above-referenced Order.
- (d) Grant such other and further relief as the Commission may deem appropriate.

Respectfully submitted,



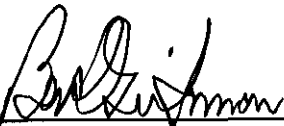
Ben E. Girtman
FL Bar No. 186039
1020 E. Lafayette St.
Suite 207
Tallahassee, FL 32301

Attorney for
Wedgefield Utilities, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been sent to the following by hand delivery this 13th day of September, 2000.

Patty Christensen, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850



Ben E. Girtman