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REBUTTAL TESTIMONY OF FORREST L. LUDSEN

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ON BEHALF OF

SOUTHERN STATES UTILITIES, INC.

DOCKET NO. 920199-WS

Q. **ARE YOU THE SAME FORREST L. LUDSEN WHO TESTIFIED PREVIOUSLY IN THIS PROCEEDING?**

A. Yes, I am.

Q. **COULD YOU BRIEFLY DESCRIBE THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

A. I will address several of Ms. Dismukes' proposed adjustments to the Company's revenue requirements, beginning with her proposal concerning the appropriate method for allocating common costs. Before addressing the deficiencies in Ms. Dismukes' proposed allocation method which she advocates for use in <u>future</u> proceedings(not this one), I have the following preliminary observations. First, to my knowledge, Ms. Dismukes' proposed method is unlike any other previously broached in any utility proceeding. Second, her proposal mistakenly assumes the existence of some relationship between water usage (ERCs) and the level of the Company's administrative and general ("A&G") and other common costs. Ms. Dismukes does not even attempt to identify any such relationship -- I believe simply because no such relationship exists. Third, Ms. Dismukes' sole justification for her proposal to deviate from past Commission practice is the size of Southern States as opposed to the size of other water and wastewater utilities in this State. However, the implementation of Ms. Dismukes' proposal would eliminate one of the most significant benefits which Southern States' size brings to our customers -- economies of scale. Finally, Ms. Dismukes' proposal appears to be nothing more than an attempt to needlessly add complexity to future rate proceedings in such a manner that obfuscates the principal issue -- is the allocation method fair and does it assist in the creation of reasonable rates for our customers?

Ms. Dismukes' lengthy quotation of my testimony in Docket No. 900329-WS does nothing to suggest that Ms. Dismukes' proposal is either fair or reasonable. At the time I testified in Docket No. 900329-WS, I proposed an allocation based on direct labor due to my past experience in the electric industry. However, since that time I have seen that an allocation based on customers is the best allocation method for the Company and our customers for many reasons, including the following:

(1) The allocation of A&G costs based on direct labor was proposed by the Company in Docket No. 900329-WS and was rejected by the Commission. Indeed, a review of the

Commission's order in that docket reveals that the Commission was not satisfied with the results of such methodology and the high costs allocated to some systems. There is no conflict with prior Company testimony in Docket No. 900329-WS since the Company clearly stated that no allocation methodology is perfect and we never indicated that an allocation based on customers was in any way unreasonable.

(2) Commission precedent confirms that an allocation based on customers is reasonable and is consistent with SSU's prior Commission approved rate cases. Ms. Dismukes' proposal is untested, not supported by the facts, heretofore unheard of by the Company and would present results which the Commission previously indicated were not satisfactory, i.e., small systems paying too much of the A&G and other common costs.

(3) An allocation based on customers results in the same cost per customer for services whether that customer is served by a small system or a large system. By virtue of the fact that we are a large company with a large customer base, we are able to pass along economies of scale

benefits to small systems by allocating common costs based on number of customers. Small systems usually are relatively more labor intensive and normally have higher rates when compared to large systems. Allocating common costs on direct labor accentuates the assignment of higher costs to small systems and obliterates the beneficial impact of economies of scale which otherwise could be made available to such systems.

(4) An allocation based on number of customers presents a consistent methodology from one rate filing to the next because customer growth is usually steady and gradual and will not fluctuate significantly from year to year barring unusual circumstances. Small systems can be very sensitive to any change in costs because of their size. Since small systems are generally labor intensive, they are very sensitive to any fluctuations in labor charges and non-recurring or unusual events. Thus, the occurrence of such fluctuations or events may distort the allocation of common costs to systems when the allocation is based on labor. For example, a service line break in a

particular year may require field employees from another system to help fix the break. Depending on the time required for repairs and the size of the system, the allocation of common costs in that year could be significantly distorted by allocating costs based on labor. Ms. Dismukes' proposal ignores these facts.

(5) An allocation based on labor can be distorted by the fact that regulators impose staffing requirements on water and wastewater utilities both through rules and permit conditions, which is unlike most electric, gas or telephone utilities. These staffing requirements which are more extreme for the wastewater utilities, bear no direct relationship to the majority of A&G services provided to customers. Ms. Dismukes' proposal ignores these facts.

(6) Allocating based on number of customers allocates the same amount of common costs to a water customer as to a wastewater customer. In contrast, allocating on direct labor allocates more costs to wastewater customers than to water customers which contradicts the environmental and conservation goals of

regulators which is to encourage customers to connect to utility wastewater systems and conserve on water use. Increasing wastewater rates and lowering water rates is not consistent with these goals and definitely sends the wrong price signal to customers.

(7) An allocation based on customers is easily developed, quantified and verified. The allocation methodology selected by the Commission should be used for monthly reporting purposes on the company's books, for annual report purposes and for ratemaking purposes. Thus, we currently are booking these common costs based on number of customers and intend to allocate based on customers for reporting purposes as well. For each of these purposes, it is very important that the allocation methodology selected can be easily developed each month. Ms. Dismukes' sketchy proposal would be neither easy to develop nor to verify on a monthly basis.

(8) Interim rates in effect at the time this case was filed were established, in part, on allocations of A&G costs based on the number of customers -- thus, utilization of the same

allocation methodology (number of customers) in this proceeding limited the customer confusion which could have resulted if the Company's appeal of the Commission's decision in Docket No. 900329-WS were successful, particularly if the Company was so notified after interim or final rates in this proceeding already had been established.

(9) Reversion to the customer allocation methodology was expected to eliminate a controversial issue from this case. The elimination of such controversies is deemed critical by the Company due to the dire financial circumstances we face as a result of not being able to pay the cost of our debt from operating revenues. Therefore, rate relief, in the most expeditious manner possible, is imperative.

To conclude, Ms. Dismukes' allocation proposal for use in "SSU's next rate proceeding" adds unnecessary controversy and complexity to the allocation issue. Moreover, her proposal eliminates one of the key benefits Southern States has to offer our customers (as recognized by Staff's witness, Mr. John Williams), that is, economies of scale.

Of course, these economies will not be as evident during periods of rising costs and investments due to new and more stringent regulatory requirements such as the water and wastewater industry has experienced over the past several years. However, as noted by Staff witness Williams, Southern States now has gone a long way toward creating the corporate structure, including required personnel and equipment, necessary to meet such regulatory requirements and we expect that such economies can be made even more evident in the future.

Q. **DO YOU HAVE ANY GENERAL COMMENTS REGARDING THE AMOUNT OF RATE RELIEF THE COMPANY IS REQUESTING IN THIS PROCEEDING?**

A. Yes, I do. In each of the customer service hearings held in this proceeding, Public Counsel and our customers (often at Public Counsel's urging) have berated the Company for requesting large percentage increases in our rates for various systems. It must be remembered that Southern States is a conglomeration of over 150 water and wastewater systems the vast majority of which would be considered "small" systems in the industry. It cannot be disputed that the current regulatory environment, particularly in the environmental area, has had a significantly greater impact on smaller systems where costs cannot be spread adequately to retain lower levels of rates. We believe this fact is evidenced by the numerous rate orders issued by the Commission since January 1991 which have approved rate increases at levels consistent with and greater than the increases we are requesting for systems in this proceeding. As discussed by Mr. Joseph P. Cresse, our proposed rate caps represent an attempt to moderate the otherwise required rate increases for small systems and present customers served by smaller systems with benefits in addition to the benefit of being able to share A&G and other common costs with approximately 160,000 other customers. We also would like to note that our current size also benefits customers served by all systems, large and small alike, since every system would face higher rates than those we are proposing if they were required to meet today's regulatory requirements on a stand alone basis. For instance, as we have witnessed, systems the size of Lehigh Utilities, Inc.'s water and wastewater systems (approximately 8,000 and 6,100 customers, respectively) and our own Marco Island systems (5,450 water/1,950 wastewater customers) have in the past been unable to offer their employees competitive salaries and competitive benefits. This resulted in high levels of employee turnover which had direct deleterious impacts on the quality of service which could be provided by these systems, i.e., service from an untrained, inexperienced work force which did not conduct tests properly and did not even know that a utility tariff existed to govern the utility's policies and practices. These types of deficiencies no longer exist under Southern States' operation as a result of the A&G services we offer to our systems.

To conclude, we believe the level of our requested rate relief is required to enable us to continue to improve service to our customers, meet regulatory requirements and attract the necessary capital to do both in the most cost efficient manner possible. A comparison of the levels of percentage increases we are requesting with the increases approved by the Commission in the recent past (including determinations of actual revenue requirements) confirms the fact that our requested increases are consistent with costs imposed upon all water and wastewater utilities by current regulatory requirements, particularly in the environmental areas. Finally, we believe our proposed rate structure (including rate caps) is an appropriate first step in both recognizing the benefits our Company has to offer water and wastewater consumers statewide and establishing Southern States as the preferred provider of these services.

Q. DO YOU AGREE WITH MS. DISMUKES' PROPOSED ADJUSTMENT REGARDING THE 1992 CONSOLIDATION OF CERTAIN CUSTOMER SERVICE OFFICES?

A. No, I do not. It would not be appropriate to reduce the Company's historic test year expenses by the projected savings from the office consolidations for two reasons. First, potential cost savings in one area of customer service expenses do not translate into an overall reduction of such expenses. For instance, although there may be cost savings beyond the test year resulting from the office consolidation, these costs savings may be eliminated by other cost increases that also have occurred or will occur beyond the test year. For example, Southern States proposes a uniform monthly billing cycle for each system included in this proceeding. No testimony has been presented which contests the prudence or reasonableness of this proposal. If authorized by the Commission and implemented, we will mail out approximately 98,500 bills each month as opposed to the 87,000 bills we currently mail. Associated mailing costs are expected to increase by approximately $45,500. The Company only has requested a 3.63% indexing adjustment for mailing costs in the MFRs. If Public Counsel's out of period adjustment to customer accounts expenses relating to the office consolidation is to be considered, the Company's incremental mailing costs also must be considered resulting in a net increase of $29,000 to customer account expenses for the filed systems.

Q. DO YOU AGREE WITH MS. DISMUKES' PROPOSED ADJUSTMENT TO REMOVE LEGAL EXPENSES ASSOCIATED WITH DER/EPA FINES FROM THE COMPANY'S ANNUAL REVENUE?

A. No, I do not. To deny Southern States recovery of legal expenses incurred to oppose DER <u>allegations</u> of violations would deny the company recovery of legitimately incurred costs of operating its systems. Southern States, like all water and wastewater utilities, both public and private, must be able to defend its interests when violations of laws or rules are alleged by an administrative agency such as the DER or the EPA. Yet Ms. Dismukes proposes that the Company, and presumably all utilities, be denied recovery of legal expenses required to present its defenses. Ms. Dismukes also would make the denial of recovery a blanket denial on one condition -- that a fine is paid. The denial of such costs would have a chilling effect on the Company's desire to dispute violations alleged by DER, which would be to our customers' detriment. Ms. Dismukes' experience, as identified in Appendix I to her testimony, reveals no dealings with DER and no familiarity with DER violations or the DER enforcement process. Knowledge of how DER operates is critical to the Commission's determination of the lack of merit of this adjustment. For example, Southern States has been notified by DER that our Fern Terrace system is in violation of a DER rule requiring an additional well for systems serving more than 350 people and that a fine is forthcoming. Southern States opposed DER's allegation and has submitted a wealth of information including census data and other information concerning the population served by the Fern Terrace system which indicates that the population served is less than 350. The sole purpose for the Company's efforts is to persuade DER that less than 350 people are served and thus an additional well source is not required.

In this way, we hope to be able to forego the imposition of the costs required for an additional well on our 123 customers at Fern Terrace. The Company informed DER that the imposition of such costs would raise the rates to a level which would be much less affordable for them. However, to date, DER has denied our requests for a finding that we serve less than 350 persons and rejected as insignificant the economic impact that an additional well will have on our customers. The Company faces fines as a result of our efforts. Should the Company simply have admitted to a violation, paid a fine and made the relatively large investment in a well despite our belief that the DER rule did not apply and the investment would negatively impact our customers? If legal fees incurred to oppose such violations are not recoverable, such might be the result.

The Commission also should be aware that the Company has not admitted to any violation associated with the DER or EPA fines paid in 1991. Consent orders often are entered because it is economical to do so since DER and EPA are noteworthy for their intransigence and litigation obviously is expensive to pursue. Therefore, it would be improper for the

Commission to assume (as Ms. Dismukes' apparently has) any "guilt" on the Company's part simply because fines are paid when no such admission of guilt has been made by the Company.

For these reasons, it would not be proper for the Commission to deny Southern States' recovery of legal expenses associated with contesting DER or EPA alleged violations.

Q. DO YOU AGREE WITH MS. DISMUKES' PROPOSED APPLICATION OF THE NON-USED AND USEFUL ADJUSTMENT TO PROPERTY TAXES PAID FOR ALL SYSTEMS?

A. I do not agree with Ms. Dismukes' proposal to apply non-used and useful percentages to property taxes for the following reasons. First, Ms. Dismukes properly quotes the Company's response to Commission Staff's interrogatory no. 27 wherein the Company noted that it is highly unlikely that there is any direct correlation between the non-used and useful percentage and the amount of property taxes assessed against the plant. Indeed, any correlation which could be fabricated would be merely fortuitous. This fact is confirmed by Ms. Dismukes' quotation of the example we provided in an interrogatory response. In our example, the Commission determines that a 1 mgd plant is 75% used and useful. Ms.

Dismukes was unable to identify any correlation between the 25% reduction in taxes recoverable by the Company (which she proposes), and the level of taxes which the Company otherwise would have been required to pay if the plant were a .75 mgd plant. After discussion with the Company's internal engineers as well as Mr. Hartman, who also is testifying on the Company's behalf in this case, I am confident that there is significantly less than a 25% difference in the costs of constructing a 1 mgd plant versus a .75 mgd plant. The construction cost differential would be closer to 10%. Therefore, it follows that property taxes paid for a .75 mgd plant would not be 25% lower than property taxes paid for a 1 mgd plant but rather something closer to 10% lower. Second, application of the non-used and useful percentage to systems located in Citrus, Collier, Hernando, Lee, Marion, Volusia and Washington counties would not be proper since these counties do not tax, in whole or in part, non-used and useful property.

Q. I SHOW YOU EXHIBIT _____ (FLL-7) UNDER COVER PAGE ENTITLED "ADJUSTED NON-USED AND USEFUL PERCENTAGES FOR PROPERTY TAX PURPOSES". WAS THIS EXHIBIT PREPARED BY YOU OR UNDER YOUR DIRECTION AND

SUPERVISION?

A. Yes, it was.

Q. COULD YOU BRIEFLY DESCRIBE THE EXHIBIT?

A. The first column of this exhibit identifies the counties in which the 127 systems included in this proceeding are located. Column 2 identifies the systems located in each county. Column 3 provides the non-used and useful percentages indicated in the Company's MFRs. Column 4 identifies the portion of non-used and useful property which is not considered for property tax valuation purposes by those counties which do not assess taxes against some portion of non-used and useful property. Column 5 provides the adjusted non-used and useful percentage when the percentages indicated in Column 3 are multiplied by the factor indicated in Column 4. Finally, Column 6 reduces the non-used and useful percentages indicated in Column 5 in half to recognize that there is less than a one to one relationship between the non-used and useful percentage and the valuation of utility plant for property tax purposes. This relationship is confirmed in Exhibit ____ (GCH-3) entitled, Capital Costs Curves. If the Commission determines that an adjustment must be made to property taxes to reflect non-used and useful facilities, the proper non-used and useful percentages to be applied are those set forth in Column 6 and the total non-used and useful property tax amounts reflecting application of these percentages are set forth in Columns 7 and 8. The total calculated amounts are $50,142 for water and $59,206 for sewer for a total of $109,348 of non-used and useful property tax.

Q. **DO YOU HAVE ANY COMMENTS CONCERNING MS. DISMUKES' CLAIM THAT SOUTHERN STATES' TREATMENT OF PROPERTY TAXES ASSOCIATED WITH NON-USED AND USEFUL PROPERTY IS INCONSISTENT WITH THE COMPANY'S TREATMENT OF PLANT INVESTMENT AND RELATED DEPRECIATION?**

A. Yes. The inconsistency alleged by Ms. Dismukes does not exist. Ms. Dismukes apparently cannot distinguish between items that bear a direct relationship with each other, i.e., plant and depreciation, and items which do not have such a relationship, i.e., a percentage of non-used and useful plant and the valuation of plants for property tax purposes (particularly in counties which assess non-used and useful property).

Q. **DO YOU AGREE WITH MS. DISMUKES' PROPOSED ADJUSTMENT TO THE COMPANY'S TEST YEAR RELOCATION EXPENSES?**

A. No, I do not. I also note that in response to

Public Counsel's interrogatory no. 104, Southern States informed Ms. Dismukes that 1991 relocation expenses were not unusual since these expenses were significantly lower than the expenses incurred in the preceding two years - $85,532 (1990) and $191,402 (1989), respectively. Therefore, Ms. Dismukes' suggestion that the 1991 level of relocation expenses was non-recurring is not accurate.

Q. **DO YOU HAVE ANY COMMENTS REGARDING THE ISSUE RAISED BY COMMISSION STAFF IN THE PREHEARING STATEMENT CONCERNING SOUTHERN STATES' REQUEST FOR AN ADJUSTMENT OF O&M EXPENSES BY THE COMMISSION'S 3.63% INDEXING FACTOR?**

A. Yes. Staff raises the issue without presenting any testimony, pleadings or factual predicate which would indicate that the requested adjustment is not reasonable. Therefore, Southern States is left with no opportunity to address, rebut or cross-examine any facts upon which Staff would rely, or intends to rely, to recommend to the Commission that the adjustment, in whole or in part, should be rejected. We believe our adjustment is reasonable for the following reasons: First, Commission order no. PSC-92-0136-FOF-WS in Docket No. 900329-WS issued on

March 31, 1992 confirms the Commission's belief that inflation at the annual rate of 3.63% exists. Second, we rely upon all of the information considered by Staff, when recommending, and the Commission, when recognizing, the existence of this level of inflation in Docket No. 920005-WS to support our claim that inflation has and will impact our Company in 1992. This information includes a review of various United States Government indicators, including the Gross National Product (GNP) Implicit Price Deflator Index, the Common Price Index, and several wholesale indices, as well as other alternatives, and the subsequent determination by Staff that the GNP Implicit Price Deflator Index is the most appropriate for use in determining the water and wastewater index. Third, by the time the Commission establishes final rates in this proceeding, the Company's historic annual expenses for the twelve months ended December 31, 1991 (the test year) will be more than thirteen (13) months old. Thus, the Company will have forever lost the ability to recover the additional expenses associated with the Commission's recognized indexing factor since March 31, 1992. Southern States should not be penalized by the urgent need for rate relief which virtually forced the Company to file this case based on a historic test year in an attempt to eliminate some of the controversy which pervaded Docket No. 900329-WS. For these reasons, and the fact that no party to this case has introduced any evidence which indicates that the Company's request is unreasonable, we believe the Commission should grant our requested indexing adjustment.

Q. **DO YOU HAVE ANY COMMENTS REGARDING MS. DISMUKES' ALLEGATION ON PAGE 18, LINES 14 AND 15 THAT SOUTHERN STATES "DID NOT ALLOCATE ANY COMMON COSTS TO ITS ACQUISITION AND SALES EFFORTS"?**

A. Yes. Ms. Dismukes is treating acquisition and sales efforts as if they are separate business units like water, wastewater and gas and, as such, has attempted to allocate a full burden of common costs to these efforts. Acquisition and sales efforts are not a separate business unit but rather are an activity within the water, wastewater and gas businesses. Therefore, the rationale behind Ms. Dismukes' adjustment is factually defective.

Moreover, the labor associated with the minimal involvement of the Company's A&G personnel in such activities is charged below the line. Thus, implementation of the proposed adjustment improperly would double count these below the line labor costs. The vast majority of acquisition and sales efforts are conducted by Topeka and Minnesota Power, not Southern States. In 1991, total SSU payroll charged to possible acquisitions (deferred account 166) was only $24,007 out of $10,200,389 of labor costs or only .2% of payroll. In light of these facts, the sole impact of the limited Company efforts associated with acquisition and sales efforts is the de minimus amount of space which may be allocated to the performance of these activities. Acquisition and sales efforts do not impact the customer service, rates, purchasing, engineering, legal, human resources or accounting departments. Therefore, we agree with Staff's position in their Prehearing Statement that the impact of acquisition and sales efforts on Southern States' personnel and equipment is immaterial and Ms. Dismukes' proposed adjustment should be rejected.

Moreover, according to Ms. Dismukes' testimony, she developed an allocation factor of 2.28% based upon the direct wages and salaries of SSU and Lehigh, relative to expenses booked during the test year to Account 166.100 Possible Acquisition-Miscellaneous Account 166.200 Possible Sales-Gas Division.

Clearly, Ms. Dismukes is mixing apples and oranges because Account 166 contains labor and non-labor costs. Ms. Dismukes is attempting to develop an allocation factor based on a ratio of dissimilar items (labor versus non-labor costs) and fails to identify any rational relationship between these costs. To conclude, Ms. Dismukes' proposal should be rejected for at least three reasons: (1) SSU books labor associated with acquisition and sales efforts below the line; (2) involvement in acquisition and sales activities is immaterial; and (3) Ms. Dismukes failed to identify any rational relationship between acquisition and sales efforts and her proposed adjustment.

Q. DO YOU HAVE ANY COMMENTS REGARDING MS. DISMUKES' CRITICISMS OF SOUTHERN STATES' POOLING OF ITS CUSTOMER SERVICE AND A&G EXPENSES?

A. Yes, Ms. Dismukes criticizes the Company's pooling of all A&G and customer service expenses, including those which previously were directly charged to systems for accounting purposes. First, I note that nowhere is it written that the ratemaking treatment given to expenses of any kind must be consistent with the accounting treatment of such expenses. Second, I agree that it is preferable to book expenses in the same manner as such expenses are treated for ratemaking purposes, and once the Commission decides on the appropriate ratemaking treatment, book treatment will be adjusted to follow ratemaking treatment. However, this fact in no way supports an adjustment merely to accommodate Ms. Dismukes' preferences. Ms. Dismukes simply refers to one instance where legal fees were directly charged to a system for accounting purposes but were pooled for ratemaking purposes. Ms. Dismukes makes no attempt to analyze the Company's treatment of other expenses meeting this description.

As the Company's witnesses previously have indicated, all A&G and customer accounts services including legal, accounting, engineering, finance, billing, rate administration, etc., have been consolidated and are now administered from the Company's headquarters in Apopka. The Commission's 1988 Audit Report applauded this centralization of activities. Consistent with Staff witness Williams' testimony in this proceeding regarding capital improvements and plant costs, it is undeniable that at any given time during the life of any of the Company's systems particular A&G and customer accounts services may be required as a result of a variety of factors including regulatory requirements. The pooling of associated expenses enables the Company and its customers to benefit from economies of scale as these costs are spread over a larger customer base. In addition to economies of scale, the pooling and reallocation of these costs better reflect the benefits enjoyed by all customers from the expanded management capabilities, funding opportunities, training and other attributes available to the systems serving every customer as a result of the administration of A&G and customer accounts services from the Company's headquarters.

Q. **I SHOW YOU EXHIBIT ____ (FLL-8) UNDER COVER PAGE ENTITLED "INFORMATION SUBSTANTIATING REQUESTED 5% PAYROLL INCREASE." WAS THIS EXHIBIT PREPARED BY YOU OR UNDER YOUR DIRECTION AND SUPERVISION?**

A. Yes, it was.

Q. **COULD YOU BRIEFLY DESCRIBE THIS EXHIBIT?**

A. This exhibit consists of a copy of Commission Staff Interrogatory No. 44 and the Company's response thereto. Staff's pre-hearing statement identified an issue concerning whether the Company's requested 5% increase in payroll expenses should be approved. Staff has presented no testimony indicating that the increase is unreasonable or inappropriate. Thus, the Company is unable to address or rebut any evidence which Staff might have relied upon, or intends to rely upon, to attack the reasonableness of the Company's request. The information provided in Exhibit ____ (FLL-8) confirms that Southern States' actual payroll increase since the test year and through July 30, 1992 is 5.34%. The information further explains that the increases are not simply across the board salary increases. To the contrary, the increase represents several attempts by Southern States to improve the quality of service we can offer to our customers at the lowest cost possible by reducing employee turnover, providing more skilled and experienced utility personnel and ensuring employee qualifications and abilities to perform their jobs. These benefits are achieved, respectively, by equity and licensing adjustments, education reimbursements and a system whereby employees hired in the lowest ten (10) pay grades are hired at below market salaries and gradually are given step increases as they demonstrate their ability to fulfill the responsibilities of their jobs. As described in the exhibit, equity adjustments are provided to employees only after we have confirmed that salaries previously offered to certain employees were not competitive with salaries being paid by other businesses, particularly utility providers. As confirmed by the Company's experience with the Marco Island systems, where thirteen (13) operators were lost to the Collier County utility division in the past due to salary disparities, it makes no sense to hire employees and train them only to lose them to other utility providers once they have been trained and qualified.

In terms of licensing adjustments, the Company offers certain employees salary adjustments as an incentive to complete additional courses of study in their respective fields, i.e., operators receive salary adjustments when they obtain or upgrade their operator's licenses. Of course, a more highly educated and trained operator is more capable of providing the highest quality of service Southern States endeavors to provide to our customers.

Finally, we believe we are demonstrating prudent hiring practices by hiring secretaries and other administrative type personnel at below market salary levels and increasing their salaries only after they have demonstrated their ability to fulfill the responsibilities of their respective positions. If these equity, licensing and step adjustments are excluded from the total payroll increase, it is evident that only 3.3% of the increases (which is below the Commission's 1991 and 1992 index) consisted of merit increases. A review of additional information provided in Exhibit ___ (FLL-8) further reveals that merit increases were not provided across the board but rather each employee was evaluated individually to determine whether a merit increase was appropriate. Due to the existence of the equity and step adjustments I have just described, we believe the level of the payroll increases may be deceptive since a significant portion of the increases were provided in an attempt to bring the salaries of those employees who have demonstrated their capabilities up to market levels. Exhibit ___ (FLL-8) also contains the results of a national survey of the projected 1992 payroll increase of over 100 utilities. This survey confirms that average projected 1992 payroll increase for these utilities was 5.2%.

For all of these reasons, we believe our requested payroll increases are reasonable.

Q. **DO YOU KNOW OF ANY OTHER FACTS WHICH DEMONSTRATE THE REASONABLENESS OF THE COMPANY'S PAYROLL**

INCREASE?

A. Attached as Exhibit ___ (FLL-9) is an article from the Fall 1992 NAWC magazine which provides the results of a survey of 14 water companies throughout the United States. Based on this survey, it was determined that the 1992 salary increase budgets were 5.0% in 1992 for these utilities.

Q. **DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING THE TESTIMONY OF THE STAFF OR PUBLIC COUNSEL WITNESSES?**

A. Yes. First, I must note that Staff's pre-hearing statement of issues in this proceeding identifies a number of issues which Staff has chosen not to address in testimony or any other evidentiary form. As a result, the Company is unable to address or rebut any such evidence and unless witnesses are designated by Staff to support a position on such issues, our right to cross-examine evidence contrary to that being presented by us effectively would be denied. We also must note that certain issues identified by Staff and various portions of the testimony of Public Counsel's witnesses address proposed out of period adjustments. The significance of these proposed adjustments is that each adjustment would result in a reduction of the Company's requested revenue requirements. Both

Staff and Public Counsel ignore a myriad of facts which confirm that the Company's post-December 31, 1991 revenue requirements exceed those requested in this proceeding. The Company believes that if the historic test year is to be ignored by the Commission, changes in investment levels and operations which confirm an increase in the Company's revenue requirements must be considered by the Commission as well as the changes indicated by Public Counsel and Staff which might decrease such requirements. These O&M type increases which the Company has incurred after 1991 include, but are not limited to: additional testing costs for 23 new contaminants, additional costs associated with sludge stabilization and hauling, and other additional costs since the conclusion of the test year. Staff and Public Counsel's proposed adjustments for "anticipated" savings, if they are to be considered at all, must be offset against "anticipated" increases in the Company's expenses which include the payroll associated with approximately 25 new positions authorized to be filled, yet which remain vacant due to our current dire financial situation. Southern States firmly believes that these positions, which are primarily field positions, must be filled as soon as possible if we are to continue to be able to render high quality service to our customers. Assuming the overall average Company salary of $22,000 were provided to these 25 employees, the Company's anticipated increase in payroll would be $550,000. In addition, the MFRs do not reflect actual plant in service investment made by the Company to date. These actual investments are known and quantifiable by system and therefore are more appropriate for consideration in the Commission ratemaking decision than "anticipated" savings or speculative decreases in costs which may occur in the future as proposed by Staff and Public Counsel.

Q. **DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

A. Yes, it does.

ADJUSTED NON-USED AND USEFUL PERCENTAGES FOR PROPERTY TAX PURPOSES

NON-USED & USEFUL PROPERTY TAX - WATER

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
COUNTY	WATER SYSTEM NAME	FILED COMPOSITE NON-USED & USEFUL %	COUNTY NON-USED & USEFUL EXCLUSION %	ECONOMY OF SCALE ADJUSTMENT %	COMPOSITE ADJUSTMENT FACTOR	PROPERTY TAX PER MFR	NON-USED & USEFUL PROPERTY TAX
Nassau	Amelia Island	1.94%		50.00%	0.97%	53,772	523
Citrus	Apache Shores	32.11%		50.00%	16.06%	2,048	329
Seminole	Apple Valley	0.00%		50.00%	0.00%	1,439	0
Osceola	Bay Lake Estates	0.00%		50.00%	0.00%	642	0
Duval	Beacon Hills	6.49%		50.00%	3.25%	37,605	1,221
Putnam	Beecher's Point	19.63%		50.00%	9.82%	556	55
Charlotte / Lee	Burnt Store	65.25%	50.00%	50.00%	16.31%	21,333	3,480
Lake	Carlton Village	12.09%		50.00%	6.05%	436	26
Seminole	Chuluota	0.00%		50.00%	0.00%	6,313	0
Marion	Citrus Park	0.08%	50.00%	50.00%	0.02%	2,271	0
Citrus	Citrus Springs Utilities	62.16%		50.00%	31.08%	54,961	17,082
Citrus	Crystal River Highlands	0.00%		50.00%	0.00%	122	0
Orange	Desturyler Shores	12.92%		50.00%	6.46%	1,200	78
Volusia	Deltona Utilities	0.56%	10.00%	50.00%	0.03%	209,339	59
Seminole	Del Ray Manor	0.00%		50.00%	0.00%	115	0
Seminole	Druid Hills	0.64%		50.00%	0.32%	506	2
Lake	East Lake Harris Estates	0.67%		50.00%	0.34%	1,747	6
Seminole	Fern Park	0.00%		50.00%	0.00%	195	0
Lake	Fern Terrace	1.48%		50.00%	0.74%	910	7
Martin	Fisherman's Haven	5.94%		50.00%	2.97%	462	14
Osceola	Fountains	3.16%		50.00%	1.58%	1,437	23
Martin	Fox Run	0.00%		50.00%	0.00%	2,351	0
Lake	Friendly Center	0.00%		50.00%	0.00%	189	0
Citrus	Golden Terrace	0.82%		50.00%	0.41%	756	3
Citrus	Gospel Island Estates	15.50%		50.00%	7.75%	490	38
Lake	Grand Terrace	0.00%		50.00%	0.00%	265	0
Seminole	Harmony Homes	0.51%		50.00%	0.25%	142	0
Putnam	Hermits Cove	1.85%		50.00%	0.92%	1,643	15
Lake	Hobby Hills	26.69%		50.00%	13.35%	804	107
Lake	Holiday Haven	0.63%		50.00%	0.31%	529	2
Orange	Holiday Heights	0.00%		50.00%	0.00%	522	0
Lake	Imperial Mobile Terrace	0.00%		50.00%	0.00%	1,563	0
Osceola	Intercession City	6.84%		50.00%	3.42%	2,011	69
Putnam	Interlachen Lake Estates	5.34%		50.00%	2.67%	1,876	50
Volusia	Jungle Den	0.00%	10.00%	50.00%	0.00%	112	0
Clay	Keystone Heights	15.73%		50.00%	7.86%	11,248	885
Brevard	Kingswood	0.00%		50.00%	0.00%	123	0
Osceola	Lake Ajay Estates	11.75%		50.00%	5.87%	2,450	144
Seminole	Lake Brantley	0.00%		50.00%	0.00%	127	0
Orange	Lake Conway Park	0.57%		50.00%	0.28%	864	2
Seminole	Lake Harriet Estates	0.00%		50.00%	0.00%	400	0
Clay	Lakeview Villas	14.73%		50.00%	7.37%	886	65
Martin	Leilani Heights	1.88%		50.00%	0.94%	3,262	31
Highlands	Leisure Lakes	7.22%		50.00%	3.61%	849	31
Collier	Marco Shores Utilities	36.46%	25.00%	50.00%	4.56%	9,127	416

NON-USED & USEFUL PROPERTY TAX - WATER

(1) COUNTY	(2) WATER SYSTEM NAME	(3) FILED COMPOSITE NON-USED & USEFUL %	(4) COUNTY NON-USED & USEFUL EXCLUSION %	(5) ECONOMY OF SCALE ADJUSTMENT %	(6) COMPOSITE ADJUSTMENT FACTOR	(7) PROPERTY TAX PER MFR	(8) NON-USED & USEFUL PROPERTY TAX
Marion	Marion Oaks Utilities	45.67%	50.00%	50.00%	11.47%	59,078	6,775
Seminole	Meredith Manor	0.00%		50.00%	0.00%	181	0
Lake	Morningview	0.00%		50.00%	0.00%	275	0
Citrus	Oak Forest	16.97%		50.00%	8.48%	1,303	111
Brevard	Oakwood	0.00%		50.00%	0.00%	769	0
Lake	Palisades Country Club	5.61%		50.00%	2.80%	(8)	(0)
Putnam	Palm Port	3.68%		50.00%	1.84%	1,445	27
Pasco	Palm Terrace	0.35%		50.00%	0.18%	2,423	4
Lake	Palms Mobile Home Park	19.26%		50.00%	9.63%	440	42
Putnam	Park Manor	10.15%		50.00%	5.07%	510	26
Lake	Picciola Island	1.63%		50.00%	0.82%	870	7
Osceola	Pine Ridge Estates	0.00%		50.00%	0.00%	2,302	0
Citrus	Pine Ridge Utilities	57.26%		50.00%	28.63%	5,672	1,624
Lake	Piney Woods	3.58%		50.00%	1.79%	1,263	23
Citrus	Point O' Woods	3.24%		50.00%	1.62%	3,446	56
Putnam	Pomona Park	29.23%		50.00%	14.62%	2,566	375
Clay	Postmaster Village	6.50%		50.00%	3.25%	526	17
Lake	Quail Ridge	1.78%		50.00%	0.89%	(9)	(0)
Putnam	River Grove	8.93%		50.00%	4.46%	1,744	78
Putnam	River Park	15.71%		50.00%	7.86%	2,860	225
Citrus	Rolling Green	3.43%		50.00%	1.71%	1,069	18
Citrus	Rosemont	3.06%		50.00%	1.53%	1,158	18
Marion	Salt Springs	1.49%	50.00%	50.00%	0.38%	1,785	6
Marion	Samira Villas	1.02%	50.00%	50.00%	0.25%	(7)	(0)
Putnam	Saratoga Harbour	44.10%		50.00%	22.05%	656	145
Lake	Silver Lake Estates	0.16%		50.00%	0.08%	3,828	3
Putnam	Silver Lake Oaks	11.09%		50.00%	5.55%	677	38
Lake	Skycrest	0.00%		50.00%	0.00%	855	0
Hernando	Spring Hill Utilities	6.29%	50.00%	50.00%	1.57%	137,199	2,157
Putnam	St. Johns Highlands	8.92%		50.00%	4.46%	893	40
Lake	Stone Mountain	42.70%		50.00%	21.35%	133	28
Volusia	Sugar Mill	18.00%	10.00%	50.00%	0.90%	17,466	158
Citrus	Sugar Mill Woods	33.64%		50.00%	16.82%	71,953	12,102
Washington	Sunny Hills Utilities	54.35%	10.00%	50.00%	2.72%	10,595	288
Lake	Sunshine Parkway	0.00%		50.00%	0.00%	1,476	0
Osceola	Tropical Park	0.00%		50.00%	0.00%	2,634	0
Orange	University Shores	0.00%		50.00%	0.00%	33,843	0
Lake	Venetian Village	8.36%		50.00%	4.18%	686	29
Putnam	Welaka	20.55%		50.00%	10.27%	733	75
Lake	Western Shores	0.26%		50.00%	0.13%	1,436	2
Orange	Westmont	0.00%		50.00%	0.00%	357	0
Osceola	Windsong	1.07%		50.00%	0.54%	1,953	10
Duval	Woodmere	9.60%		50.00%	4.80%	16,106	773
Putnam	Wootens	13.84%		50.00%	6.92%	952	66
Pasco	Zephyr Shores	1.01%		50.00%	0.50%	3,131	16
TOTAL WATER						836,999	50,120

NON-USED & USEFUL PROPERTY TAX - SEWER

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
COUNTY	SEWER SYSTEM NAME	FILED COMPOSITE NON-USED & USEFUL %	COUNTY NON-USED & USEFUL EXCLUSION %	ECONOMY OF SCALE ADJUSTMENT %	COMPOSITE ADJUSTMENT FACTOR	PROPERTY TAX PER MFR	NON-USED & USEFUL PROPERTY TAX
Nassau	Amelia Island	0.53%		50.00%	0.27%	69,656	188
Citrus	Apache Shores	29.04%		50.00%	14.52%	1,208	175
Seminole	Apple Valley	0.00%		50.00%	0.00%	321	0
Duval	Beacon Hills	13.38%		50.00%	6.68%	52,464	3,503
Putnam	Beecher's Point	37.73%		50.00%	18.87%	461	87
Charlotte / Lee	Burnt Store	85.77%	50.00%	50.00%	21.44%	38,658	8,289
Seminole	Chuluota	19.66%		50.00%	9.83%	1,274	125
Marion	Citrus Park	0.00%	50.00%	50.00%	0.00%	8,805	0
Citrus	Citrus Springs Utilities	54.14%		50.00%	27.07%	15,715	4,254
Volusia	Deltona Utilities	3.08%	10.00%	50.00%	0.15%	20,720	32
Martin	Fisherman's Haven	9.56%		50.00%	4.78%	1,152	55
Seminole	Florida Central Commerce Park	48.69%		50.00%	24.35%	6,291	1,532
Martin	Fox Run	18.91%		50.00%	9.45%	3,162	299
Lake	Holiday Haven	36.38%		50.00%	18.19%	2,041	371
Volusia	Jungle Den	10.32%	10.00%	50.00%	0.52%	2,306	12
Martin	Leilani Heights	0.00%		50.00%	0.00%	6,327	0
Highlands	Leisure Lakes	5.61%		50.00%	2.80%	1,051	29
Collier	Marco Shores Utilities	17.98%	25.00%	50.00%	2.25%	7,932	178
Marion	Marion Oaks Utilities	12.90%	50.00%	50.00%	3.23%	35,908	1,158
Seminole	Meredith Manor	0.00%		50.00%	0.00%	1,057	0
Lake	Morningview	2.37%		50.00%	1.19%	531	6
Putnam	Palm Port	11.07%		50.00%	5.54%	1,665	92
Pasco	Palm Terrace	10.96%		50.00%	5.48%	8,526	467
Putnam	Park Manor	21.76%		50.00%	10.88%	742	81
Citrus	Point O' Woods	28.23%		50.00%	14.12%	5,162	729
Marion	Salt Springs	23.82%	50.00%	50.00%	5.96%	3,785	226
Putnam	Silver Lake Oaks	62.14%		50.00%	31.07%	590	183
Marion	South Forty	20.24%	50.00%	50.00%	5.06%	5,813	294
Hernando	Spring Hill Utilities	13.01%	50.00%	50.00%	3.25%	62,065	2,018
Volusia	Sugar Mill	6.66%	10.00%	50.00%	0.33%	24,537	82
Citrus	Sugar Mill Woods	48.53%		50.00%	24.26%	126,658	30,731
Washington	Sunny Hills Utilities	50.10%	10.00%	50.00%	2.50%	2,969	74
Lake	Sunshine Parkway	28.19%		50.00%	14.09%	1,836	259
Orange	University Shores	10.68%		50.00%	5.34%	66,731	3,566
Lake	Venetian Village	3.59%		50.00%	1.80%	1,060	19
Duval	Woodmere	0.00%		50.00%	0.00%	27,342	0
Pasco	Zephyr Shores	5.48%		50.00%	2.74%	3,317	91
TOTAL SEWER						619,868	59,208
TOTAL WATER & SEWER						1,458,867	109,326

SOUTHERN STATES UTILITIES, INC.
RESPONSE TO INTERROGATORIES
DOCKET NO. 920199-WS

REQUESTED BY:	FPSC
SET NO.:	1
INTERROGATORY NO.:	44
ISSUE DATE:	Aug 26, 1992
PREPARED BY:	Chuck Lewis

INTERROGATORY: 44

Please explain why the company has included a 5% increase for salaries in its filing when the 1992 price index is 3.63%?

RESPONSE: 44

Appendix 44-A is a schedule showing actual increases as of 07/31/92.

Appendix 44-B contains a copy of a memorandum provided by the Company to Staff auditors and associated documents.

Appendix 44-C contains copies of documents reissued by the Human Resources Department to all managers regarding 1992 increases. The Company believes that these documents support the Company's 5% increase for salaries. Please note that in addition to considerations of inflation, the increases include promotions, equity adjustments, step and license adjustments, and bonuses.

1992 SALARY ADJUSTMENTS
TOTAL PAYROLL $10,200,389.29

SALARY ADJUSTMENT	TOTAL COST	% OF PAYROLL	
Merit Increases	$339,940.00	3.33%	
Other adjustments -includes: promotions, equity adjustments, and step and license adjustment programs.	$128,458.04	1.26%	
Bonuses	$76,226.03	0.75%	
TOTALS	$544,624.07	5.34%	(1)
ESTIMATED YEAR-END TOTA	$564,624.07	5.54%	

(1): This total is as of 7/31/92. The Company anticipates providing approximately $20,000 of additional "other adjustments" in 1992.

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MEMORANDUM

To: Charles Winston

From: Brian P. Armstrong

Date: September 10, 1992

Re: FPSC Audit Request No. 21 (GIGA)

Attached please find a copy of a schedule indicating the actual 1992 salary adjustments through July 31, 1991 in the amount of $544,624.07 -- a 5.34% increase in payroll. In addition, also attached are copies of schedules indicating the 1991, 1990 and 1989 salary adjustments. Review of these schedules indicates a consistent level of salary adjustments of approximately 5%.

Also attached are copies of various memoranda regarding benefits and salary budgets for 1992. These memoranda reflect some of the thought processes regarding 1992 salary adjustments. Please note that the memoranda confirm that salary adjustments were based on estimated national average increases for 1992 as confirmed in a 1991/92 compensation planning survey prepared by an independent compensation expert (September 12, 1991 memorandum from Roxan Haggerty and Mike Schweizer to Bert Phillips). After reviewing this information, please do not hesitate to call me at extension 152 if you require further information.

B.P.A.

dlh/92M190

Attachments

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1992 SALARY ADJUSTMENTS
TOTAL PAYROLL $10,200,389.29

SALARY ADJUSTMENT	TOTAL COST	% OF PAYROLL	
Merit Increases	$339,940.00	3.33%	
Other adjustments -includes: promotions, equity adjustments, and step and license adjustment programs.	$128,458.04	1.26%	
Bonuses	$76,226.03	0.75%	
TOTALS	$544,624.07	5.34%	(1)
ESTIMATED YEAR-END TOTA	$564,624.07	5.54%	

(1): This total is as of 7/31/92. The Company anticipates providing approximately $20,000 of additional "other adjustments" in 1992.

1991 SALARY ADJUSTMENTS
TOTAL PAYROLL $8,966,839.52

SALARY ADJUSTMENT	TOTAL COST	% OF PAYROLL
Merit Increases	$439,375.14	4.90%
Other adjustments -includes: promotions, equity adjustments, and step and license adjustment programs.	$55,005.35	0.61%
Bonuses	$32,282.46	0.36%
TOTALS	$526,662.95	5.87%

1990 SALARY ADJUSTMENTS
TOTAL PAYROLL $4,689,576.45

SALARY ADJUSTMENT	TOTAL COST	% OF PAYROLL
Increases and adjustments -includes: merit increases Also included are adjustments for: promotions, equity adjustments, and step and license adjustment programs.	$253,237.13	5.40%
Bonuses	$6,000.00	0.13%
TOTALS	$259,237.13	5.53%

1989 SALARY ADJUSTMENTS
TOTAL PAYROLL $2,906,263.89

SALARY ADJUSTMENT	TOTAL COST	% OF PAYROLL
Increases and adjustments -includes: merit increases Also included are adjustments for: promotions, equity adjustments, and step and license adjustment programs.	$148,000.00	5.09%
Bonuses	$5,300.00	0.18%
TOTALS	$153,300.00	5.2[illegible]

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September 21, 1991

TO: Randi Kaplan

FROM: Roxan R. Haggerty

RE: Benefits and Salary Budget for 1992

Following discussions with Karla and Bert, the following is the final 1992 benefit cost:

Health Insurance	$ 1,599,000
Life Insurance	47,000
Long term Disability	38,500
Education Assistance	45,000
401(k)	100,000
Union Money Purchase Plan	28,000
Defined Benefit Pension	335,000
Service Awards	7,500
Employee Assistance Program	10,000
Wellness Recognition Program	10,000
Employee Recognition Program	3,000
TOTAL	$ 2,223,000

The final salary increase budget is as follows:

Merit Increases (January)	5.0%
Incentive Adjustments	55,000
Salary Adjustments	250,000

If you have any questions, please let me know.

RRH/rh Roxan

c: Mike Schweizer
Karla Olson Teasley
Richard Ausman
Bert Phillips

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REVISED MEMO

September 12, 1991

TO: Randi Kaplan
Mike Schweizer
Karla Olson Teasley

FROM: Roxan R. Haggerty

RE: Salary Budget for 1992

Based upon our current salary costs, the following is my estimate of 1992 salary increases:

Merit Increases (January)	5.2%
Merit Increases (April)	1.3% (3/12 ● 5.2%)
TOTAL	6.5%
Incentive Adjustments	$ 55,000
Salary Adjustments	$250,000

These figures are still subject to Bert's approval. The salary adjustment figure includes the following types of adjustments: Equity, promotion, step and licensing adjustments and status adjustments.

These figures do not include the Lehigh employees. If you have any questions, please feel free to contact me.

RRH/rh Roxan

Roxan

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September 12, 1991

TO: Bert Phillips

FROM: Roxan R. Haggerty
Mike Schweizer

RE: Salary increases for 1992

Based upon our current salary costs and analysis, the following is our recommendation for 1992 salary increases:

Merit Increases (January)	5.2%
Merit Increases (April)	1.3% (3/12 * 5.2%)
TOTAL	6.5%
Incentive Adjustments	$ 55,000
Salary Adjustments	$250,000

Merit Increases:

Our recommendation is based on the estimated national average for increases in 1992. Attached is a copy of the 1991/92 Compensation Planning Survey prepared by Mercer. Survey results indicate that companies are anticipating increases of 5.2% in 1992. In November, we will present a final recommendation based on additional survey information.

Incentive Adjustments:

Incentive adjustments are individual lump-sum bonuses available to employees for outstanding performance. We recommend $55,000 be used for these bonuses in 1992. We are in the process of developing an incentive adjustment policy which will be submitted for your approval shortly.

Salary Adjustments:

Salary adjustments include the following types of adjustments: Equity, promotion, step and licensing adjustments and status adjustments. From July 1, 1990 to June 30, 1991, $274,982.59 (annualized) was spent on these types of adjustments. Because we anticipate several promotions, step adjustments and licensing adjustments next year due to the new compensation program, we recommend $250,000 be allocated to these types of increases.

We are also completing our salary analysis for 1992 and will be submitting our recommendations on how the salary structure should be adjusted in 1992.

If you need any additional information, please let us know. Your approval is appreciated.

RRH/rh Mike

c: Karla Olson Teasley

Approved: ________________________
Bert Phillips

1991/92 Compensation Planning Survey

Summary of Results

Over 3,100 organizations provided information for the *1991/92 Compensation Planning Survey*, covering practices for over 9.8 million employees. The survey results show that the average pay increase for 1991 is 5.3%, very close to the amount (5.4%) projected by last year's survey participants. Projected 1992 increases are estimated to average 5.2% based on responses from about 82% of the survey respondents.

This ninth annual *Compensation Planning Survey* conducted by William M. Mercer, Incorporated reports 1991 and projected 1992 pay increases and structure adjustments. Survey participants submitted fiscal year data that most closely corresponded to the calendar years of 1991 and 1992. Information was requested regarding the type of industry, total employee population, revenue volume, and geographic locations of the responding organizations.

The companies are categorized into 35 industry groupings and increase practices are analyzed in detail by each of these groups. Survey results are presented for nonexempt, exempt and executive positions as well as by the summary classification "all groups." Analyses of the prevalence and percentage amounts of merit and across-the-board increases are also included in the report.

1991 Increases

As noted above, the national average pay increase reported by survey participants for 1991 was 5.3%, slightly below the 5.5% overall average reported in 1990. Analyzed by employee group, 1991 increases for nonexempt employees averaged 5.1%, exempt employees received increases of 5.2% and increases for executives averaged 5.6%.

On a national basis, 1991 structure adjustments averaged 4.1%, ranging from 4.0% for nonexempt structures to 4.1% for exempts and 4.3% for executive structures. Overall structure adjustments remain very close to the levels reported in 1990.

1992 Increase Projections

The survey results indicate that pay increases for 1992 should average 5.2% next year. These budgets vary from 5.0% for nonexempt positions to 5.1% for exempts with 5.4% for executives.

Projected structure adjustments for 1992 range from 3.9% for nonexempts to 4.0% for exempts and 4.2% for executives, with an overall average of 4.0%, slightly below 1991 movements.

The frequency of organizations with pay freezes or deferrals increased dramatically from 1% in 1990 to 7% in 1991. This is not surprising in view of the turbulent economic conditions present over the past year.

Highlights of National Practices

1991 Increases	Nonexempt	Exempt	Executive	All Groups
Total Base Pay Increase Budgets	**5.1% (2927)**	**5.2% (2928)**	**5.6% (2573)**	**5.3% (2989)**
Merit increase only	5.1% (2300)	5.2% (2499)	5.6% (2258)	5.3% (2623)
Across-the-board only	4.4% (215)	4.7% (117)	4.7% (88)	4.6% (233)
Combination merit and across-the-board	5.3% (400)	5.3% (314)	5.8% (229)	5.4% (475)
Structure Adjustments	**4.0% (2024)**	**4.1% (2000)**	**4.3% (1430)**	**4.1% (2151)**
Companies with Freezes/Deferrals	4% (109)	4% (123)	7% (196)	7% (206)

Projected 1992 Increases	Nonexempt	Exempt	Executive	All Groups
Total Base Pay Increase Budgets	**5.0% (2565)**	**5.1% (2580)**	**5.4% (2314)**	**5.2% (2610)**
Merit increase only	5.0% (2061)	5.2% (2239)	5.4% (2054)	5.2% (2326)
Across-the-board only	4.4% (162)	4.5% (85)	4.5% (72)	4.4% (183)
Combination merit and across the board	5.2% (338)	5.2% (259)	5.5% (194)	5.3% (400)
Structure Adjustments	**3.9% (1908)**	**4.0% (1896)**	**4.2% (1397)**	**4.0% (1984)**
Companies with Freezes/Deferrals	2% (60)	2% (66)	4% (92)	3% (93)

Numbers in parentheses represent the number of companies responding in that category.

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Analysis by Region and Industry

Survey participants were asked to identify the U.S. region(s) in which they had employees who were affected by the reported increases. Because the reported increases at times affected employees in more than one region, a single company's data was included in the regional analysis for multiple locations. 1992 increases will be consistent across the country with the Southeast, North Central and South Central regions expecting 5.1% and the Northeast and West Coast expecting 5.2%.

The most significant variation was seen by examining compensation planning data by industry group. Industries with the highest representation in the survey sample were manufacturing, health care, finance/banking, and insurance. A five year summary of the changes in budgeted increases for selected industries is displayed below.

Pay Increase Trends by Industry

Industry	1988	1989	1990	1991	1992*
Aerospace	4.9%	5.2%	5.0%	5.1%	5.0%
Agriculture	5.1%	5.5%	5.3%	5.0%	4.8%
Business/Info Services	5.7%	5.6%	5.7%	5.8%	5.5%
Chemical	5.2%	5.3%	5.5%	5.3%	5.3%
Communications	5.6%	5.6%	5.6%	5.6%	5.5%
Computer Service/Software	6.5%	6.1%	6.2%	5.9%	5.6%
Construction/Engineering	5.2%	5.5%	5.6%	5.6%	5.3%
Consulting/Legal/Accounting	6.9%	6.7%	6.6%	6.1%	5.9%
Diversified	5.3%	5.4%	5.4%	5.5%	5.1%
Education	5.5%	5.5%	5.4%	4.9%	4.8%
Electrical/Electronic	5.1%	5.5%	5.5%	5.3%	5.3%
Entertainment	5.7%	5.5%	6.0%	5.1%	4.8%
Finance/Banking	5.6%	5.7%	5.5%	5.0%	4.9%
Food Manufacturing/Processing	5.1%	5.4%	5.3%	5.5%	5.4%
Government	4.7%	4.4%	4.9%	5.2%	4.6%
Health Care	5.2%	5.3%	5.5%	5.6%	5.4%
Hotel/Restaurant	5.4%	5.6%	5.5%	5.1%	5.1%
Insurance	5.9%	5.7%	5.8%	5.6%	5.4%
Manufacturing	5.0%	5.2%	5.2%	5.0%	5.0%
Mining/Milling/Smelting	5.0%	4.9%	5.0%	5.3%	5.2%
Not-for-Profit Miscellaneous	5.4%	5.3%	5.5%	5.5%	5.2%
Office/Computer Equipment	5.8%	5.9%	5.7%	5.3%	5.1%
Oil & Gas	5.0%	5.4%	5.6%	5.6%	5.5%
Pharmaceutical	5.5%	5.8%	5.9%	6.2%	6.0%
Printing/Publishing	5.1%	5.2%	5.4%	5.0%	4.8%
Pulp/Paper/Lumber	4.7%	4.9%	5.0%	4.4%	4.5%
Real Estate	5.3%	5.6%	5.7%	5.1%	5.0%
Research & Development	5.6%	5.7%	5.5%	5.5%	5.3%
Retail	5.3%	5.5%	5.2%	4.8%	4.8%
Service Miscellaneous	5.8%	5.4%	5.7%	5.5%	5.4%
Textiles/Apparel			5.3%	5.3%	5.4%
Transportation	5.1%	5.4%	4.9%	5.1%	4.8%
Utilities	4.8%	4.9%	5.1%	5.2%	5.2%
Wholesale/Distribution	5.4%	5.5%	5.4%	5.2%	5.1%

*Projected

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UTILITIES

1991 Increases	Nonexempts	Exempts	Executives	All Groups
Total Base Pay Increase Budgets	5.0% (115)	5.1% (117)	5.7% (99)	5.2% (120)
Merit increase only	4.9% (89)	5.1% (102)	5.7% (90)	5.3% (109)
Across-the-board only	4.5% (8)	4.6% (4)	4.9% (4)	4.6% (9)
Combination merit/A-T-B	5.5% (16)	5.4% (11)	5.7% (6)	5.5% (17)
Structure Adjustments	3.8% (99)	4.0% (103)	4.4% (70)	4.0% (106)
% Cos with freezes/deferrals	1 % (1)	1 % (1)	1 % (1)	1 % (1)
Projected 1992 Increases				
Total Base Pay Increase Budgets	4.8% (96)	5.4% (101)	5.3% (83)	5.2% (101)
Merit increase only	4.8% (78)	5.6% (89)	5.4% (75)	5.3% (93)
Across-the-board only	4.1% (6)	4.1% (4)	4.3% (3)	4.2% (7)
Combination merit/A-T-B	4.8% (14)	4.3% (9)	3.9% (6)	4.5% (14)
Structure Adjustments	3.7% (90)	3.9% (90)	4.3% (64)	3.9% (94)
% Cos with freezes/deferrals	2 % (2)	2 % (2)	3 % (3)	3 % (3)

WHOLESALE/DISTRIBUTION

1991 Increases	Nonexempts	Exempts	Executives	All Groups
Total Base Pay Increase Budgets	5.0% (58)	5.1% (55)	5.6% (54)	5.2% (58)
Merit increase only	5.2% (43)	5.2% (46)	5.6% (48)	5.4% (52)
Across-the-board only	3.9% (4)	***% (1)	***% (1)	4.5% (5)
Combination merit/A-T-B	4.3% (11)	4.5% (8)	4.7% (5)	4.5% (13)
Structure Adjustments	4.1% (34)	4.4% (37)	4.8% (24)	4.3% (39)
% Cos with freezes/deferrals	12 % (8)	13 % (8)	13 % (8)	12 % (8)
Projected 1992 Increases				
Total Base Pay Increase Budgets	5.0% (56)	5.0% (54)	5.3% (52)	5.1% (58)
Merit increase only	5.1% (41)	5.0% (45)	5.3% (44)	5.1% (49)
Across-the-board only	***% (2)	***% (1)	***% (1)	4.3% (3)
Combination merit/A-T-B	4.7% (13)	5.1% (8)	5.3% (7)	5.0% (15)
Structure Adjustments	4.1% (37)	4.2% (39)	4.2% (24)	4.2% (42)
% Cos with freezes/deferrals	0 % (0)	2 % (1)	4 % (2)	4 % (2)

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Appendix 44 B
Page 19 of 14

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September 10, 1991

TO: Randi Kaplan
Mike Schweizer
Karla Olson Teasley

FROM: Roxan R. Haggerty

RE: Salary Budget for 1992

Based upon our current salary costs, the following is my estimate of 1992 salary increases:

Merit Increases	5.2%
Incentive Adjustments	.5%
Salary Adjustments	2.0%
TOTAL	7.7%

These figures are still subject to Bert's approval. The salary adjustment figure includes the following types of adjustments: Equity, promotion, step and licensing adjustments and status adjustments.

These figures do not include the Lehigh employees. If you have any questions, please feel free to contact me.

RRH/rh

November 21, 1991

TO:

B. Phillips

R. Ausman
J. Bush
C. Luke

R. Kaplan
V. Clark
L. Killer
J. Kimball
K. Harter
R. Small
B. Reeder
T. Russ
G. DeMarie
J. Hilton

K. Teasley
K. Crooks
M. Fisher
M. Schweizer

C. Wood
R. Terrero
B. Kaminski
W. Hendricks

F. Ludsen
C. Lewis
E. Mangold
H. Loucks
A. Sweat
J. Sweat
M. Szukala
S. Gallis

C. Sweat
P. Wampler
D. Sweat
D. Corder
B. Heath
S. Sparks
F. Bruce
B. Schrader
D. Sweat
J. Roberts
D. Lovell
J. Welsh
J. Boyd
B. Cross
J. Wright
E. Manning
J. Williams
D. Fuller
B. Yocum
R. Williams
J. Levesque
H. Register
D. Denny
W. Vowell
G. Long
F. Sanderson

FROM: Roxan R. Haggerty

RE: Annual Performance Appraisals

Attached are the Performance Appraisal Forms for the employees you supervise. The third portion of the appraisals (Annual Review) needs to be completed by December 13, 1991.

The Supervisor's Guidebook contains a Performance Appraisal Guidebook which will assist you in completing your appraisals. Each employee should be reviewed on the Key Responsibilities and Performance Standards that were agreed upon in January. You should also review each employee's progress on the Special Projects and Objectives established for 1991.

After you have completed this portion of the form, both the employee and you will sign Part III of the form and forward the original form to your Division Vice President. Vice Presidents will review the form, indicate their approval and forward the forms to the Human Resources Department.

You will also need to complete a Personnel Action Form for each employee you supervise. The PAF should indicate your merit increase and step adjustment recommendation(s). The merit increase guidelines and step adjustments are attached.

Merit increases and step adjustments will be effective on December 26 and will be in employees' paychecks on January 17. After the performance appraisals and PAF's have been processed, copies will be sent to you.

In addition to step and merit adjustments, you may also recommend outstanding employees for an incentive adjustment. An Incentive Adjustment Recommendation Form is attached. Please complete this form for each employee you wish to recommend for an incentive adjustment. Incentive payments will be made sometime in January or February.

If you have any questions, please call.

RRH/rh

1992 Merit Increase Guidelines

Rating	Min. to 90% of Midpoint % Increase	91%-110% of Midpoint % Increase	Over 110% of Midpoint % Increase
Fully capable:	4.5%	4.0%	3.0%
Marginally satisfactory:	2.5%	2.0%	2.0%
Does not meet requirements:	0.0%	0.0%	0.0%

The merit increase guidelines are designed to recognize levels of performance and position within a salary grade. Increased performance will result in increased merit potential.

STEP ADJUSTMENT SCALES

Grade	Step A (Minimum of Salary Grade)	Step B	Step C	Step D	(Midpoint of Salary Grade)
4	995 (5.74)	1035 (5.97)	1075 (6.20)	1110 (6.40)	1170 (6.75)
5	1070 (6.17)	1110 (6.40)	1150 (6.63)	1190 (6.87)	1255 (7.24)
6	1140 (6.58)	1185 (6.84)	1230 (7.10)	1275 (7.36)	1340 (7.73)
7	1220 (7.04)	1270 (7.33)	1320 (7.62)	1365 (7.88)	1435 (8.28)
8	1305 (7.53)	1360 (7.85)	1410 (8.13)	1460 (8.42)	1535 (8.86)
9	1415 (8.16)	1470 (8.48)	1525 (8.80)	1575 (9.09)	1660 (9.58)
10	1490 (8.60)	1600 (9.23)	1650 (9.52)	1700 (9.81)	1790 (10.33)

Most employees entering these positions will begin at the minimum of the grade (Step A). Each July and January (following six months of service), employees in these grades will be eligible for a step adjustment. Employees must have satisfactory performance, a good safety and attendance record and meet all other position requirements prior to moving to the next step. Employees will be eligible for step adjustments until they reach Step D (after 3 adjustments).

Positions included in step adjustment program:

Office Clerk
Office Services Clerk
Receptionist
Accounting Clerk I
Customer Service Rep. I
Lead Meter Reader
Assistant Buyer
Records Technician
Senior Accounting Clerk
Customer Service Rep. III
Senior Dispatcher
Computer Technician
Office Services Coordinator
Executive Secretary

Data Entry Operator I
Meter Reader
Data Entry Operator II
Assistant Computer Operator
Dispatcher
Accounting Clerk II
Customer Service Rep. II
Secretary I
Computer Operator
Senior Data Entry Operator
Secretary II
Senior Customer Service Rep.
Assistant Rate Analyst

INCENTIVE ADJUSTMENT RECOMMENDATIO

Employee's Name: ______________________________
Employee's Current Job Title: ______________________________
Recommending Supervisor: ______________________________

Supervisors may recommend an employee for an incentive adjustment for efforts and accomplishments in the areas outlined below:

Job Performance

-Exceeding performance standards
-High quantity/quality of work
-Performing additional duties
-Performance under extreme deadlines
-Performance under stressful circumstances/pressure situations

Productivity

-Developing new ideas or concepts which save company time or money
-Enhancing customer service capabilities
-Development or involvement in special project or team

Other

-Leadership efforts
-Dedication and commitment to company

REASON FOR NOMINATION: (Include information regarding employee's history with the company and why an incentive adjustment should be granted for this employee. Continue on a separate sheet, if necessary.)

APPROVALS:

Vice President: ________________ Human Resources: ________________

President: ________________

THIS RECOMMENDATION IS NOT TO BE DISCUSSED WITH EMPLOYEE UNTIL APPROVED.

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June 15, 1992

TO: Distribution

FROM: Roxan R. Haggerty

RE: Semi-annual performance Appraisals

Attached are the performance appraisal forms for the employees that you supervise. During the next month, supervisors need to complete the semi-annual performance review section of the form (PART II).

During the review process you should consider how well each employee has completed his or her key responsibilities during the first half of the year. Each employee's performance should be measured by whether or not he or she was able to meet the performance standards. All employees should be measured on how well they adhere to company and employee policies and procedures.

Some employees may be eligible for step adjustments in July. Attached is an updated listing of the step adjustment schedule. Please use this list to complete your Personnel Action Form (PAF).

The semi-annual performance appraisal timeframe will be the following:

June 16	•	Performance appraisal materials distributed to supervisors.
June 16 - July 10	•	Supervisors hold semi-annual performance review meetings with employees. Following review meeting, employees should have the opportunity to make any comments they wish to. Employees and supervisors should then sign the form.
July 13	•	Performance appraisals and personnel action forms (PAF's) with step adjustment recommendations to be forwarded to the appropriate Vice President or Operations Team member.
July 17	•	Approved appraisals and PAF's forwarded to Human Resources.

July 25 • Approved PAF's will be returned to supervisors. Supervisors should meet with affected employees during the week to discuss step adjustment.

July 31 • Step adjustments reflected in employee paychecks for the period July 9 through July 22.

Human Resources has been advised that we can not process any step adjustment increases without an approved performance appraisal form. Any PAF's forwarded without an appraisal form will be returned to the appropriate supervisor.

In addition, only step adjustments will be processed with the semi-annual performance review. No merit or equity adjustments should be submitted.

If you have any questions, please feel free to contact us. We would be happy to assist any supervisor in completing their appraisals.

As always, we appreciate your assistance in making this a productive and beneficial process for our employees.

RRH/rh

DISTRIBUTION:

Executive	Bert Phillips
Corporate Development	Charles Sweat
Corporate Services	Karla Olson Teasley

Ralph Terrero
Mel Fisher
Mike Schweizer
Kerry Crooks
Jack Bush
Cindy Luke

Rates and Customer Service	Forrest Ludsen

Chuck Lewis
Helena Loucks
Allison Sweat
Judy Sweat
Mary Ann Szukala
Darrell Sweat
Steve Blankenshein
Connie Middleton
JoAnne Calosso
Gil Compton
Sue Slonager
Tammy Jackson
Dorothy Waldrep
Dennis Kohr
Paula Daenell
Ron Moore

Planning and Engineering	Chuck Wood

Bob Kaminsky
Woody Hendricks

Finance	Scott Vierima

Ginger Clark
Lisa Killer
Judy Kimball
Terry Russ
Kathy Harter
Robin Small
Susan Paris
Barb Reeder
Randi Kaplan
Gene DeMarie
John Hilton
Steve Gallis

Operations

Jim Ragsdale

- **Don Corder**
  - **Brian Heath**
  - **Scott Iaggi**
  - **Jim Johnson**
- **Sam Sparks**
  - **Dwayne Sweat**
  - **Rick Eck**
  - **Bill Schrader**
  - **Frank Bruce**
  - **Tim Vanasdale**

Joe Roberts

- **Doug Lovell**
  - **Gary Caporale**
  - **Bret Zigler**
- **Gene Manning**
- **Jerry Wright**
- **Bill Cross**
  - **Ken Kerlin**
  - **Paul Thompson**

Dave Denny

- **Mike Quigley**
  - **Ron Weis**
  - **Gerry Boyce**
  - **Mike Ehlen**
- **Tom Pound**
  - **Frank Kane**
  - **David Schroeder**
  - **Bevery Bumpous**
  - **Bill Abernathy**
- **Wayne Vowell**
  - **Tom Hennelly**
  - **Jerry Manning**

Bill Williams

- **Dennis Fuller**
- **John Levesque**
- **Harold Register**
- **Bob Williams**
  - **Paul Reinhart**
- **Bill Yocum**
  - **Tony Bouvier**
  - **Tommy Strawn**
- **Jack Oxendine**
- **Ricky Leach**

Priscilla Wampler

Frank Sanderson

Computer Technician
Office Services Coordinator
Executive Secretary
Senior Customer Service Rep.
Assistant Rate Analyst

LICENSING PROGRAM

	Salary Increase
Attainment of Backflow Prevention License:	.25
Attainment of "C" Distribution License:	.25
Attainment of "B" Distribution License:	.25
Attainment of "A" Distribution License:	.30
Attainment of "C" Collection License:	.25
Attainment of "B" Collection License:	.25
Attainment of "A" Collection License:	.30
Attainment of a Chlor. Safety Tech. License:	.25

The above adjustments would be available to individuals in the following positions:

Maintenance Helper
Maintenance Technician
Senior Maintenance Technician

INFORMATION SUBSTANTIATING REQUESTED 5% PAYROLL INCREASE

SOUTHERN STATES UTILITIES, INC.
RESPONSE TO INTERROGATORIES
DOCKET NO. 920199-WS

REQUESTED BY:	FPSC
SET NO.:	1
INTERROGATORY NO.:	44
ISSUE DATE:	Aug 26, 1992
PREPARED BY:	Chuck Lewis

INTERROGATORY: 44

Please explain why the company has included a 5% increase for salaries in its filing when the 1992 price index is 3.63%?

RESPONSE: 44

Appendix 44-A is a schedule showing actual increases as of 07/31/92.

Appendix 44-B contains a copy of a memorandum provided by the Company to Staff auditors and associated documents.

Appendix 44-C contains copies of documents reissued by the Human Resources Department to all managers regarding 1992 increases. The Company believes that these documents support the Company's 5% increase for salaries. Please note that in addition to considerations of inflation, the increases include promotions, equity adjustments, step and license adjustments, and bonuses.

1992 SALARY ADJUSTMENTS
TOTAL PAYROLL **$10,200,389.29**

SALARY ADJUSTMENT	TOTAL COST	% OF PAYROLL	
Merit Increases	$339,940.00	3.33%	
Other adjustments -includes: promotions, equity adjustments, and step and license adjustment programs.	$128,458.04	1.26%	
Bonuses	$76,226.03	0.75%	
TOTALS	$544,624.07	5.34%	(1)
ESTIMATED YEAR-END TOTA	$564,624.07	5.54%	

(1): This total is as of 7/31/92. The Company anticipates providing approximately $20,000 of additional "other adjustments" in 1992.

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MEMORANDUM

To: Charles Winston

From: Brian P. Armstrong

Date: September 10, 1992

Re: FPSC Audit Request No. 21 (GIGA)

Attached please find a copy of a schedule indicating the actual 1992 salary adjustments through July 31, 1991 in the amount of $544,624.07 -- a 5.34% increase in payroll. In addition, also attached are copies of schedules indicating the 1991, 1990 and 1989 salary adjustments. Review of these schedules indicates a consistent level of salary adjustments of approximately 5%.

Also attached are copies of various memoranda regarding benefits and salary budgets for 1992. These memoranda reflect some of the thought processes regarding 1992 salary adjustments. Please note that the memoranda confirm that salary adjustments were based on estimated national average increases for 1992 as confirmed in a 1991/92 compensation planning survey prepared by an independent compensation expert (September 12, 1991 memorandum from Roxan Haggerty and Mike Schweizer to Bert Phillips). After reviewing this information, please do not hesitate to call me at extension 152 if you require further information.

B.P.A.

dlh/92M190

Attachments

1992 SALARY ADJUSTMENTS
TOTAL PAYROLL **$10,200,389.29**

SALARY ADJUSTMENT	TOTAL COST	% OF PAYROLL	
Merit Increases	$339,940.00	3.33%	
Other adjustments -includes: promotions, equity adjustments, and step and license adjustment programs.	$128,458.04	1.26%	
Bonuses	$76,226.03	0.75%	
TOTALS	$544,624.07	5.34%	(1)
ESTIMATED YEAR-END TOTA	$564,624.07	5.54%	

(1): This total is as of 7/31/92. The Company anticipates providing approximately $20,000 of additional "other adjustments" in 1992.

1991 SALARY ADJUSTMENTS
TOTAL PAYROLL $8,966,839.52

SALARY ADJUSTMENT	TOTAL COST	% OF PAYROLL
Merit Increases	$439,375.14	4.90%
Other adjustments -includes: promotions, equity adjustments, and step and license adjustment programs.	$55,005.35	0.61%
Bonuses	$32,2[illegible]2.46	0.36%
TOTALS	$5[illegible],662.95	5.87%

1990 SALARY ADJUSTMENTS
TOTAL PAYROLL $4,689,576.45

SALARY ADJUSTMENT	TOTAL COST	% OF PAYROLL
Increases and adjustments -includes: merit increases Also included are adjustments for: promotions, equity adjustments, and step and license adjustment programs.	$253,237.13	5.40%
Bonuses	$6,000.00	0.13%
TOTALS	$259,237.13	5.53%

1989 SALARY ADJUSTMENTS
TOTAL PAYROLL **$2,906,263.89**

SALARY ADJUSTMENT	TOTAL COST	% OF PAYROLL
Increases and adjustments -includes: merit increases Also included are adjustments for: promotions, equity adjustments, and step and license adjustment programs.	$148,000.00	5.09%
Bonuses	$5,300.00	0.18%
TOTALS	$153,300.00	5.2[illegible]

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September 21, 1991

TO: Randi Kaplan

FROM: Roxan R. Haggerty

RE: Benefits and Salary Budget for 1992

Following discussions with Karla and Bert, the following is the final 1992 benefit cost:

Health Insurance	$ 1,599,000
Life Insurance	47,000
Long term Disability	38,500
Education Assistance	45,000
401(k)	100,000
Union Money Purchase Plan	28,000
Defined Benefit Pension	335,000
Service Awards	7,500
Employee Assistance Program	10,000
Wellness Recognition Program	10,000
Employee Recognition Program	1,000
TOTAL	$ 2,221,000

The final salary increase budget is as follows:

Merit Increases (January)	5.0%
Incentive Adjustments	55,000
Salary Adjustments	250,000

If you have any questions, please let me know.

RRH/rh

c: Mike Schweizer
Karla Olson Teasley
Richard Ausman
Bert Phillips

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REVISED MEMO

September 12, 1991

TO: Randi Kaplan
Mike Schweizer
Karla Olson Teasley

FROM: Roxan R. Haggerty

RE: Salary Budget for 1992

Based upon our current salary costs, the following is my estimate of 1992 salary increases:

Merit Increases (January)	5.2%
Merit Increases (April)	1.3% (3/12 * 5.2%)
TOTAL	6.5%
Incentive Adjustments	$ 55,000
Salary Adjustments	$250,000

These figures are still subject to Bert's approval. The salary adjustment figure includes the following types of adjustments: Equity, promotion, step and licensing adjustments and status adjustments.

These figures do not include the Lehigh employees. If you have any questions, please feel free to contact me.

RRH/rh

SSU
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September 12, 1991

TO: Bert Phillips

FROM: Roxan R. Haggerty
Mike Schweizer

RE: Salary increases for 1992

Based upon our current salary costs and analysis, the following is our recommendation for 1992 salary increases:

Merit Increases (January)	5.2%
Merit Increases (April)	1.3% (3/12 * 5.2%)
TOTAL	6.5%
Incentive Adjustments	$ 55,000
Salary Adjustments	$250,000

Merit Increases:

Our recommendation is based on the estimated national average for increases in 1992. Attached is a copy of the 1991/92 Compensation Planning Survey prepared by Mercer. Survey results indicate that companies are anticipating increases of 5.2% in 1992. In November, we will present a final recommendation based on additional survey information.

Incentive Adjustments:

Incentive adjustments are individual lump-sum bonuses available to employees for outstanding performance. We recommend $55,000 be used for these bonuses in 1992. We are in the process of developing an incentive adjustment policy which will be submitted for your approval shortly.

Salary Adjustments:

Salary adjustments include the following types of adjustments: Equity, promotion, step and licensing adjustments and status adjustments. From July 1, 1990 to June 30, 1991, $274,982.59 (annualized) was spent on these types of adjustments. Because we anticipate several promotions, step adjustments and licensing adjustments next year due to the new compensation program, we recommend $250,000 be allocated to these types of increases.

Page 2

We are also completing our salary analysis for 1992 and will be submitting our recommendations on how the salary structure should be adjusted in 1992.

If you need any additional information, please let us know. Your approval is appreciated.

RRH/rh

c: Karla Olson Teasley

Approved: ______________________________
Bert Phillips

1991/92 Compensation Planning Survey

Summary of Results

Over 3,100 organizations provided information for the *1991/92 Compensation Planning Survey*, covering practices for over 9.8 million employees. The survey results show that the average pay increase for 1991 is 5.3%, very close to the amount (5.4%) projected by last year's survey participants. Projected 1992 increases are estimated to average 5.2% based on responses from about 82% of the survey respondents.

This ninth annual *Compensation Planning Survey* conducted by William M. Mercer, Incorporated reports 1991 and projected 1992 pay increases and structure adjustments. Survey participants submitted fiscal year data that most closely corresponded to the calendar years of 1991 and 1992. Information was requested regarding the type of industry, total employee population, revenue volume, and geographic locations of the responding organizations.

The companies are categorized into 35 industry groupings and increase practices are analyzed in detail by each of these groups. Survey results are presented for nonexempt, exempt and executive positions as well as by the summary classification "all groups." Analyses of the prevalence and percentage amounts of merit and across-the-board increases are also included in the report.

1991 Increases

As noted above, the national average pay increase reported by survey participants for 1991 was 5.3%, slightly below the 5.5% overall average reported in 1990. Analyzed by employee group, 1991 increases for nonexempt employees averaged 5.1%, exempt employees received increases of 5.2% and increases for executives averaged 5.6%.

On a national basis, 1991 structure adjustments averaged 4.1%, ranging from 4.0% for nonexempt structures to 4.1% for exempts and 4.3% for executive structures. Overall structure adjustments remain very close to the levels reported in 1990.

1992 Increase Projections

The survey results indicate that pay increases for 1992 should average 5.2% next year. These budgets vary from 5.0% for nonexempt positions to 5.1% for exempts with 5.4% for executives.

Projected structure adjustments for 1992 range from 3.9% for nonexempts to 4.0% for exempts and 4.2% for executives, with an overall average of 4.0%, slightly below 1991 movements.

The frequency of organizations with pay freezes or deferrals increased dramatically from 1% in 1990 to 7% in 1991. This is not surprising in view of the turbulent economic conditions present over the past year.

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FORREST L. LUDSEN EXHIBIT NO. 8
EXHIBIT ____ (FLL-8) PAGE 12 OF 27

Highlights of National Practices

1991 Increases	Nonexempt	Exempt	Executive	All Groups
Total Base Pay Increase Budgets	5.1% (2927)	5.2% (2928)	5.6% (2573)	5.3% (2989)
Merit increase only	5.1% (2300)	5.2% (2499)	5.6% (2258)	5.3% (2623)
Across-the-board only	4.4% (215)	4.7% (117)	4.7% (88)	4.6% (233)
Combination merit and across-the-board	5.3% (400)	5.3% (314)	5.8% (229)	5.4% (475)
Structure Adjustments	4.0% (2024)	4.1% (2000)	4.3% (1430)	4.1% (2151)
Companies with Freezes/Deferrals	4% (109)	4% (123)	7% (196)	7% (206)

Projected 1992 Increases	Nonexempt	Exempt	Executive	All Groups
Total Base Pay Increase Budgets	5.0% ([illegible])	5.1% ([illegible])	5.4% (2314)	5.2% ([illegible])
Merit increase only	5.0% (2061)	5.2% (2239)	5.4% (2054)	5.2% (2326)
Across-the-board only	4.4% (162)	4.5% (85)	4.5% (72)	4.4% (183)
Combination merit and across the board	5.2% (338)	5.2% (259)	5.5% (194)	5.3% (400)
Structure Adjustments	3.9% (1908)	4.0% (1896)	4.2% (1397)	4.0% (1984)
Companies with Freezes/Deferrals	2% (60)	2% (66)	4% (92)	3% (93)

Numbers in parentheses represent the number of companies responding in that category.

FORREST L. LUDSEN EXHIBIT NO. 8
EXHIBIT ____ (FLL-8) PAGE 13 of 27

Analysis by Region and Industry

Survey participants were asked to identify the U.S. region(s) in which they had employees who were affected by the reported increases. Because the reported increases at times affected employees in more than one region, a single company's data was included in the regional analysis for multiple locations. 1992 increases will be consistent across the country with the Southeast, North Central and South Central regions expecting 5.1% and the Northeast and West Coast expecting 5.2%.

The most significant variation was seen by examining compensation planning data by industry group. Industries with the highest representation in the survey sample were manufacturing, health care, finance/banking, and insurance. A five year summary of the changes in budgeted increases for selected industries is displayed below.

Pay Increase Trends by Industry

Industry	1988	1989	1990	1991	1992*
Aerospace	4.9%	5.2%	5.0%	5.1%	5.0%
Agriculture	5.1%	5.5%	5.3%	5.0%	4.8%
Business/Info Services	5.7%	5.6%	5.7%	5.0%	5.5%
Chemical	5.2%	5.3%	5.5%	5.3%	5.3%
Communications	5.6%	5.6%	5.6%	5.6%	5.5%
Computer Service/Software	6.5%	6.1%	6.2%	5.9%	5.6%
Construction/Engineering	5.2%	5.5%	5.6%	5.6%	5.3%
Consulting/Legal/Accounting	6.9%	6.7%	6.6%	6.1%	5.9%
Diversified	5.3%	5.4%	5.4%	5.5%	5.1%
Education	5.5%	5.5%	5.4%	4.9%	4.8%
Electrical/Electronic	5.1%	5.6%	5.5%	5.3%	5.3%
Entertainment	5.7%	5.5%	6.0%	5.1%	4.8%
Finance/Banking	5.6%	5.7%	5.5%	5.0%	4.9%
Food Manufacturing/Processing	5.1%	5.4%	5.3%	5.5%	5.4%
Government	4.7%	4.4%	4.9%	5.2%	4.6%
Health Care	5.2%	5.3%	5.5%	5.6%	5.4%
Hotel/Restaurant	5.4%	5.6%	5.6%	5.1%	5.1%
Insurance	5.9%	5.7%	5.8%	5.6%	5.4%
Manufacturing	5.0%	5.2%	5.2%	5.0%	5.0%
Mining/Milling/Smelting	5.0%	4.9%	5.0%	5.3%	5.2%
Not-for-Profit Miscellaneous	5.4%	5.3%	5.5%	5.5%	5.2%
Office/Computer Equipment	5.8%	5.9%	5.7%	5.3%	5.1%
Oil & Gas	5.0%	5.4%	5.0%	5.0%	5.5%
Pharmaceutical	5.5%	5.8%	5.9%	6.2%	6.0%
Printing/Publishing	5.1%	5.2%	5.4%	5.0%	4.8%
Pulp/Paper/Lumber	4.7%	4.9%	5.0%	4.4%	4.5%
Real Estate	5.3%	5.8%	5.7%	5.1%	5.0%
Research & Development	5.8%	5.7%	5.5%	5.5%	5.3%
Retail	5.3%	5.6%	5.2%	4.8%	4.8%
Service Miscellaneous	5.8%	5.4%	5.7%	5.6%	5.4%
Textiles/Apparel			5.3%	5.3%	5.4%
Transportation	5.1%	5.4%	4.9%	5.1%	4.8%
Utilities	4.8%	4.9%	5.1%	5.2%	5.2%
Wholesale/Distribution	5.4%	5.5%	5.4%	5.2%	5.1%

*Projected

UTILITIES

1991 Increases	Nonexempts	Exempts	Executives	All Groups
Total Base Pay Increase Budgets	5.0% (118)	5.1% (117)	5.7% (90)	5.3% (120)
Merit increase only	4.9% (89)	5.1% (102)	5.7% (90)	5.3% (109)
Across-the-board only	4.5% (8)	4.6% (4)	4.9% (4)	4.6% (3)
Combination merit/A-T-B	5.5% (16)	5.4% (11)	5.7% (6)	5.5 (17)
Structure Adjustments	3.0% (88)	4.0% (100)	4.4% (78)	4.0% (106)
% Cos with freezes/deferrals	1 % (1)	1 % (1)	1 % (1)	1 % (1)
Projected 1992 Increases				
Total Base Pay Increase Budgets	4.8% (80)	5.4% (101)	5.3% (82)	5.2% (101)
Merit increase only	4.8% (70)	5.6% (80)	5.4% (75)	5.3% (93)
Across-the-board only	4.1% (6)	4.1% (4)	4.3% (3)	4.2% (7)
Combination merit/A-T-B	4.8% (14)	4.3% (9)	3.9% (6)	4.5% (14)
Structure Adjustments	3.7% (80)	3.8% (80)	4.3% (64)	3.9% (84)
% Cos with freezes/deferrals	2 % (2)	2 % (2)	3 % (3)	3 % (3)

WHOLESALE/DISTRIBUTION

1991 Increases	Nonexempts	Exempts	Executives	All Groups
Total Base Pay Increase Budgets	5.0% (58)	5.1% (55)	5.0% (54)	5.2% (58)
Merit increase only	5.2% (43)	5.2% (46)	5.0% (49)	5.4% (52)
Across-the-board only	3.9% (4)	---% (1)	---% (1)	4.5% (5)
Combination merit/A-T-B	4.3% (11)	4.5% (8)	4.7% (5)	4.5% (13)
Structure Adjustments	4.1% (34)	4.4% (37)	4.0% (24)	4.3% (38)
% Cos with freezes/deferrals	12 % (8)	13 % (8)	13 % (6)	12 % (8)
Projected 1992 Increases				
Total Base Pay Increase Budgets	5.0% (56)	5.0% (54)	5.0% (58)	5.1% (58)
Merit increase only	5.1% (41)	5.0% (45)	5.3% (44)	5.1% (49)
Across-the-board only	---% (2)	---% (1)	---% (1)	4.3% (3)
Combination merit/A-T-B	4.7% (13)	5.1% (8)	5.3% (7)	5.0% (15)
Structure Adjustments	4.1% (37)	4.2% (30)	4.2% (24)	4.2% (42)
% Cos with freezes/deferrals	0 % (0)	2 % (1)	4 % (2)	4 % (2)

DOCKET NO. 920199-WS
FORREST L. LUDSEN EXHIBIT NO. 8
EXHIBIT ____ (FLL-8) PAGE 15 OF 27

SSU
SERVICES
intra-company correspondence

September 10, 1991

TO: Randi Kaplan
Mike Schweizer
Karla Olson Teasley

FROM: Roxan R. Haggerty

RE: Salary Budget for 1992

Based upon our current salary costs, the following is my estimate of 1992 salary increases:

Merit Increases	5.2%
Incentive Adjustments	.5%
Salary Adjustments	2.0%
TOTAL	7.7%

These figures are still subject to Bert's approval. The salary adjustment figure includes the following types of adjustments: Equity, promotion, step and licensing adjustments and status adjustments.

These figures do not include the Lehigh employees. If you have any questions, please feel free to contact me.

RRH/rh

November 21, 1991

TO:

B. Phillips

R. Ausman
J. Bush
C. Luke

R. Kaplan
V. Clark
L. Miller
J. Kimball
K. Hartar
R. Small
B. Reedar
T. Russ
G. DeMarie
J. Hilton

K. Tansley
K. Crooks
M. Fisher
M. Schweizer

C. Wood
R. Terrero
B. Kaminski
W. Hendricks

F. Ludsen
C. Lewis
E. Mangold
E. Loucks
A. Sweat
J. Sweat
M. Szukala
S. Gallis

C. Sweat
P. Wampler
D. Sweat
D. Cordar
B. Heath
S. Sparks
P. Bruce
B. Schrader
D. Sweat
J. Roberts
D. Lovell
J. Walsh
J. Boyd
S. Cross
J. Wright
E. Manning
J. Williams
D. Fuller
E. Yocum
R. Williams
J. Levesque
E. Register
D. Denny
W. Vowell
G. Long
F. Sanderson

FROM: Roxan R. Haggerty

RE: Annual Performance Appraisals

Attached are the Performance Appraisal Forms for the employees you supervise. The third portion of the appraisals (Annual Review) needs to be completed by December 13, 1991.

The Supervisor's Guidebook contains a Performance Appraisal Guidebook which will assist you in completing your appraisals. Each employee should be reviewed on the Key Responsibilities and Performance Standards that were agreed upon in January. You should also review each employee's programs on the Special Projects and Objectives established for 1991.

After you have completed this portion of the form, both the employee and you will sign Part III of the form and forward the original form to your Division Vice President. Vice Presidents will review the form, indicate their approval and forward the forms to the Human Resources Department.

You will also need to complete a Personnel Action Form for each employee you supervise. The PAF should indicate your merit increase and step adjustment recommendation(s). The merit increase guidelines and step adjustments are attached.

Merit increases and step adjustments will be effective on December 26 and will be in employees' paychecks on January 17. After the performance appraisals and PAF's have been processed, copies will be sent to you.

In addition to step and merit adjustments, you may also recommend outstanding employees for an incentive adjustment. An Incentive Adjustment Recommendation Form is attached. Please complete this form for each employee you wish to recommend for an incentive adjustment. Incentive payments will be made sometime in January or February.

If you have any questions, please call.

RRH/rh

1992 Merit Increase Guidelines

Rating	Min. to 90% of Midpoint % Increase	91%-110% of Midpoint % Increase	Over 110% of Midpoint % Increase
Fully capable:	4.5%	4.0%	3.0%
Marginally satisfactory:	2.5%	2.0%	2.0%
Does not meet requirements:	0.0%	0.0%	0.0%

The merit increase guidelines are designed to recognize levels of performance and position within a salary grade. Increased performance will result in increased merit potential.

STEP ADJUSTMENT SCALES

Grade	Step A (Minimum of Salary Grade)	Step B	Step C	Step D	(Midpoint of Salary Grade)
4	995 (5.74)	1035 (5.97)	1075 (6.20)	1110 (6.40)	1170 (6.75)
5	1070 (6.17)	1110 (6.40)	1150 (6.63)	1190 (6.87)	1255 (7.24)
6	1140 (6.58)	1185 (6.84)	1230 (7.10)	1275 (7.36)	1340 (7.73)
7	1220 (7.04)	1270 (7.33)	1320 (7.62)	1365 (7.88)	1435 (8.28)
8	1305 (7.53)	1360 (7.85)	1410 (8.13)	1460 (8.42)	1535 (8.86)
9	1415 (8.16)	1470 (8.48)	1525 (8.80)	1575 (9.09)	1660 (9.58)
10	1490 (8.60)	1600 (9.23)	1650 (9.52)	1700 (9.81)	1790 (10.33)

Most employees entering these positions will begin at the minimum of the grade (Step A). Each July and January (following six months of service), employees in these grades will be eligible for a step adjustment. Employees must have satisfactory performance, a good safety and attendance record and meet all other position requirements prior to moving to the next step. Employees will be eligible for step adjustments until they reach Step D (after 3 adjustments).

Positions included in step adjustment program:

Office Clerk
Office Services Clerk
Receptionist
Accounting Clerk I
Customer Service Rep. I
Lead Meter Reader
Assistant Buyer
Records Technician
Senior Accounting Clerk
Customer Service Rep. III
Senior Dispatcher
Computer Technician
Office Services Coordinator
Executive Secretary

Data Entry Operator I
Meter Reader
Data Entry Operator II
Assistant Computer Operator
Dispatcher
Accounting Clerk II
Customer Service Rep. II
Secretary I
Computer Operator
Senior Data Entry Operator
Secretary II
Senior Customer Service Rep.
Assistant Rate Analyst

SSU SERVICES
Intra-company correspondence

June 15, 1992

TO: Distribution

FROM: Roxan R. Haggerty

RE: Semi-annual performance Appraisals

Attached are the performance appraisal forms for the employees that you supervise. During the next month, supervisors need to complete the semi-annual performance review section of the form (PART II).

During the review process you should consider how well each employee has completed his or her key responsibilities during the first half of the year. Each employee's performance should be measured by whether or not he or she was able to meet the performance standards. All employees should be measured on how well they adhere to company and employee policies and procedures.

Some employees may be eligible for step adjustments in July. Attached is an updated listing of the step adjustment schedule. Please use this list to complete your Personnel Action Form (PAF).

The semi-annual performance appraisal timeframe will be the following:

June 16	•	Performance appraisal materials distributed to supervisors.
June 16 - July 10	•	Supervisors hold semi-annual performance review meetings with employees. Following review meeting, employees should have the opportunity to make any comments they wish to. Employees and supervisors should then sign the form.
July 13	•	Performance appraisals and personnel action forms (PAF's) with step adjustment recommendations to be forwarded to the appropriate Vice President or Operations Team member.
July 17	•	Approved appraisals and PAF's forwarded to Human Resources.

INCENTIVE ADJUSTMENT RECOMMENDATION APPENDIX 44-C

Employee's Name: ____________________
Employee's Current Job Title: ____________________
Recommending Supervisor: ____________________

Supervisors may recommend an employee for an incentive adjustment for efforts and accomplishments in the areas outlined below:

Job Performance

-Exceeding performance standards
-High quantity/quality of work
-Performing additional duties
-Performance under extreme deadlines
-Performance under stressful circumstances/pressure situations

Productivity

-Developing new ideas or concepts which save company time or money
-Enhancing customer service capabilities
-Development or involvement in special project or team

Other

-Leadership efforts
-Dedication and commitment to company

REASON FOR NOMINATION: (Include information regarding employee's history with the company and why an incentive adjustment should be granted for this employee. Continue on a separate sheet, if necessary.)

APPROVALS:

Vice President: ____________ Human Resources: ____________

President: ____________

THIS RECOMMENDATION IS NOT TO BE DISCUSSED WITH EMPLOYEE UNTIL APPROVED.

July 25	•	Approved PAF's will be returned to supervisors. Supervisors should meet with affected employees during the week to discuss step adjustment.
July 31	•	Step adjustments reflected in employee paychecks for the period July 9 through July 22.

Human Resources has been advised that we can not process any step adjustment increases without an approved performance appraisal form. Any PAF's forwarded without an appraisal form will be returned to the appropriate supervisor.

In addition, only step adjustments will be processed with the semi-annual performance review. No merit or equity adjustments should be submitted.

If you have any questions, please feel free to contact us. We would be happy to assist any supervisor in completing their appraisals.

As always, we appreciate your assistance in making this a productive and beneficial process for our employees.

RRH/rh

DISTRIBUTION:

Executive	Bart Phillips
Corporate Development	Charles Sweat
Corporate Services	Karla Olson Teasley

Ralph Terrero
Mel Fisher
Mike Schweizer
Kerry Crooks
Jack Bush
Cindy Luke

Rates and Customer Service	Forrest Ludsen

Chuck Lewis
Helena Loucks
Allison Sweat
Judy Sweat
Mary Ann Szukala
Darrell Sweat
Steve Blankenshein
Connie Middleton
JoAnne Calosso
Gil Compton
Sue Slonager
Tammy Jackson
Dorothy Waldrep
Dennis Kohr
Paula Dassell
Ron Moore

Planning and Engineering	Chuck Wood

Bob Kaminsky
Woody Hendricks

Finance	Scott Vierima

Ginger Clark
Lisa Miller
Judy Kimball
Terry Russ
Kathy Marter
Robin Small
Susan Paris
Barb Reeder
Randi Kaplan
Gene DeMarie
John Hilton
Steve Gallis

Operations

Jim Ragsdale

- Don Corder
  - Brian Heath
  - Scott Iaggi
  - Jim Johnson
- Sam Sparks
  - Dwayne Sweat
  - Rick Rok
  - Bill Schrader
  - Frank Bruce
  - Tim Vanasdale

Joe Roberts

- Doug Lovell
  - Gary Caporale
  - Bret Sigler
- Gene Manning
- Jerry Wright
- Bill Cross
  - Ken Kerlin
  - Paul Thompson

Dave Denny

- Mike Quigley
  - Ron Weis
  - Gerry Boyce
  - Mike Ehlen
- Tom Pound
  - Frank Kane
  - David Schroeder
  - Bevery Bumpous
  - Bill Abernathy
- Wayne Vowell
  - Tom Hennally
  - Jerry Manning

Bill Williams

- Dennis Fuller
- John Levesque
- Harold Register
- Bob Williams
  - Paul Reinhart
- Bill Yocum
  - Tony Bouvier
  - Tommy Strawn
- Jack Oxendine
- Ricky Leach

Priscilla Wampler

Frank Sandersen

Computer Technician
Office Services Coordinator
Executive Secretary

Senior Customer Service Rep.
Assistant Rate Analyst

LICENSING PROGRAM

	Salary Increase
Attainment of Backflow Prevention License:	.25
Attainment of "C" Distribution License:	.25
Attainment of "B" Distribution License:	.25
Attainment of "A" Distribution License:	.30
Attainment of "C" Collection License:	.25
Attainment of "B" Collection License:	.25
Attainment of "A" Collection License:	.30
Attainment of a Chlor. Safety Tech. License:	.25

The above adjustments would be available to individuals in the following positions:

Maintenance Helper
Maintenance Technician
Senior Maintenance Technician

APPENDIX A
STEP ADJUSTMENT SCALES

Grade	Step A (Minimum of Salary Grade)	Step B	Step C	Step D	(Midpoint of Salary Grade)
4	1036 (6.00)	1077 (6.21)	1119 (6.46)	1156 (6.66)	1218 (7.03)
5	1114 (6.42)	1156 (6.66)	1197 (6.90)	1239 (7.15)	1306 (7.54)
6	1187 (6.85)	1234 (7.12)	1280 (7.38)	1327 (7.66)	1395 (8.05)
7	1270 (7.33)	1322 (7.63)	1374 (7.93)	1421 (8.20)	1494 (8.62)
8	1359 (7.84)	1416 (8.17)	1468 (8.46)	1520 (8.77)	1598 (9.22)
9	1473 (8.49)	1530 (8.83)	1588 (9.16)	1640 (9.46)	1728 (9.97)
10	1551 (8.95)	1661 (9.61)	1718 (9.91)	1770 (10.21)	1863 (10.75)

Most employees entering these positions will begin at the minimum of the grade (Step A). Each July and January (following six months of service), employees in these grades will be eligible for a step adjustment. Employees must have satisfactory performance, a good safety and attendance record and meet all other position requirements prior to moving to the next step. Employees will be eligible for step adjustments until they reach Step D (after 4 adjustments).

Positions included in step adjustment program:

Office Clerk
Office Services Clerk
Receptionist
Accounting Clerk I
Customer Service Rep. I
Lead Meter Reader
Assistant Buyer
Records Technician
Senior Accounting Clerk
Customer Service Rep. III
Senior Dispatcher
Data Entry Operator I
Meter Reader
Data Entry Operator II
Assistant Computer Operator
Dispatcher
Accounting Clerk II
Customer Service Rep. II
Secretary I
Computer Operator
Senior Data Entry Operator
Secretary II

Exhibit _____ (FLL-9)
Cover Page

WATER UTILITY COMPENSATION AND BENEFIT SURVEY RESULTS

Water Utility Compensation and Benefits Survey Results

DOCKET NO. 920199-WS
FORREST L. LUDSEN EXHIBIT NO. 9
EXHIBIT ____ (FLL-9) PAGE 1 of 2

by Tom Howitt and Gerry Stoffel
Saje Consulting Group, Inc.

Results from the 1st Annual Investor-Owned Water Utility Compensation and Benefits Survey were published and distributed to participating companies in mid-July. The survey analyzed cash compensation, i.e., salary and incentives, where applicable, for 475 executive, managerial, professional and technical employees in 25 distinct positions within regulated business units. This year's survey also provided compensation policy and practice information as well as benefits information for exempt, nonexempt and union employees.

The survey was conducted by Saje Consulting Group on behalf of the utilities. Saje is a human resources consulting firm based in Langhorne, PA. The principals of Saje have consulted and worked with approximately 15 NAWC member companies on compensation and benefits related issues since 1984.

The survey was designed to provide management with timely and useful compensation related information in order to assist them in reviewing their current practices as they make plans for the coming year. The scope and content of the survey was developed at a meeting with a representative group of participants who identified which positions and topics were of greatest interest for this first survey. In subsequent years, different groups of positions and compensation issues will be surveyed as determined by participants. It is believed that this participative process of identifying relevant survey positions and topical issues will best enable all companies to address their individual needs over time. Saje received and analyzed all participants' completed questionnaires and presented the results in such a manner as to maintain the confidentiality of individual company data.

This year's survey involved 14 companies from throughout the United States. The participants included companies with single as well as multiple business units.

SURVEY HIGHLIGHTS

A. Compensation

1. *Salary*

Salary levels for executive and managerial level positions typically vary on the basis of scope or responsibility level of the position.

Overall, the analysis showed that the most significant determinants of pay were utility revenues and number of customers within the survey position's respective business unit. In other words, as dollar revenues and/or number of customers changes, there is a corresponding change in pay.

The analysis showed that as the scope doubles, e.g., \$20mm to \$40mm, the salary typically increases 5 to 14 percent, depending upon the position. Similarly, reducing the scope would have a corresponding impact on salary.

Salaries for supervisory, technical and professional level positions with similar responsibilities are not significantly affected by business unit scope, i.e., revenues or customers. Typically larger companies have more incumbents in these positions to handle the greater volume of work.

2. *Incentives*

Incentive pay opportunities are provided to at least some exempt level employees by more than half of the participants. By comparison, approximately one-third of water utilities provided incentives in the early 1980s.

Companies base the actual incentive award on one or more performance measures. The most prevalent performance measure is company or business unit results. The second most common measure is individual performance results. The third most common basis for measuring performance is team/group results and management discretion.

B. Salary Policies and Practices

The survey gathered salary policy and practice information for exempt and nonexempt employees. Following are some of the key findings:

1. All survey participants use formal salary ranges.
2. Salary ranges typically have 50 percent spreads, i.e., minimum to maximum; and 10 percent increments, i.e., difference between adjacent salary grades.
3. On average, companies increased their 1992 salary ranges by approximately 4.5 percent.
4. Correspondingly, companies' 1992 salary increase budgets were 5.0 percent in 1992.
5. More than three-quarters of the companies grant annual salary adjustments on a common date versus the employee's anniversary date. Typically, salary increases are made within the 1st quarter of the year.

C. Benefits

1. Prevalence

Following is a listing of benefits provided to at least 50 percent of all three employee groups surveyed, i.e., exempt, nonexempt and union.

Benefit	Prevalence
Medical Insurance	100%
Group Term Life Insurance	100%
Pension	100%
Accidental Death & Dismemberment	91%
Alcohol/Drug Program	90%
Dental Plan	88%

Educational Assistance	85%
Computer Benefit Statements	83%
Retiree Health Benefits	82%
401k Plan	71%
HMO	65%
Prescription Drug Plan	61%

2. *Employee Contribution*

Among those companies providing medical and dental benefits, slightly more than one-half require active employees to contribute approximately 10 percent of the premium. In the case of those companies providing retiree benefits, slightly more than one-quarter require the retirees to contribute about 7 percent of the premium.

3. *Deductibles*

All but one of the companies have either a 1 or 2 deductible policy regarding benefits. Table 1 shows the average deductibles for the three most prevalent benefits with significant deductibles:

Table 1

Benefit	One Deductible	Two Deductibles Single	Two Deductibles Family
Medical	$165	$168	$374
Dental	45	75	258
Retiree Health Benefits	192	165	345

Summary

Unlike other surveys where participants have no input into the survey content or scope, a number of companies have commented upon the greater relevance of this survey. The survey findings provided meaningful results that have proven very useful to participating companies in reviewing the overall competitiveness of their compensation policies and practices.

Saje is currently planning the 1993 survey. Companies who did not participate in the 1992 survey but are interested in being part of the 1993 survey should contact Gerry Stoffel or Tom Howitt at Saje:

Saje Consulting Group, Inc.
390 Middletown Blvd.
Suite #602
Langhorne, PA 19047
Telephone (215) 741-2669
Fax (215) 752-2299

Welcome to . . .

Our Newest Active Member Companies

Bandera River Ranch Water Co., Inc.
San Antonio, TX

Baumgart Water Supply Corp.
New Ulm, TX

Fairco Water Co.
Boerne, TX

Harper Water Co. Inc.
Harper, TX

Heritage Hills Water Works, Corp.
Somers, NY

Holiday Water Services, Inc.
Dallas, TX

Lake McQueeney Estates Water Co.
McQueeney, TX

Lake Whitney Water Co., Inc.
Whitney, TX

Nicksville Water Co.
Sierra Vista, AZ

Payne Utilities, Inc.
Spring, TX

Suburban Austin Water Systems, Inc.
Manchaca, TX

Our Newest Associate Members

Michael Curley
General Environmental Finance Co., L.P.
New York, NY

Robert Degeyter
Degeyter & Associates, CPAs
Houston, TX

David Dues
Caldwell Tanks, Inc.
Louisville, KY

Thomas Kalb
Bank of Montreal
New York, NY

Bernice McIntyre
Arthur K. Little, Inc.
Cambridge, MA

Mtre Yves Seguin
LAPOINTE ROSENSTEIN
Montreal, Canada

Joseph B. Trew, II
CoBank
Denver, CO