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REPLY TO:

June 1, 1992

Mr. Charles H. Hill  
Director, Division of Water and Wastewater  
Florida Public Service Commission  
Fletcher Building  
101 East Gaines Street  
Tallahassee, Florida 32399-0870

**HAND DELIVERY**

Re: Docket No. 920199-WS; Application of Southern States Utilities, Inc. and Deltona Utilities, Inc. for increased water and wastewater rates. Original minimum filing requirement deficiency letter.

Dear Mr. Hill:

Pursuant to Rule 25-30.437(5), F.A.C., you serve as the Commission's designee for purposes of determining whether an applicant for a rate increase has met the minimum filing requirements imposed by Commission rules. We are in receipt of your original deficiency letter dated May 21, 1992 and your amended deficiency letter dated May 29, 1992. Pursuant to the amended deficiency letter, Southern States Utilities, Inc. and Deltona Utilities, Inc. (hereinafter referred to collectively as the "Applicant") has until June 17, 1992 to provide the information requested in the original and amended deficiency letters.

The purpose of this letter is to request that you issue a letter withdrawing Item No. 1 of the original deficiency letter on the grounds that (1) Item No. 1 does not constitute a deficiency, (2) this Applicant and other applicants have consistently used the growth in average ERCs rather than the number of customers to derive operations and maintenance ("O&M") expense levels for comparison to the Commission's O&M benchmark guidelines and this methodology has consistently been accepted by the Commission, (3) the use of average ERCs provides a more meaningful comparison of growth of a utility's system and resulting O&M expenses than the growth in the number of customers, and (4) the recalculation of O&M

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expenses and the production of numerous revised schedules based on the growth in customers would impose an excessive economic burden upon the Applicant.

Item No. 1 of the original deficiency letter states as follows:

1. Volume I, Book 3 of 4, Volume II, Books 1 through 6 of 11 and Volume III, Books 1 through 3 of 6, Schedule B-7. The calculations have been made using Average Equivalent Residential Connections. The minimum filing requirements require the calculations to be made using customers, not Equivalent Residential Connections.

As summarized above, the Applicant requests that you issue a letter withdrawing Item No. 1 of the original deficiency letter for the following reasons:

1. To Applicant's best information and knowledge, the use of average ERCs to derive O&M expenses and benchmark comparisons complies with the Commission's minimum filing requirements, and consequently, has been consistently accepted by the Commission in the past. Indeed, this methodology has been used by the Applicant and other applicants in prior rate cases and has been consistently accepted by the Commission. Applicant had no notice or reason to believe that the use of average ERCs would be deemed a deficiency in the MFRs by Staff. Applicant has expended significant time and resources in producing the B-7 schedules included in the MFRs which are based on average ERCs and has justifiably relied on Commission policy that such methodology is acceptable.

2. Further, the use of average ERCs to gauge the growth in O&M expenses and compare O&M expense levels to the Commission's O&M expense guidelines has been properly accepted in the past as it provides a more meaningful test than the use of growth in customers. The capacity burden placed on a utility system and the resulting O&M expenses are a function of the number of ERCs -- not customers. For example, when a utility provides water and wastewater service to a multi-family unit such as a 200 unit condominium, the burden placed on the system and attendant O&M expenses are in fact affected by the obligation to provide service to 200 ERCs -- not one customer. In this example, analysis of O&M expense levels and comparison to Commission guidelines using growth of one customer rather than the actual burden placed on the system -- growth of 200 ERCs -- ignores reality and should be rejected.

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3. Finally, and particularly in light of the volume of this Application (127 systems), we must stress that to go back through the Applicant's records and derive the number of customers for each system in prior test years and to recalculate numerous schedules in the MFRs will impose an enormous and unjustified burden upon the Applicant. As you are aware, apart from the significant expenditure of time and resources necessary to maintain its proven quality of service, Applicant is currently in the midst of preparing and processing three rate cases -- the instant case, the Lehigh Utilities case, and a case to be filed later this year for the Marco Island systems. Applicant's time, personnel and resources are stressed to the maximum level in order to meet its ongoing operational requirements and rate case obligations. In light of the foregoing, to require Applicant to devote significant amounts of time, personnel and resources to produce revised B-7 schedules would impose an excessive economic burden upon the Applicant and is simply not justified.

We appreciate your consideration of our request and ask that you render your determination as expeditiously as possible.

Respectfully submitted,

  
Kenneth A. Hoffman

KAH/rl

cc: Brian P. Armstrong, Esq.  
Matthew J. Feil, Esq.  
Harold McLean, Esq.