

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of SOUTHERN STATES)	DOCKET NO. 880520-WS
UTILITIES, INC. for a rate increase)	ORDER NO. 21322
in Marion County)	ISSUED: 6-5-89

The following Commissioners participated in the disposition of this matter:

BETTY EASLEY
GERALD L. GUNTER

APPEARANCES: B. KENNETH GATLIN, Esquire, Gatlin, Woods, Carlson & Cowdery, 1709-D Mahan Drive, Tallahassee, Florida 32308
On behalf of Southern States Utilities, Inc.

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FINAL ORDER ESTABLISHING INCREASED
WATER AND SEWER RATES

BY THE COMMISSION:

CASE BACKGROUND

On July 12, 1988, Southern States Utilities, Inc. (Southern States or utility) filed an application for increased water and sewer rates in Marion County. The application did not meet the minimum filing requirements and Southern States was so notified. On September 1, 1988, Southern States completed its application and that date was established as the official filing date. The test year for this docket is the projected twelve-month period ended December 31, 1988. Southern States has requested final revenues which are designed to generate annual revenues of \$85,463 for water and \$220,292 for sewer. These revenues exceed the projected 1988 revenues by \$7,639 (9.82 percent) and \$53,579 (32.14 percent) for water and sewer, respectively.

By Order No. 20236, issued October 31, 1988, we suspended the utility's proposed rates and established increased rates for the Citrus Park and Salt Springs systems, on an interim basis, subject to refund. Since we found that the South Forty sewer system had a potential to overearn by \$28,493 on an annual basis, we did not grant an interim increase for that system, but permitted Southern States to continue collecting the existing rates on an interim basis, subject to refund.

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On December 14, 1988, the Office of Public Counsel (OPC) filed notice of its intervention in this proceeding pursuant to the provisions of Section 350.0611, Florida Statutes. By Order No. 20486, issued December 20, 1988, we acknowledged OPC's intervention in this matter.

A formal hearing regarding Southern States' application for increased rates was held on February 23, 1989 in Ocala, Florida.

FINDINGS OF FACT, LAW AND POLICY

Having heard the evidence presented at the formal hearing held in this case and having reviewed the briefs of the parties and the recommendation of the Commission Staff (Staff), we hereby enter our findings and conclusions.

STIPULATIONS

Prior to and during the hearing in this case, Southern States and OPC agreed upon a number of stipulations, which are also supported by Staff. Having heard no evidence to convince us otherwise, we find that the stipulations are reasonable and have, therefore, approved the stipulations set forth below.

Rate Base

1. Utility plant-in-service should be reduced by \$9,200 for the Salt Springs water system to remove misclassified plant.
2. The appropriate balances of CIAC are as follows:

Citrus Park/Salt Springs Water	\$(139,729)
Salt Springs Sewer	\$(116,222)
Citrus Park Sewer	\$(105,587)
3. Accumulated depreciation and depreciation expense should be reduced by \$303 and \$214, respectively, to remove depreciation associated with the misclassified Salt Springs water plant.
4. The appropriate balances of accumulated amortization of CIAC are as follows:

Citrus Park/Salt Springs Water	\$ 35,113
Salt Springs Sewer	\$ 47,495
Citrus Park Sewer	\$ 29,776
5. Working capital should be reduced by \$1,520 for water and \$2,192 for sewer to exclude "possible acquisition" costs.
6. The Citrus Park sewer land account should be adjusted to remove \$26,763, the thirteen-month average balance of capitalized interest.
7. Accumulated depreciation should be recalculated for the period between September 1, 1985, and December 31, 1987, to reflect the rates approved for the systems pursuant to Orders Nos. 13679 and 13795.

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Cost of Capital

8. The appropriate cost of debt is 8.91 percent.
9. The appropriate cost of equity is 14.35 percent
10. Southern States is an Option 2 company and ITCs should, therefore, be assigned a cost rate based upon the cost for long term debt, preferred stock and common equity.
11. The appropriate overall cost of capital is 10.28 percent.

Net Operating Income (NOI)

12. The appropriate amount of income tax expense will be calculated based upon the determination of other issues. Interest reconciliation and synchronization adjustments must be included in the calculation.
13. The appropriate test year depreciation expense should be calculated using the guideline rates contained in Rule 25-30.140, Florida Administrative Code.
14. The composite rate for test year depreciation should be used to calculate test year CIAC amortization expense.
15. The allowed rate case expense should be amortized over four years.

Rates

16. If final revenues are found to be less than interim revenues, Southern States should refund the excess revenues collected, with interest, pursuant to Rule 25-30.360, Florida Administrative Code.

In addition to the stipulations approved above, Southern States agreed to a number of other stipulations, which Staff also supports and regarding which OPC took no position. Having heard no evidence to convince us otherwise, we also approve the stipulations set forth below.

Rate Base

17. The appropriate method to calculate working capital is the balance sheet method. The working capital allowance should be allocated based upon operation and maintenance (O & M) expenses as follows:

Citrus Park/Salt Springs Water	\$ 5,703
South Forty Sewer	\$ 2,221
Salt Springs Sewer	\$ 1,981
Citrus Park Sewer	\$ 4,022

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NOI

18. The allowed rate case expense should be allocated to the water and sewer systems based on the ratio of customers in each Marion County system to total Marion County customers.

Rates

19. Southern States' proposed miscellaneous service charges are in accordance with Second Revised Staff Advisory Bulletin No. 13 and should be approved. These charges are as follows:

<u>WATER</u>		
<u>Description</u>	<u>Charge During Regular Hours</u>	<u>Charge After Regular Hours</u>
Initial Connection	\$ 15.00	\$ 15.00
Normal Reconnection	\$ 15.00	\$ 15.00
Violation Reconnection	\$ 15.00	\$ 15.00
Premises Visit Charge	\$ 10.00	N/A

<u>SEWER</u>		
<u>Description</u>	<u>Charge During Regular Hours</u>	<u>Charge After Regular Hours</u>
Initial Connection	\$ 15.00	\$ 15.00
Normal Reconnection	\$ 15.00	\$ 15.00
Violation Reconnection	\$ 50.00*	\$ 50.00*
Premises Visit Charge	\$ 10.00	\$ N/A

* Applicable to "Sewer Only" customers

20. Southern States' level of CIAC is not in compliance with Rule 25-30.580, Florida Administrative Code. However, in view of no growth, no changes in its service availability policies are necessary in this proceeding.

QUALITY OF SERVICE

Our analysis of quality of service is based upon Southern States' compliance with the rules of the Department of Environmental Regulation (DER) and other regulatory agencies, its record of operation and maintenance of the systems and the testimony of customer, utility and DER witnesses at the hearing.

Prior to Southern States' purchase of the facilities under consideration, each system was involved in some sort of corrective action with DER. However, at the hearing, witness Miller, an Environmental Specialist with DER, testified that each of the water systems currently meets DER's minimum water standards. Witness Darling, a DER Environmental Supervisor for domestic waste, also testified that, with the exception of the South Forty sewer system, which is presently under a DER consent order, each of the sewer systems meets DER's minimum

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wastewater standards. One customer testified that the utility had, on occasion, discharged raw sewage into Lake Kerr. Upon further questioning, he admitted that the last time this happened was approximately two years ago. Three other customers testified of an odor emanating from a lift station in the Salt Springs area. Witness Darling testified that the Salt Springs system appeared to be operating properly, but that low flow in a long gravity line can turn septic by the time it reaches a lift station. In addition, we note that Southern States is in the process of improving the South Forty and Salt Springs sewer systems.

Based upon the discussion above, we find that the quality of service provided by Southern States is satisfactory.

RATE BASE

Our calculations of the appropriate water and sewer rate bases are attached as Schedules Nos. 1-A for water and 1-B for sewer, with our adjustments attached as Schedule No. 1-C. Those adjustments which are self explanatory or essentially mechanical in nature are set forth on those schedules without any further discussion in the body of this Order. The major adjustments are discussed below.

Margin Reserve

Pursuant to Section 367.111(1), Florida Statutes, a utility must provide service to the territory described in its certificate within a reasonable time. In order to do so, a utility must have a certain amount of plant in excess of that required to serve existing customers. Margin reserve is an adjustment by which we recognize a portion of the excess capacity.

Southern States argues that all plant is 100 percent used and useful and that a margin reserve is not, therefore, appropriate for this proceeding. OPC's position is that a margin reserve should never be included in rate base, since it causes current customers to pay for plant required for future customers.

We agree that no margin reserve is appropriate for the Citrus Park and South Forty Systems, since there is little or no growth. However, there is still potential for growth in the Salt Springs area. Therefore, we find it appropriate to include, in our used and useful calculations, a 25,920 gallon per day (gpd) margin reserve for the Salt Springs water system and a 5,056 gpd margin reserve for the Salt Springs sewer system, based upon the average yearly customer growth over the last five years.

Imputation of CIAC on Margin Reserve

As discussed above, Southern States contends that a margin reserve is not appropriate in this case because all plant is 100 percent used and useful. OPC's position is that, if we allow a margin reserve, CIAC should be imputed on the margin reserves.

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While we have already found that not all plant is 100 percent used and useful, we agree that it would be inappropriate to impute CIAC on the allowed margin reserves. Witness Lewis testified that there was very little, if any growth on any of the systems. Since we did not include a margin reserve for the Citrus Park water and sewer or South Forty sewer systems, it would be inappropriate to impute any CIAC for those systems. Regarding the Salt Springs sewer system, witness Lewis testified that there was growth inside the RV park, however, witness Becker testified that the RV park is master metered and that, the utility will not collect any further CIAC for growth inside the park.

Based upon the discussion above, we find that it would be inappropriate to impute CIAC on the allowed margin reserves.

Used and Useful

Determining the appropriate used and useful calculations for this utility is complex, since it involves three water systems and two sewer systems. In addition, construction is in progress at the Salt Springs water and South Forty sewer plants. Therefore, it was necessary to calculate the used and useful portions of both the present and the proposed systems. Determining used and useful plant was also complicated by the fact that neither Southern States nor OPC separated the treatment and distribution or collection systems. Further, in its calculations of used and useful plant, OPC failed to consider margin reserve, peak flows or Martin County's requirement that the utility maintain a fire flow reserve of 500 gallons per minute (gpm) for two hours. The utility, on the other hand, had difficulty producing documentation to support a number of its claims and calculations.

The following are our determinations of the appropriate used and useful portions of each system.

Citrus Park Water - The Citrus Park water treatment plant consists of two wells and a 5000 gallon hydropneumatic tank. There is no other form of storage. The capacity of the system is 375 gpm or 540,000 gpd. OPC witness DeMeza simply divided the maximum daily flow by the plant capacity to determine that this system is 24.6 percent used and useful.

According to utility witness Becker, under Rule 17-555.315 (formerly Rule 17-22.615), Florida Administrative Code, the utility is required to have at least two wells. Witness Becker also referred to the Great Lakes Upper Mississippi River Board of State Public Health and Environmental Managers, Recommended Standards for Water Works (1987), also known as "Ten States' Standards". Witness Becker testified that, under Ten States' Standards, maximum hour demand is the only appropriate criterion to calculate demand for a system of this type. Although witness Becker was unable to point out the specific standard to which he was referring, we note that, under Rule 17-555.320 (formerly Rule 17-22.620), Florida Administrative Code, high service pumping and distribution facilities are required to be designed to meet maximum hourly demand. We also note that, under Ten States' Standard No. 7.2.2, the capacity of wells and pumps in a hydropneumatic system should be at

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least ten times the average daily consumption rate. The Citrus Park water system is far from adequate to meet the maximum hourly demand, much less ten times the average daily consumption. In addition, it does not have the capacity to provide more than a few minutes of fire flow. Accordingly, we find that the Citrus Springs water treatment system is 100 percent used and useful. We also find that the Citrus Springs area is essentially built-out, and that the distribution system is, therefore, 100 percent used and useful.

Salt Springs Water - The Salt Springs Water Treatment system is similar to the Citrus Park system in that both the existing and the future systems consist of a well field, a hydropneumatic tank and a chlorinator. Southern States contends that the system is 100 percent used and useful at present and will be 61 percent used and useful when completed. For its calculations, OPC simply divided the average daily demand by the system capacity. OPC argues that the system is currently only 57.8 percent used and useful. When completed, OPC contends that the system will only be 15.8 percent used and useful.

As discussed under our analysis of the Citrus Park water system, we believe that the appropriate standards that apply to these systems are Rule 17-555.320, Florida Administrative Code, and Ten States' Standard No. 7.2.2. Under Rule 17-555.320, Florida Administrative Code, the high service pumping and distribution facilities shall be designed to meet the maximum hourly system demand. Under Ten States' Standard No. 7.2.2, the capacity of the wells and pumps in a hydropneumatic system should be able to deliver at least ten times the average daily consumption.

According to the utility's MFRs, the existing system utilizes three wells, which provide a total of 184,320. The average daily consumption is 45,245 gpd. It is clear that the existing system is not capable of providing ten times the average daily consumption as required under Ten States' Standard No. 7.2.2. The new system will include two additional wells, which will increase the capacity by 576,000 gpd. Dividing 452,450 gpd, which is ten times the average daily consumption, by 734,400 gpd, the projected capacity, results in a projected 61 percent used and useful portion of this plant.

The above result is consistent with another method also accepted in system planning, whereby the largest well is disregarded in determining the system's ability to meet the demand of the service area. Disregarding the 300 gpd well in this case results in a remaining capacity of 328,320 gpd. Adding a margin reserve of 25,920 gpd to the maximum daily flow of 175,680 gpd results in a requirement of 210,600 gpd. When that amount is divided by 328,320 gpd, the result is that the system will be 61 percent used and useful.

Based upon the discussion above, we find that the current Salt Springs water system is 100 percent used and useful and that, when completed, the system will be 61 percent used and useful. Since the system was under construction during the test year, we have included the new plant in construction-work-in-progress (CWIP), below. We have, therefore, made no adjustments to the plant balances.

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Citrus Park Sewer - Prior to Southern States' purchase, the utility was under a consent order from DER. Since then, Southern States has installed a new treatment plant, with a capacity of 65,000 gpd in the extended aeration mode and up to 100,000 gpd in the contact stabilization mode. The original plant was converted to a surge tank and sludge digester.

As mentioned previously, in his calculation of used and useful, OPC witness DeMeza simply divided the average daily flow by the plant capacity. In its brief, however, OPC agreed to adjust its calculations to allow for an error in flows reported by the utility. OPC argues that the Citrus Park sewer system is 69.2 percent used and useful.

Utility witness Becker explained that, although the plant is capable of treating 100,000 gpd, the preferred mode of operation is extended aeration, which limits capacity to 65,000 gpd. He stated that extended aeration is a better form of treatment with less attendant problems.

We agree that extended aeration is far superior to contact stabilization. However, we find that, since the plant can be operated in the contact stabilization mode, the appropriate capacity is 100,000 gpd. Nevertheless, the maximum daily flows reported by the utility were in the vicinity of 100,000 gpd several times in the past two years. Moreover, the average daily flow for the peak month, September, 1987, was 91,566 gpd and peak flows on numerous days in September, October and November, 1987 exceeded 100,000 gpd. Therefore, based upon the evidence of record, we find that the Citrus Park sewer system is 100 percent used and useful.

Salt Springs Sewer - The Salt Springs sewer treatment plant is rated at 85,000 gpd. Southern States' position is that the system is intended to serve existing customers, recreational resort areas and future customers in a recreational vehicle (RV) park and shopping center. Southern States, therefore, contends that the system is 100 percent used and useful. For his calculation, OPC witness Demeza divided the average daily flow by the plant capacity, to arrive at a used and useful portion of 37.8 percent.

Although we do not agree that this system is 100 percent used and useful, neither do we agree with Mr. DeMeza's methodology. We note that Mr. DeMeza has only testified before this Commission regarding used and useful in one other case, Docket No. 871134-WS, the application of Orange-Osceola Utilities, Inc. for increased rates. By Order No. 20434, issued December 8, 1988, in that proceeding, we rejected the same methodology used by Mr. DeMeza in this proceeding.

We believe that the appropriate method to determine the used and useful portion of this system is to use the average daily flow for the peak month plus a margin reserve, divided by the plant's capacity. We have already found it appropriate to include a margin reserve of 5,056 gpd which, when added to the average daily flow of 33,600 gpd for the peak month, November, 1988, results in a required capacity of 38,656. Dividing this amount by 85,000 gpd, the plant's capacity, further results in a used and useful portion of 45 percent. Accordingly, we find that the Salt Springs Sewer system is 45 percent used and

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useful. Based upon the above, we have reduced Account 380, Treatment and Disposal Equipment, by \$74,832 and accumulated depreciation by \$30,515, for a net reduction of \$44,317.

South Forty Sewer - All parties and Staff agree that the existing collection and treatment plant is 100 percent used and useful. However, as noted above, this system is currently under construction. The new system will be a 75,000 gallon per day (gpd) aeration plant, which will incorporate the existing 25,000 gpd plant into the new design.

Monthly DER operating reports show flows peaking at over 100,000 gpd in many instances. In fact, between January and April of 1988, the average daily flow was approximately 87,000 gpd, with flows for March averaging 108,000 gpd. Since the new plant will have a capacity of 75,000 gpd and daily flows for the peak months averaged 87,000 gpd, we find that the new system will be 100 percent used and useful.

Projected Plant Additions

In its application, Southern States included projected plant additions of \$40,087 for the Salt Springs water system and \$47,400 for the South Forty Sewer System. The utility's application indicated that these plant additions would be in service by July of 1988, however, according to utility witness Lewis, they were not in service as of December, 1988, the end of the test year. Mr. Lewis also testified that the plant associated with the projects were still in Account 105, Construction Work In Progress, because they were not operational. Mr. Lewis testified, however, that the projected plant additions should be included in plant-in-service because they will be completed by the time final rates are approved. OPC argues that, since these plant additions were not completed by the end of the test year, they should be excluded from rate base. However, OPC provided no testimony to that effect.

Since these plant additions were not completed and operational at the end of the test year, we find it appropriate to include the additions as CWIP and to exclude these plant items from plant-in-service. Accordingly, we have reduced plant-in-service by \$47,400 for the Salt Springs water system and by \$40,087 for the South Forty sewer system.

CWIP - Utility witness Guastella testified that CWIP on the entire amount of the plant additions should be included in rate base. He argued that, without including CWIP at its full weight, the utility will have an amount of investment for which it will not be able to earn a return, either through an allowance for funds used during construction (AFUDC) or rates.

Staff witness Cicchetti testified that the utility should be allowed to include CWIP in rate base only to the extent necessary to maintain the company's financial integrity. To this end, Mr. Cicchetti applied a financial integrity test based on the Times Interest Earned (TIE) ratio of the company. Under Mr. Cicchetti's model, the utility should be allowed to include an amount of CWIP in rate base that will enable it to achieve a TIE ratio of 2. In order to achieve a TIE ratio of 2, Mr. Cicchetti determined that Southern States should be

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allowed to include CWIP in the amounts of \$33,744 for the South Forty sewer system and \$50,897 for the Salt Springs water system.

We agree with Mr. Cicchetti that a utility should only be allowed to include CWIP to the extent necessary to maintain its financial integrity. We also agree with his basic methodology, however, we believe that his model should be applied to the consolidated system, based upon our practice of establishing uniform rates when feasible. Applying the model used by Mr. Cicchetti to the consolidated capital structure and the rate base established further hereunder indicates that Southern States should be allowed to include \$82,204 of CWIP in rate base in order to maintain its financial integrity. We, therefore, find that 100 percent of the CWIP for the South Forty sewer system, or \$33,744, should be included in rate base. The Salt Springs CWIP balance is \$81,773, however, we have already determined that only 61 percent of the CWIP for this system, or \$49,857, is used and useful. Since only \$82,204 of CWIP is required for the utility to maintain its financial integrity, we find that only \$48,460 of CWIP for the Salt Springs System should be allowed in rate base.

AFUDC

Southern States' MFRs reflected thirteen-month average balances for capitalized interest of \$45,834 for the Citrus Park sewer system, \$3,196 for the Salt Springs water system and \$1,938 for the South Forty sewer system. According to Southern States' MFRs, the Citrus Park sewer plant and sprayfield were placed into service in May of 1988. However, based upon the record established at the hearing, the sewer plant was actually placed into service in January of 1987. In its brief, OPC argues that, since the Citrus Park sewer additions were placed in service in January of 1987, capitalized interest or AFUDC of \$69,533.09 should be disallowed. OPC, however, provided no testimony to that effect.

We believe that Southern States should be allowed to include capitalized interest on its construction projects in rate base. If the capitalized interest was not allowed, the utility would not be able to recover any of its capital costs incurred during construction. However, since Southern States did not have an approved AFUDC rate, as required by Rule 25-30.116, Florida Administrative Code, we find that it should be penalized one-hundred basis points on the AFUDC rate.

At the hearing, Mr. Lewis testified that Southern States had already made adjustments to remove all AFUDC associated with the Citrus Park sewer plant and sprayfield, to place the plant and sprayfield into plant-in-service at the actual in-service date and to recalculate the 1986 AFUDC associated with these projects using an AFUDC rate of 8.78 percent and a monthly discount rate of .007277. We have reviewed the utility's calculations and find the rate used to be reasonable. Accordingly, we find it appropriate to include \$3,823 in capitalized interest for the Citrus Park sewer plant and \$11,096 for the sprayfield. Further, since we have included CWIP for the Salt Springs water system and the South Forty sewer system in rate base, we find it appropriate to

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exclude any interest capitalized during the test year from the CWIP balance.

Wastewater Pretreatment Facility

In its application, Southern States included a \$30,340 pretreatment facility, installed to serve a laundromat, in its calculation of rate base. Southern States argues that, when it acquired the Salt Springs system, it assumed the responsibility of providing sewer service to a shopping center, as agreed by the prior owners of the utility. Although Southern States was required to honor the prior owners' contract, the record does not indicate that there was any contractual or regulatory requirement that it provide pretreatment of laundry waste at that time. In addition, the utility argues that, although it does not believe that DER had a legal basis upon which to require Southern States to install the pretreatment unit, it agreed to provide the pretreatment unit rather than challenge DER. Further, the record indicates that DER neither required a construction permit for the pretreatment plant nor acknowledged it in any manner in the operating permit.

Based upon the evidence of record, we find that the pretreatment facility is for the benefit of the laundromat only and not the general body of ratepayers. Therefore, we find that it would be inappropriate to require the general body of ratepayers to pay a return on the pretreatment facility. We have, accordingly, removed the entire cost of the facility from rate base.

Utility Plant-in-Service

Based upon our findings and calculations made above, we find that the 13-month average balances of plant-in-service are \$300,996 for the water systems and \$955,240 for the sewer systems.

Accumulated Depreciation

On the basis of our findings and calculations above and the stipulations entered into prior to and during the hearing in this docket, we find the appropriate balances of accumulated depreciation to be as follows:

	<u>WATER</u>	<u>SEWER</u>
CITRUS PARK	\$ 37,446	\$ 83,787
SALT SPRINGS	17,124	53,165
SOUTH FORTY	0	85,448
TOTAL COUNTY	<u>\$ 54,570</u>	<u>\$222,400</u>

Acquisition Adjustment

On September 1, 1985, Southern States acquired the Marion County systems for less than the then-current rate base. When systems are purchased for less than their rate bases, a

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negative acquisition adjustment results. It has been our policy to disregard either a positive or a negative acquisition adjustment, for ratemaking purposes, absent a showing of extraordinary circumstances and that recognizing the adjustment is in the interests of the customers.

OPC witness Deason testified that the company's actual purchase price should be used absent a showing by the utility that allowing the previous owner's net book value is in the public interest. Mr. Deason also testified that the Commission's policy places the burden on a utility's customers or Staff to show that circumstances justify using the purchase price rather than the book value. Mr. Deason further testified that the Commission should alter its policy to require a utility to meet some burden of proof, in the case of a negative acquisition adjustment, similar to the benchmark analysis used to analyze O & M expenses. Finally, Mr. Deason testified that, by ignoring the negative acquisition adjustment, the customers will pay a return on the previous owner's rate base, plus all of the improvements made by Southern States to bring the systems up to par. Mr. Deason, therefore, recommends that we recognize the negative acquisition adjustment for ratemaking purposes.

Utility Witness Guastella testified that it would be inappropriate to impose a negative acquisition adjustment in this case because the transfer of these utility systems to Southern States was in the best interests of the customers. He further testified that OPC ignored some of the benefits which accrued to the customers as a result of the transfer to Southern States. Southern States' position is that the Commission should not recognize a negative acquisition adjustment in this case because:

- (1) Southern States is able to attract capital at a more reasonable cost;
- (2) Due to economies of scale Southern States has the financial, technical, managerial and operational expertise to ensure that the customers receive safe and adequate service;
- (3) With respect to that portion of the revenue requirement related to the original cost and related accumulated depreciation, the customers of these systems will pay no more under Southern States' ownership than they would have paid under the previous ownership; and
- (4) The customers of Southern States' other divisions are not in any way subsidizing the customers of these systems.

As mentioned above, it is the policy of this Commission that, when a transfer occurs, the buyer acquires the seller's rate base balance unless there are extraordinary conditions that justify an acquisition adjustment. In Docket No. 850976-WS under which we processed the transfer, our investigation did not reveal circumstances extraordinary enough to indicate that an acquisition adjustment was appropriate. Although we recognized that Southern States would have to undertake a number of corrective measures to eliminate problems

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with the systems, we also found that the improvements would serve the public interest. Since we found no extraordinary circumstances, we did not recognize the negative acquisition adjustment.

While OPC presented cogent arguments as to why we should change our policy regarding acquisition adjustments, it presented no new evidence to support a change from our decision in the transfer docket. Accordingly, we decline to recognize the negative acquisition adjustment for ratemaking purposes. We, therefore, find that the appropriate rate base, as of the date of the transfer, is \$352,178.

Rate Base

Based upon Southern States' application and our calculations and adjustments, we find that Southern States' thirteen-month average rate bases are \$203,948 for water and \$932,877 for sewer.

COST OF CAPITAL

Our calculations of the utility's cost of capital are reflected on Schedule No. 2-A, with our adjustments itemized on Schedule No. 2-B. Since all cost of capital issues were stipulated, there is no further discussion in the body of this Order.

NET OPERATING INCOME

Our calculations of NOI are reflected on Schedules Nos. 3-A for water and 3-B for sewer, with our adjustments detailed on Schedule No. 3-C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion herein. A discussion of our major adjustments follows.

Unaccounted for Water

Unaccounted for water is that water which, after treatment by the utility, is placed in the distribution system for use by the utility's customers but for various reasons does not show up as a product sold or used for some other valid, documented purpose. Unaccounted for water was calculated to be 17 percent at Citrus Park and 16 percent at Salt Springs. Southern States provided testimony that the system at Salt Springs was old, galvanized steel pipe dating back into the 1950's and that water which is provided to a national park, free of cost, is currently unmetered. Southern States also provided testimony that it will meter the new water plant, providing better records of what is provided to the Park Service at no charge. Southern States provided no explanation regarding the Citrus Park water system. OPC argues that any unaccounted for water over 10 percent is excessive and that we should adjust purchased power and chemicals accordingly. However, it provided no evidence in support of its position.

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We note that, while a ten percent allowance for unaccounted for water is a guideline, it is not a hard and fast policy. We agree with Southern States that there are mitigating circumstances in this case, at least for the Salt Springs system. Further, we do not believe that unaccounted for water levels of 16 or 17 percent are unreasonably high. Since OPC provided no evidence that the unaccounted for water levels are unreasonable, we find that it would be inappropriate to make any adjustments to purchased power or chemicals.

Depreciation Expense

Based upon its position that we should recognize a negative acquisition adjustment, OPC argues that we should calculate depreciation expense using Southern States' purchase price. Since we have already rejected OPC's position regarding the acquisition adjustment, we find that depreciation expense should be based upon the original cost.

Rate Case Expense

Southern States submitted a late filed exhibit detailing \$74,469 in actual rate case expense incurred through February 24, 1989, and an estimate of \$3,000 through completion of this case, for a total requested rate case expense of \$77,469. It also submitted invoices in support of the requested amount.

OPC argues that a number of these costs are inappropriate. OPC contends that some of the costs requested are for start up and training costs for Southern States' rate department. OPC, therefore, suggests that \$4,482 in training fees paid to Barry Asmus and at least one-half of the \$33,395 for in-house labor costs associated with this case should be disallowed. In addition, OPC argues that \$7,558 in outside engineering fees should be disallowed because the engineering firm "contributed little, if anything, to the [utility's] case".

We agree that the requested rate case expense should be reduced by \$4,482 to exclude invoices from Mr. Asmus. Witness Lewis testified that Mr. Asmus' main function was to convert him into an instant water and sewer rate director and show him how to do a rate case at the same time. We do not believe that it would be appropriate to require the customers of Southern States' Marion County systems to pay Mr. Lewis' training costs. We have, therefore, removed Mr. Asmus' fees.

As for the in-house rate department labor, Mr. Lewis testified that he works out of a central office for all of Southern States' utilities in this state. Administrative services for Southern States, which include billing, accounting, customer service functions, are funded through normal operations and allocated to each system based upon the ratio of that system's customers to the total number of Southern States' customers. The rate department functions are also included in administrative services and an allocated portion of these costs is already included in O & M expenses. We believe that to also include the rate department labor in rate case expense would result in a double recovery thereof and have, therefore, removed the entire \$33,395 from rate case expense.

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Finally, Southern States submitted an invoice from Guastella Associates, Inc. which gave a breakdown of hours and expenses incurred in preparing and reviewing testimony and participating at the hearing. The total of these charges was \$5,470.85. The invoice also reflects an unexplained previous balance amount of \$1,596.25, for a total invoice amount of \$7,067.10. We find that the previous balance amount should be removed, since it cannot be determined whether this amount relates to the utility's rate case or other consultation services.

Based upon the discussion above, we find that the appropriate allowable rate case expense for this proceeding is \$37,996. As stipulated, this amount should be amortized over four years.

Test Year NOI

Based upon the utility's application and the adjustments discussed above, we find that Southern States' test year net operating income is \$13,395 for water and \$42,729 for sewer.

Revenue Requirements

In its application, Southern States initially requested revenue requirements of \$85,463 for water and \$220,292 for sewer. At the hearing, it requested revenue requirements of \$86,342 and \$214,756 for water and sewer, respectively. In its brief, the utility requested revenue requirements of \$91,220 for water and \$242,299 for sewer, which amounts appear to be based on adjustments made for stipulated issues, testimony presented at the hearing regarding rate case expense and the appropriate in-service dates for the Citrus Park sewer plant and sprayfield. Southern States did not provide revised schedules to support the recalculation of these requested revenues nor did it request to further modify its revenue request at the hearing. In fact, witness Lewis testified that, although the adjustments for the Citrus Park sewer plant would result in a greater revenue requirement than that requested in Southern States' application, the utility did not intend to adjust its request.

Based upon the utility's application and the adjustments and calculations above, we find that Southern States' revenue requirements would be \$83,307 for water and \$221,792 for sewer. The revenue requirement for sewer includes an adjustment to reflect the correct in-service date for the Citrus Park sewer plant. However, since the utility testified at the hearing that it did not intend to adjust its revenue requirement request as a result of this correction, we find it appropriate to limit the sewer revenue requirement to \$214,756, the reduced amount requested at the hearing. Accordingly, we find that the appropriate revenue requirements for this proceeding are \$83,307 for water and \$214,756 for sewer.

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RATES AND RATE STRUCTURE

Southern States' current Marion County water rates are uniform in nature and are based upon a base facility/gallage charge rate structure. Its Marion County sewer rates are also based upon a base facility/gallage charge rate structure, but differ between systems. In addition, there is a differential between residential and general service sewer rates, in that residential usage is capped at 10,000 gallons per month, to recognize that any water used in excess of this amount is probably used for irrigation purposes and is not returned to the sewer plants. Further, there are certain special rates for some customers which existed at the time of Southern States' purchase of the systems. Finally, both water and sewer rates are currently billed on a monthly basis.

The rates approved herein are also based upon the base facility/gallage charge rate structure and are uniform in nature. It is Commission policy to use the base facility/gallage charge structure for setting rates because of its ability to track costs and to give the customers some control over their water and sewer bills. Each customer pays his pro rata share of the fixed costs necessary to provide service through the base facility charge and only actual usage is paid for through the gallage charge.

We have made a number of minor changes to the utility's rate structure. Southern States's proposed rates were based upon bi-monthly billing, in the interest of reducing administrative costs. We believe that this change is appropriate and have adopted a bi-monthly billing frequency for the rates approved hereunder. We have also increased the residential sewer cap to 16,000 gallons per billing period in order to more accurately reflect the average residential flows. Finally, we have eliminated all special rates, except that an RV park in Salt Springs will be metered for sewer. Metering the RV park is based upon the testimony of customer witness Rogers. Mr. Rogers testified that, due to the RV park's heavy irrigation, it is charged for sewer flows well in excess of actual flows. Mr. Rogers also testified that there are currently 106 sites ready for occupancy and that an appropriate estimate of usage is 200 gpd per site. He further testified that the park has applied to DER to build an additional 177 sites and that, at build-out, the park will consist of approximately 500 sites. While it is somewhat speculative to attempt to predict the number of sites that will be in operation during the time rates are in effect, we believe it is reasonable to base our assumptions on 164 sites. This equates to 12 million gallons of wastewater per year.

Based upon the utility's application, the evidence presented at the hearing and the adjustments made herein, we hereby approve the rates set forth below. These rates are designed to allow Southern States the opportunity to collect annual revenues of \$83,307 for water and \$214,756 for sewer. The rates approved herein will be effective for meter readings on or after June 15, 1989, and the miscellaneous service charges for miscellaneous services rendered on or after May 16, 1989, subject to the filing and approval of a proposed customer notice and revised tariff pages. The customer notice shall explain the increased rates and the reasons therefor and is to

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be sent to each customer with the first billing under the new rates. The revised tariff pages shall be approved upon Staff's verification that they accurately reflect our decision and upon the approval of the proposed customer notice.

Southern States' original rates, its requested rates, those rates approved for interim purposes and the final, Commission-approved rates are set forth below for comparison.

WATER

Residential and General Service

	<u>Monthly Current</u>	<u>Monthly Interim</u>	<u>Bi-Monthly Utility Requested</u>	<u>Bi-Monthly Commission Approved</u>
<u>Base Facility Charge</u>				
<u>Meter Size</u>				
5/8" x 3/4"	\$ 4.64	\$ 5.30	\$ 14.29	\$ 13.30
Full 3/4"	6.95	7.94	21.44	19.96
1"	11.59	13.23	35.73	33.26
1-1/2"	23.18	26.47	71.45	66.52
2"	37.05	42.31	114.32	106.44
3"	74.13	84.65	228.64	212.87
4"	115.81	132.24	357.25	332.61
6"	231.64	264.51	714.50	665.23
<u>Gallage Charge, per 1,000 gallons</u>	\$ 1.03	\$ 1.18	\$ 0.95	\$ 0.96

SALT SPRINGS SEWER

Residential Service

	<u>Monthly Current</u>	<u>Monthly Interim</u>	<u>Bi-Monthly Utility Requested</u>	<u>Bi-Monthly Commission Approved</u>
<u>Base Facility Charge</u>				
<u>Meter Size</u>				
All Meter Sizes	\$ 8.83	\$12.61	\$25.32	\$24.49
<u>Gallage Charge, per 1,000 gallons</u>	\$ 1.97 (10,000 gal. cap)	\$ 2.81 (10,000 gal. cap)	\$ 2.34 (16,000 gal. cap)	\$ 2.26 (16,000 gal. cap)

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SALT SPRINGS SEWERGeneral Service

	<u>Monthly Current</u>	<u>Monthly Interim</u>	<u>Bi-Monthly Utility Requested</u>	<u>Bi-Monthly Commission Approved</u>
<u>Base Facility Charge</u>				
<u>Meter Size</u>				
5/8" x 3/4"	\$ 8.83	\$ 12.61	\$ 25.32	\$ 24.49
Full 3/4"	13.23	18.90	37.98	36.72
1"	22.05	31.49	63.30	61.18
1-1/2"	44.09	62.97	126.60	122.33
2"	70.56	100.78	202.56	195.71
3"	140.87	201.20	405.12	391.39
4"	220.48	314.91	633.00	611.53
6"	440.94	629.79	1266.00	1223.03
<u>Gallonge Charge, per 1,000 gallons</u>	\$ 2.37	\$ 3.39	\$ 2.80	\$ 2.71

CITRUS PARK SEWERResidential Service

	<u>Monthly Current</u>	<u>Monthly Interim</u>	<u>Bi-Monthly Utility Requested</u>	<u>Bi-Monthly Commission Approved</u>
<u>Base Facility Charge</u>				
<u>Meter Size</u>				
All Meter Sizes	\$ 5.33	\$ 6.26	\$ 25.32	\$ 24.49
<u>Gallonge Charge, per 1,000 gallons</u>	\$ 1.37 (10,000 gal. cap)	\$ 1.61 (10,000 gal. cap)	\$ 2.34 (16,000 gal. cap)	\$ 2.26 (16,000 gal. cap)

CITRUS PARK SEWERGeneral Service

	<u>Monthly Current</u>	<u>Monthly Interim</u>	<u>Bi-Monthly Utility Requested</u>	<u>Bi-Monthly Commission Approved</u>
<u>Base Facility Charge</u>				
<u>Meter Size</u>				
5/8" x 3/4"	\$ 5.33	\$ 6.26	\$ 25.32	\$ 24.49
Full 3/4"	8.02	9.43	37.98	36.72
1"	13.36	15.70	63.30	61.18
1-1/2"	26.71	31.39	126.60	122.33
2"	42.75	50.24	202.56	195.71
3"	85.49	100.48	405.12	391.39
4"	133.58	157.00	633.00	611.53
6"	267.13	313.96	1266.00	1223.03
<u>Gallonge Charge, per 1,000 gallons</u>	\$ 1.63	\$ 1.92	\$ 2.80	\$ 2.71

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SOUTH FORTY SEWER

General Service

	<u>Monthly</u> <u>Current</u>	<u>Monthly</u> <u>Interim</u>	<u>Bi-Monthly</u> <u>Utility</u> <u>Requested</u>	<u>Bi-Monthly</u> <u>Commission</u> <u>Approved</u>
<u>Base Facility Charge</u>				
<u>Meter Size</u>				
5/8" x 3/4"	\$ 35.69	\$ 35.69	\$ 25.32	\$ 24.49
Full 3/4"	53.55	53.55	37.98	36.72
1"	89.24	89.24	63.30	61.18
1-1/2"	178.49	178.49	126.60	122.33
2"	285.57	285.57	202.56	195.71
3"	571.16	571.16	405.12	391.39
4"	892.44	892.44	633.00	611.53
6"	1784.86	1784.86	1266.00	1223.03
<u>Gallonage Charge,</u>				
per 1,000 gallons	\$ 2.406	\$ 2.406	\$ 2.80	\$ 2.71
per 100 cubic feet	1.80	1.80	2.09	2.03

SPECIAL SOUTH FORTY SEWER RATES

As noted above, Southern States had the potential to overearn on the South Forty system. We did not, therefore, grant an interim rate increase for this system, but allowed the utility to continue collecting its existing rates, subject to refund. All of the South Forty special rates have been eliminated in the final approved rates. The special rates are set forth below for informational purposes only.

GOLD BOND ICE CREAM

<u>Bi-Monthly</u> <u>Commission</u> <u>Approved</u>	<u>Monthly</u> <u>Current</u>	<u>Monthly</u> <u>Interim</u>	<u>Bi-Monthly</u> <u>Utility</u> <u>Requested</u>
<u>Base Facility Charge</u>		\$285.57	\$285.57
N/A	N/A		
<u>Gallonage Charge,</u>			
per 100 cubic feet		\$ 1.49	\$ 1.49
N/A	N/A		

ILC

	<u>Monthly</u> <u>Current</u>	<u>Monthly</u> <u>Interim</u>	<u>Bi-Monthly</u> <u>Utility</u> <u>Requested</u>	<u>Bi-Monthly</u> <u>Commission</u> <u>Approved</u>
<u>Flat Rate</u>	\$44.28	\$44.28	\$46.42	N/A

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VILLAGE GREEN APARTMENT COMPLEX

	<u>Monthly Current</u>	<u>Monthly Interim</u>	<u>Bi-Monthly Utility Requested</u>	<u>Bi-Monthly Commission Approved</u>
<u>Base Facility Charge</u>	\$571.16	\$571.16	\$405.12	N/A
<u>Gallorage Charge, per 1,000 gallons</u>	\$ 2.406	\$ 2.406	\$ 2.09	N/A

CARLSON COLOR GRAPHICS

	<u>Monthly Current</u>	<u>Monthly Interim</u>	<u>Bi-Monthly Utility Requested</u>	<u>Bi-Monthly Commission Approved</u>
<u>Base Facility Charge</u>	\$ 89.24	\$ 89.24	N/A	N/A
<u>Gallorage Charge, per 1,000 gallons</u>	\$ 2.406	\$ 2.406	N/A	N/A

Refund Requirement

Since the final rates approved herein are greater than those approved for interim purposes, no refund is appropriate for this proceeding.

CONCLUSIONS OF LAW

1. This Commission has jurisdiction to establish Southern States' rates and charges pursuant to Section 367.081, Florida Statutes.

2. As the applicant in this case, Southern States has the burden of proof that its proposed rates and charges are justified.

3. The rates and charges approved herein are just, fair, reasonable, compensatory, not unfairly discriminatory and in accordance with the requirements of Section 367.081, Florida Statutes and other governing law.

Upon consideration of the foregoing, it is

ORDERED By the Florida Public Service Commission that the application by Southern States Utilities, Inc. for increased water and sewer rates is hereby approved, to the extent set forth in the body of this Order. It is further

ORDERED that the application by Southern States Utilities, Inc. for approval of miscellaneous service charges is hereby approved, as set forth in the body of this Order. It is further

ORDERED that each of the stipulations contained in the body of this Order is hereby approved in all respects. It is further

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ORDERED that each of the findings contained in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained herein, whether in the form of discourse in the body of this Order or schedules attached hereto are, by reference, expressly incorporated herein. It is further

ORDERED that the increased rates approved herein shall be effective for meter readings taken on or after June 15, 1989, subject to the filing and approval of a proposed customer notice and revised tariff pages. It is further

ORDERED that the miscellaneous service charges approved herein shall be effective for miscellaneous services rendered on or after May 16, 1989, subject to the filing and approval of a proposed customer notice and revised tariff pages. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, the utility shall submit a proposed customer notice explaining the increased rates and the reasons therefor. It is further

ORDERED that, prior to its implementation of the rates and charges approved herein, the utility shall submit revised tariff pages. The revised tariff pages will be approved upon Staff's verification that they accurately reflect this Commission's decision and upon its approval of the proposed customer notice. It is further

ORDERED that Docket No. 880520-WS be and is hereby closed.

By ORDER of the Florida Public Service Commission
this 5th day of June, 1989.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

RJP

by: Kay Ferguson
Chief, Bureau of Records

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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SOUTHERN STATES UTILITIES, INC.
SCHEDULE OF WATER RATE BASE
DECEMBER 31, 1988

(CITRUS PARK/SALT SPRINGS)

SCHEDULE NO. 1-A
DOCKET NO. 880520-WS

	(A)	(B)	(C)	(D)	(E)
COMPONENT	AVERAGE TEST YEAR PER UTILITY	UTILITY ADJUST. TO TEST YEAR	ADJUSTED TEST YEAR	ADJUST. TO MFR'S	ADJUSTED BALANCE
1 UTILITY					
2 -----					
3 UTILITY PLANT IN SERVICE	\$ 350,283	\$ 0	\$ 350,283	\$ 9,306	\$ 359,589
4 LAND	7,975	0	7,975	0	7,975
5 NON-USED AND USEFUL COMPONENTS	0	0	0	0	0
6 C.I.A.C.	(139,729)	0	(139,729)	0	(139,729)
7 ACCUMULATED DEPRECIATION	(50,349)	0	(50,349)	(5,864)	(56,213)
8 AMORTIZATION OF C.I.A.C.	32,766	0	32,766	2,347	35,113
9 CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0
10 WORKING CAPITAL ALLOWANCE	7,223	0	7,223	(1,520)	5,703
11 -----					
12					
13 RATE BASE	\$ 208,169	\$ 0	\$ 208,169	\$ 4,269	\$ 212,438
14 -----					
15 COMMISSION					
16 -----					
17 UTILITY PLANT IN SERVICE	\$ 350,283	\$ 0	\$ 350,283	\$ (49,287)	\$ 300,996
18 LAND	7,975	0	7,975	0	7,975
19 NON-USED AND USEFUL COMPONENTS	0	0	0	0	0
20 C.I.A.C.	(139,729)	0	(139,729)	0	(139,729)
21 ACCUMULATED DEPRECIATION	(50,349)	0	(50,349)	(4,221)	(54,570)
22 AMORTIZATION OF C.I.A.C.	32,766	0	32,766	2,347	35,113
23 CONSTRUCTION WORK IN PROGRESS	0	0	0	48,460	48,460
24 WORKING CAPITAL ALLOWANCE	7,223	0	7,223	(1,520)	5,703
25 -----					
26					
27 RATE BASE	\$ 208,169	\$ 0	\$ 208,169	\$ (4,221)	\$ 203,948
28 -----					
29					
30 ** THE OFFICE OF PUBLIC COUNSEL DID NOT PROVIDE A RATE BASE SCHEDULE **					
31					

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SOUTHERN STATES UTILITIES, INC.
 SCHEDULE OF SEWER RATE BASE (COMBINED SEWER)
 DECEMBER 31, 1988

SCHEDULE NO. 1-B
 DOCKET NO. 880520-WS

	(A)	(B)	(C)	(D)	(E)
COMPONENT	AVERAGE TEST YEAR PER UTILITY	UTILITY ADJUST. TO TEST YEAR	ADJUSTED TEST YEAR	ADJUST. TO MFR'S	PRO FORMA TEST YEAR
1 UTILITY					
2 -----					
3 UTILITY PLANT IN SERVICE	\$ 942,446	\$ 0	\$ 942,446	\$ 5,646	\$ 948,092
4 LAND	275,187	0	275,187	0	275,187
5 NON-USED AND USEFUL COMPONENTS	0	0	0	0	0
6 C.I.A.C.	(221,809)	0	(221,809)	0	(221,809)
7 ACCUMULATED DEPRECIATION	(210,740)	0	(210,740)	(21,826)	(232,566)
8 AMORTIZATION OF C.I.A.C.	67,354	0	67,354	9,917	77,271
9 CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0
10 WORKING CAPITAL ALLOWANCE	10,416	0	10,416	(2,192)	8,224
11 -----					
12					
13 COMMISSION	\$ 862,854	\$ 0	\$ 862,854	\$ (8,455)	\$ 854,399
14 -----					
15 STAFF					
16 -----					
17 UTILITY PLANT IN SERVICE	\$ 942,446	\$ 0	\$ 942,446	\$ 12,794	\$ 955,240
18 LAND	275,187	0	275,187	102,252	377,439
19 NON-USED AND USEFUL COMPONENTS	0	0	0	(74,832)	(74,832)
20 C.I.A.C.	(221,809)	0	(221,809)	0	(221,809)
21 ACCUMULATED DEPRECIATION	(210,740)	0	(210,740)	(11,660)	(222,400)
22 AMORTIZATION OF C.I.A.C.	67,354	0	67,354	9,917	77,271
23 CONSTRUCTION WORK IN PROGRESS	0	0	0	33,744	33,744
24 WORKING CAPITAL ALLOWANCE	10,416	0	10,416	(2,192)	8,224
25 -----					
26					
27 RATE BASE	\$ 862,854	\$ 0	\$ 862,854	\$ 70,023	\$ 932,877
28 -----					
29					

30 ** THE OFFICE OF PUBLIC COUNSEL DID NOT PROVIDE A RATE BASE SCHEDULE **

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SOUTHERN STATES UTILITIES, INC.
EXPLANATION OF THE ADJUSTMENTS TO
WATER RATE BASE SCHEDULE NO. 1-A

(CITRUS PARK/SALT SPRINGS)

DOCKET NO. 880520-WS
SCHEDULE 1-C
PAGE 1 OF 4

ADJUSTMENT	(A) UTILITY	(B) COMMISSION
-----	-----	-----
1 (1) UTILITY PLANT IN SERVICE		
2 -----		
3 A. TO REMOVE MISCLASSIFIED PLANT FOR THE	\$ (9,200)\$	(9,200)
4 SALT SPRINGS SYSTEM.		
5		
6 B. TO REMOVE THE PROJECTED COST OF THE SALT		
7 SPRINGS WELLS, WHICH WERE NOT COMPLETED		
8 AT THE END OF THE TEST YEAR, FROM PLANT	0	(40,087)
9 IN SERVICE.		
10		
11 C. TO ADJUST THE PROJECTED COST OF IMPROVE-		
12 MENTS FOR THE SALT SPRINGS WATER SYSTEM		
13 TO REFLECT THE ADJUSTED AUDITED BALANCE.	18,506	0
14		
15	-----	-----
16 TOTAL	\$ 9,306 \$	(49,287)
17	-----	-----
18		
19 (2) ACCUMULATED DEPRECIATION		
20 -----		
21 A. TO REMOVE ACCUMULATED DEPRECIATION ON THE	\$ 303 \$	303
22 MISCLASSIFIED PLANT.		
23		
24 B. TO REFLECT ACCUMULATED DEPRECIATION FROM		
25 9/1/85 TO 12/31/87	(5,997)	(5,997)
26		
27 C. TO REMOVE ACCUMULATED DEPRECIATION ON THE		
28 PROJECTED COST OF THE WELLS.	0	1,473
29		
30 D. TO REFLECT ACCUMULATED DEPRECIATION ON		
31 THE ADDITIONAL PROJECTED COST OF IMPROVE-		
32 MENTS FOR THE SALT SPRINGS WATER SYSTEM.	(170)	0
33	-----	-----
34 TOTAL	\$ (5,864)\$	(4,221)
35	-----	-----
36		
37 (3) ACCUMULATED AMORTIZATION OF CIAC		
38 -----		
39 A. TO REFLECT AMORTIZATION OF CIAC FROM 9/1/85	\$ 2,347 \$	2,347
40 TO 12/31/87 AT GUIDELINE RATES.	-----	-----
41		
42		
43 (4) WORKING CAPITAL ALLOWANCE		
44 -----		
45 A. TO REMOVE "POSSIBLE ACQUISITION COSTS" FROM	\$ (1,520)\$	(1,520)
46 THE WORKING CAPITAL CALCULATION.	-----	-----

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SOUTHERN STATES UTILITIES, INC.
EXPLANATION OF THE ADJUSTMENTS TO
WATER RATE BASE SCHEDULE NO. 1-A

(CITRUS PARK/SALT SPRINGS)

DOCKET NO. 880520-WS
SCHEDULE 1-C
PAGE 2 OF 4

ADJUSTMENT	(A) UTILITY	(B) COMMISSION
-----	-----	-----
1 (S) CONSTRUCTION WORK IN PROGRESS		
2 -----		
3 A. TO REFLECT THE ALLOWABLE CNIP FOR THE SALT	\$	0 \$
4 SPRINGS WATER SYSTEM.	*****	48,460 *****
5		
6		
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SOUTHERN STATES UTILITIES, INC.
EXPLANATION OF THE ADJUSTMENTS TO
SEWER RATE BASE SCHEDULE NO. 1-B

(COMBINED SEWER)

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SCHEDULE 1-C
PAGE 3 OF 4

ADJUSTMENT -----	(A) UTILITY	(B) COMMISSION
-----	-----	-----
1 (1) UTILITY PLANT IN SERVICE		
2 -----		
3 A. TO REMOVE THE PROJECTED COST OF THE	\$ 0	\$ (47,400)
4 SOUTH FORTY SEWER PLANT IMPROVEMENTS		
5 FROM PLANT IN SERVICE.		
6		
7 B. TO ADJUST THE PROJECTED COST OF THE		
8 PLANT IMPROVEMENTS FOR THE SOUTH FORTY		
9 SYSTEM TO REFLECT THE AUDITED BALANCE.	5,646	0
10		
11 C. TO REFLECT THE CITRUS PARK SEWER PLANT IN		
12 SERVICE AT 1/07/87 AND THE SPRAYFIELD IN		
13 SERVICE AT 6/07/87.	0	92,051
14		
15 D. TO REFLECT RECALCULATION OF THE ALLOWABLE		
16 AFUDC BASED ON THE IN SERVICE DATES OF 1/7/87		
17 FOR THE CITRUS PARK SEWER PLANT AND		
18 6/7/87 FOR THE SPRAYFIELD.	0	(4,152)
19		
20 E. TO REMOVE THE COST OF THE PRETREATMENT UNIT		(27,705)
21 FOR THE SALT SPRINGS SEWER SYSTEM.		
22		
23 TOTAL	\$ 5,646	\$ 12,794
24	-----	-----
25		
26 (2) LAND		
27 -----		
28 A. TO REMOVE CAPITALIZED INTEREST.	\$ 0	\$ (26,763)
29		
30 B. TO REFLECT THE LAND IN SERVICE DATE		
31 AS 6/7/87 INSTEAD OF 5/1/88.	0	129,015
32	-----	-----
33 TOTAL	\$ 0	\$ 102,252
34	-----	-----
35		
36 (3) NON-USED AND USEFUL COMPONENTS		
37 -----		
38 A. TO REFLECT TREATMENT AND DISPOSAL	\$ 0	\$ (74,832)
39 EQUIPMENT AS 45% USED AND USEFUL.	-----	-----
40		
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SOUTHERN STATES UTILITIES, INC.
EXPLANATION OF THE ADJUSTMENTS TO
SEWER RATE BASE SCHEDULE NO. 1-B

(COMBINED SEWER)

DOCKET NO. 880520-WS
SCHEDULE 1-C
PAGE 4 OF 4

ADJUSTMENT	(A) UTILITY	(B) COMMISSION
1 (4) ACCUMULATED DEPRECIATION		
2 -----		
3 A. TO REFLECT ACCUMULATED DEPRECIATION FROM	\$ (21,709)\$	(21,709)
4 9/1/85 TO 12/31/87		
5		
6 B. TO REMOVE ACCUMULATED DEPRECIATION ON THE		
7 COST OF THE SOUTH FORTY IMPROVEMENTS.	0	2,321
8		
9 C. TO REMOVE ACCUMULATED DEPRECIATION ON	0	1,539
10 THE PRETREATMENT UNIT.		
11		
12 D. TO REFLECT ACCUMULATED DEPRECIATION ON THE		
13 ADDITIONAL PROJECTED COST OF THE SOUTH FORTY		
14 SEWER IMPROVEMENTS	(117)	0
15		
16 E. TO REFLECT ACCUM. DEPRECIATION BASED ON THE		
17 SEWER PLANT IN SERVICE DATE OF 1/7/87 AND		
18 THE SPRAYFIELD IN SERVICE DATE OF 6/7/87.	0	(24,326)
19		
20 F. TO REMOVE NON USED AND USEFUL ACCUMULATED	0	30,515
21 DEPRECIATION ON TREATMENT AND DISPOSAL		
22 EQUIPMENT.		
23		
24 TOTAL	\$ (21,826)\$	(11,660)
25	=====	=====
26		
27 (5) ACCUMULATED AMORTIZATION OF CIAC		
28 -----		
29 A. TO REFLECT AMORTIZATION OF CIAC FROM		
30 9/1/85 TO 12/31/87 AT GUIDELINE RATES.	\$ 9,917 \$	9,917
31	=====	=====
32		
33 (6) CONSTRUCTION WORK IN PROGRESS		
34 -----		
35 A. TO REFLECT THE ALLOWABLE USED AND USEDUL CWIP	\$ 0 \$	33,744
36 FOR THE SOUTH FORTY SEWER SYSTEM.	=====	=====
37		
38		
39 (7) WORKING CAPITAL ALLOWANCE		
40 -----		
41 A. TO REMOVE "POSSIBLE ACQUISITION COSTS" FROM	\$ (2,192)\$	(2,192)
42 THE WORKING CAPITAL CALCULATION.	=====	=====

SOUTHERN STATES UTILITIES, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 DECEMBER 31, 1988

SCHEDULE NO. 2-A
 DOCKET NO. 880520-WS

COMPONENT	BALANCE PER MFR	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	RECONCILED CAPITAL STRUCTURE	WEIGHT	COST	WEIGHTED COST
1 UTILITY								
2 -----								
3 LONG-TERM DEBT	17,942,455	(17,227,628)	714,827	0	714,827	66.753%	8.91%	5.95%
4 SHORT-TERM DEBT	0	0	0	0	0	0.000%	0.00%	0.00%
5 CUSTOMER DEPOSITS	740,036	(730,709)	9,327	0	9,327	0.871%	8.00%	0.07%
6 COMMON EQUITY	7,580,037	(7,278,047)	301,990	0	301,990	28.201%	14.35%	4.05%
7 ITC'S	551,623	(528,893)	22,730	0	22,730	2.123%	10.52%	0.22%
8 DEFERRED INCOME TAXES	570,544	(548,568)	21,976	0	21,976	2.052%	0.00%	0.00%
9 OTHER CAPITAL	0	0	0	0	0	0.000%	0.00%	0.00%
10 -----								
11								
12 TOTAL	27,384,695	(26,313,845)	1,070,850	0	1,070,850	100.000%		10.28%
13 -----								
14								
15 COMMISSION								
16 -----								
17 LONG-TERM DEBT	17,942,455	(17,227,628)	714,827	44,430	759,257	66.79%	8.91%	5.95%
18 SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
19 CUSTOMER DEPOSITS	740,036	(730,709)	9,327	0	9,327	0.82%	8.00%	0.07%
20 COMMON EQUITY	7,580,037	(7,278,047)	301,990	18,783	320,773	28.22%	14.35%	4.05%
21 ITC'S	551,623	(528,893)	22,730	1,399	24,129	2.12%	10.52%	0.22%
22 DEFERRED INCOME TAXES	570,544	(548,568)	21,976	1,363	23,339	2.05%	0.00%	0.00%
23 OTHER CAPITAL	0	0	0	0	0	0.00%	0.00%	0.00%
24 -----								
25								
26 TOTAL	27,384,695	(26,313,845)	1,070,850	65,975	1,136,825	100.00%		10.28%
27 -----								
28								
29 RANGE OF REASONABLENESS:					HIGH	LOW		
30 -----								
31 EQUITY					15.35%	13.35%		
32 -----								
33 OVERALL RATE OF RETURN					10.56%	10.00%		
34 -----								

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SOUTHERN STATES UTILITIES, INC.
EXPLANATION OF THE ADJUSTMENTS TO
CAPITAL STRUCTURE SCHEDULE NO. 2-A

DOCKET NO. 880520-WS
SCHEDULE 2-B
PAGE 1 OF 1

ADJUSTMENT -----	(A) COMMISSION -----
1 (1) LONG TERM DEBT	
2 -----	
3 A. PRORATA RECONCILIATION OF RATE BASE	\$ 44,430
4 AND CAPITAL STRUCTURE.	-----
5	
6	
7	
8 (2) COMMON STOCK	
9 -----	
10 A. PRORATA RECONCILIATION OF RATE BASE	\$ 18,783
11 AND CAPITAL STRUCTURE.	-----
12	
13	
14 (3) INVESTMENT TAX CREDITS	
15 -----	
16 A. PRORATA RECONCILIATION OF RATE BASE	\$ 1,399
17 AND CAPITAL STRUCTURE.	-----
18	
19	
20 (4) DEFERRED INCOME TAXES	
21 -----	
22 A. PRORATA RECONCILIATION OF RATE BASE	\$ 1,363
23 AND CAPITAL STRUCTURE.	-----
24	

SOUTHERN STATES UTILITIES, INC.
STATEMENT OF WATER OPERATIONS
DECEMBER 31, 1988

(CITRUS PARK/SALT SPRINGS)

SCHEDULE NO. 3-A
DOCKET NO. 880520-WS

DESCRIPTION	(A) TEST YEAR PER UTILITY	(B) UTILITY ADJUST. TO TEST YEAR	(C) UTILITY ADJUST. TY PER MFR'S	(D) TEST YEAR ADJUSTMENTS TO MFR'S	(E) ADJUSTED TEST YEAR	(F) ADJUSTMENT FOR REV. RECOMM.	(G) ADJUSTED BALANCE
1 UTILITY							
2 -----							
3 OPERATING REVENUES	\$ 77,824	\$ 7,639	\$ 85,463	\$ 0	\$ 85,463	0	85,463
4 OPERATING EXPENSES:							
5 OPERATION & MAINTENANCE	\$ 43,639	\$ 0	\$ 43,639	\$ 0	\$ 43,639	0	43,639
6 DEPRECIATION	12,397	0	12,397	0	12,397	0	12,397
7 AMORTIZATION	(4,668)	0	(4,668)	0	(4,668)	0	(4,668)
8 TAXES OTHER THAN INCOME	7,350	141	7,491	0	7,491	0	7,491
9 INCOME TAXES	7,189	(1,841)	5,348	0	5,348	0	5,348
10 -----							
11 TOTAL OPERATING EXPENSES	\$ 65,907	\$ (1,700)	\$ 64,207	\$ 0	\$ 64,207	0	64,207
12 -----							
13 OPERATING INCOME	\$ 11,917	\$ 9,339	\$ 21,256	\$ 0	\$ 21,256	0	21,256
14 -----							
15 RATE OF RETURN	5.72%		10.21%		10.01%		10.01%
16 -----							
17							
18 COMMISSION							
19 -----							
20 OPERATING REVENUES	\$ 77,824	\$ 7,639	\$ 85,463	\$ (7,639)	\$ 77,824	5,483	83,307
21 OPERATING EXPENSES:							
22 OPERATION & MAINTENANCE	\$ 43,639	\$ 0	\$ 43,639	\$ 75	\$ 43,714	0	43,714
23 DEPRECIATION	12,397	0	12,397	(1,687)	10,710	0	10,710
24 AMORTIZATION	(4,668)	0	(4,668)	134	(4,534)	0	(4,534)
25 TAXES OTHER THAN INCOME	7,350	141	7,491	(141)	7,350	88	7,438
26 INCOME TAXES	7,189	(1,841)	5,348	1,841	7,189	(2,176)	5,013
27 -----							
28 TOTAL OPERATING EXPENSES	\$ 65,907	\$ (1,700)	\$ 64,207	\$ 222	\$ 64,429	(2,088)	62,341
29 -----							
30 OPERATING INCOME	\$ 11,917	\$ 9,339	\$ 21,256	\$ (7,861)	\$ 13,395	7,571	20,966
31 -----							
32 RATE OF RETURN	5.72%		10.21%		6.57%		10.28%
33 -----							

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SOUTHERN STATES UTILITIES, INC.
STATEMENT OF SEWER OPERATIONS
DECEMBER 31, 1988

(COMBINED SEWER)

SCHEDULE NO. 3-B
DOCKET NO. 880520-WS

DESCRIPTION	(A) TEST YEAR PER UTILITY	(B) UTILITY ADJUST. TO TEST YEAR	(C) UTILITY ADJUST. TY PER MFR'S	(D) TEST YEAR ADJUSTMENTS TO MFR'S	(E) ADJUSTED TEST YEAR	(F) ADJUSTMENT FOR REV. RECOMM.	(G) ADJUSTED BALANCE
1 UTILITY							
2 -----							
3 OPERATING REVENUES	\$ 166,713	\$ 53,579	\$ 220,292	\$ 0	\$ 220,292	0	220,292
4 OPERATING EXPENSES:							
5 OPERATION & MAINTENANCE	\$ 58,707	\$ 0	\$ 58,707	\$ 0	\$ 58,707	0	58,707
6 DEPRECIATION	42,431	0	42,431	0	42,431	0	42,431
7 AMORTIZATION	7,452	0	7,452	0	7,452	0	7,452
8 TAXES OTHER THAN INCOME	15,085	1,232	16,317	0	16,317	0	16,317
9 INCOME TAXES	21,803	388	22,191	0	22,191	0	22,191
10 -----							
11 TOTAL OPERATING EXPENSES	\$ 145,478	\$ 1,620	\$ 147,098	\$ 0	\$ 147,098	0	147,098
12 -----							
13 OPERATING INCOME	\$ 21,235	\$ 51,959	\$ 73,194	\$ 0	\$ 73,194	0	73,194
14 -----							
15 RATE OF RETURN	2.46%		8.48%		8.57%		8.57%
16 -----							
17 -----							
18 COMMISSION							
19 -----							
20 OPERATING REVENUES	\$ 166,713	\$ 53,579	\$ 220,292	\$ (53,579)	\$ 166,713	48,043	214,756
21 OPERATING EXPENSES:							
22 OPERATION & MAINTENANCE	\$ 58,707	\$ 0	\$ 58,707	\$ 39	\$ 58,746	0	58,746
23 DEPRECIATION	42,431	0	42,431	(3,753)	38,678	0	38,678
24 AMORTIZATION	(7,452)	0	(7,452)	(2,876)	(10,328)	0	(10,328)
25 TAXES OTHER THAN INCOME	15,085	1,232	16,317	(1,232)	15,085	594	15,679
26 INCOME TAXES	21,803	388	22,191	(388)	21,803	(1,452)	20,351
27 -----							
28 TOTAL OPERATING EXPENSES	\$ 130,574	\$ 1,620	\$ 132,194	\$ (8,210)	\$ 123,984	(858)	123,126
29 -----							
30 OPERATING INCOME	\$ 36,139	\$ 51,959	\$ 88,098	\$ (45,369)	\$ 42,729	48,901	91,630
31 -----							
32 RATE OF RETURN	4.19%		10.21%		4.58%		9.82%
33 -----							

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SOUTHERN STATES UTILITIES, INC.
EXPLANATION OF THE ADJUSTMENTS TO
WATER OPERATING STATEMENT NO. 3-A

(CITRUS PARK/SALT SPRINGS)

DOCKET NO. 880520-WS
SCHEDULE 3-C
PAGE 1 OF 4

ADJUSTMENT -----	(A) COMMISSION -----
1 (1) OPERATING REVENUES	
2 -----	
3 A. TO REMOVE THE UTILITY'S REQUESTED	\$ (7,639)
4	-----
5	
6 (2) OPERATION & MAINTENANCE EXPENSES	
7 -----	
8 A. TO REFLECT AMORTIZATION OF RATE	\$ 75
9 EXPENSE OVER FOUR YEARS.	-----
10	
11 (3) DEPRECIATION EXPENSE	
12 -----	
13 A. TO REMOVE DEPRECIATION EXPENSE ON	\$ (1,473)
14 PROJECTED SALT SPRINGS IMPROVEMENTS	
15 EXCLUDED FROM RATE BASE.	
16	
17 B. TO REMOVE DEPRECIATION EXPENSE ON	(214)
18 MISCLASSIFIED SALT SPRINGS WATER	
19 PLANT REMOVED FROM RATE BASE.	-----
20	
21 TOTAL	\$ (1,687)
22	-----
23	
24 (4) AMORTIZATION OF CIAC	
25 -----	
26 A. TO REFLECT AMORTIZATION OF CIAC	\$ 134
27 BASED ON THE COMPOSITED GUIDELINE	-----
28 DEPRECIATION RATE.	
29	
30 (5) TAXES OTHER THAN INCOME	
31 -----	
32 A. TO REMOVE GROSS RECEIPTS TAXES ON THE	\$ (141)
33 UTILITY'S REQUESTED REVENUE INCREASE.	-----
34	
35 (6) INCOME TAXES	
36 -----	
37 A. TO REMOVE THE UTILITY'S ADJUSTMENT	\$ 1,841
38 FOR INCOME TAXES.	-----
39	
40 (7) OPERATING REVENUES	
41 -----	
42 A. TO REFLECT THE RECOMMENDED	\$ 5,483
43 REVENUE REQUIREMENT.	-----
44	
45	
46	
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SOUTHERN STATES UTILITIES, INC.
 EXPLANATION OF THE ADJUSTMENTS TO
 WATER OPERATING STATEMENT NOS. 3-A

(CITRUS PARK/SALT SPRINGS)

DOCKET NO. 880520-WS
 SCHEDULE 3-C
 PAGE 2 OF 4

ADJUSTMENT -----	(A) COMMISSION -----
1 (8) TAXES OTHER THAN INCOME	
2 -----	
3 A. TO REFLECT GROSS RECEIPTS TAXES ON	\$ 88
4 THE RECOMMENDED REVENUE INCREASE.	-----
5	
6 (9) INCOME TAXES	
7 -----	
8 A. TO REFLECT INCOME TAXES ON THE	\$ (2,176)
9 REVENUE CHANGE	-----

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SOUTHERN STATES UTILITIES, INC.
EXPLANATION OF THE ADJUSTMENTS TO
SEWER OPERATING STATEMENT NO. 3-B

(COMBINED SEWER)

DOCKET NO. 880520-WS
SCHEDULE 3-C
PAGE 3 OF 4

ADJUSTMENT -----	(A) COMMISSION -----
1 (1) OPERATING REVENUES	
2 -----	
3 A. TO REMOVE THE UTILITY'S REQUESTED	\$ (53,579)
4 REVENUE DECREASE.	-----
5	
6 (2) OPERATION & MAINTENANCE EXPENSES	
7 -----	
8 A. TO REFLECT AMORTIZATION OF RATE	\$ 39
9 CASE EXPENSE OVER FOUR YEARS.	-----
10	
11 (3) DEPRECIATION EXPENSE	
12 -----	
13 A. TO REMOVE DEPRECIATION EXPENSE ON	\$ (2,485)
14 PROJECTED PLANT IMPROVEMENTS REMOVED	
15 FROM RATE BASE FOR THE SOUTH 40 SYSTEM.	
16	
17 B. TO REFLECT DEPRECIATION EXPENSE BASED	4,537
18 ON THE CITRUS PARK SEWER PLANT IN	
19 SERVICE DATE OF 1/7/87 AND THE SPRAY	
20 FIELD IN SERVICE DATE OF 6/7/87.	
21	
22 C. TO REMOVE DEPRECIATION EXPENSE ON	(1,539)
23 THE PRE-TREATMENT UNIT REMOVED	
24 FROM RATE BASE.	
25	
26 D. TO REMOVE NON-USED AND USEFUL	(4,266)
27 DEPRECIATION ON TREATMENT AND	
28 DISPOSAL EQUIPMENT.	-----
29	
30 TOTAL	\$ (3,753)
31	-----
32	
33	
34 (4) AMORTIZATION OF CIAC	
35 -----	
36 A. TO REFLECT AMORTIZATION OF CIAC	\$ (2,876)
37 BASED ON THE COMPOSITE GUIDELINE	-----
38 DEPRECIATION RATE.	
39	
40	
41	
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SOUTHERN STATES UTILITIES, INC.
EXPLANATION OF THE ADJUSTMENTS TO
SEWER OPERATING STATEMENT NOS. 3-B

(COMBINED SEWER)

DOCKET NO. 880520-WS
SCHEDULE 3-C
PAGE 4 OF 4

ADJUSTMENT	(A) COMMISSION
-----	-----
1 (5) TAXES OTHER THAN INCOME	
2 -----	
3 A. TO REMOVE THE UTILITY'S GROSS RECEIPTS	\$ (1,232)
4 TAX ADJUSTMENT ASSOCIATED WITH THE	*****
5 REQUESTED REVENUE INCREASE.	
6	
7 (6) INCOME TAXES	
8 -----	
9 A. TO REMOVE THE UTILITY'S TEST YEAR	\$ (388)
10 INCOME TAX ADJUSTMENT.	*****
11	
12 (7) OPERATING REVENUES	
13 -----	
14 A. TO REFLECT THE RECOMMENDED REVENUE	\$ 48,043
15 INCREASE.	*****
16	
17 (8) TAXES OTHER THAN INCOME	
18 -----	
19 A. TO REFLECT GRT ASSOCIATED WITH THE	\$ 594
20 REVENUE INCREASE.	*****
21	
22 (9) INCOME TAXES	
23 -----	
24 A. TO REFLECT THE TEST YEAR INCOME TAXES.	\$ (1,452)