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November 13, 1995

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

Handwritten stamp: ORIGINAL FILE COPY

Re: Docket No. 950495-WS

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Southern States Utilities, Inc. ("SSU") are the original and nineteen copies of the following documents:

- 11227-95 1. Supplemental Petition of Southern States Utilities, Inc. for Interim Revenue Relief;
11228-95 2. Supplemental Volume II-B of SSU's Minimum Filing Requirements ("MFRs");
3. Supplemental Volume III-B, Books 1-8 of SSU's MFRs;
4. Supplemental Volume V-B, Books 1-3 of SSU's MFRs; and,
5. Supplemental Volume XII, Books 1-27.
Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.
Thank you for your assistance with this filing.
Sincerely,
Kenneth A. Hoffman

ACK
AFA
APP
CAF
CMU
CTR
EAG
LEG
EIN
OPC
RCH
SEC
WAS
OTH

cc: All Parties of Record

Handwritten initials: Wilkins, J & O

- (1) 11229-95; (2) 11230-95; (3) 11231-95; (4) 11232-95; (5) 11233-95; (6) 11234-95; (7) 11235-95; (8) 11236-95; (9) 11237-95; (10) 11238-95; (11) 11239-95; (12) 11240-95; (13) 11241-95; (14) 11242-95; (15) 11243-95; (16) 11244-95; (17) 11245-95; (18) 11246-95; (19) 11247-95; (20) 11248-95; (21) 11249-95; (22) 11250-95; (23) 11251-95; (24) 11252-95; (25) 11253-95; (26) 11254-95; (27) 11255-95; (28) 11256-95; (29) 11257-95; (30) 11258-95; (31) 11259-95; (32) 11260-95; (33) 11261-95; (34) 11262-95; (35) 11263-95; (36) 11264-95; (37) 11265-95; (38) 11266-95

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by Southern States Utilities, Inc. for rate increase and increase in service availability charges for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Hernando, Highlands, Hillsborough, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Polk, Putnam, Seminole, St. Johns, St. Lucie Volusia and Washington Counties.

Original file copy

Docket No. 950495-WS

Filed: November 13, 1995

SUPPLEMENTAL PETITION OF SOUTHERN STATES UTILITIES, INC. FOR INTERIM REVENUE RELIEF

Pursuant to Section 367.082, Florida Statutes, and Commission Order Nos. PSC-95-1327-FOF-WS issued November 1, 1995 (the "Interim Rate Order") and Order No. PSC-95-1292-FOF-WS issued October 19, 1995 (the "Rate Structure and Refund Order"), Southern States Utilities, Inc. ("SSU"), by and through its undersigned attorneys, hereby provides the Florida Public Service Commission (the "Commission") with supplemental information and rate design alternatives. This information and rate design alternatives are provided to present the Commission with information requested to permit a simplified analysis of uniform, stand alone and/or modified stand alone rate design alternatives for the years 1994 (interim), 1995 (interim) and 1996 (final). The information provided herewith is intended to both permit the Commission to provide SSU interim rates based either on a 1994 or 1995 interim test year and to provide all parties and their clients (i.e., SSU's customers) with rate design information which shows the spectrum of rates and monthly bills which potentially could result at the

DOCUMENT NUMBER-DATE 11227 NOV 13 1995 3511 FPSC-RECORDS/REPORTING

conclusion of this proceeding. SSU requests that the Commission act expeditiously to provide SSU with interim rate relief due to the dire financial situation currently confronting SSU, as described in detail in the affidavit of Scott W. Vierima, SSU's Vice President and Chief Financial Officer, which is attached as Appendix A to this Petition. In support of this request, SSU states as follows:

1. In the Interim Rate Order, the Commission stated as follows:

While we have determined to deny SSU's interim request at this time, we recognize that the circumstances in this docket are unusual, particularly the timing of the decision in Docket No. 920199-WS and the untested nature of a projected interim test year. While we will not rule now on the merits of any refiled petition, because of the unique nature of this case, the utility may, if it chooses, file another petition for interim rates. Should it do so, the utility is advised to consider the findings made herein as direction as to the proper filing.

2. Pursuant to the Rate Structure and Refund Order, the Commission ordered SSU to revert from its currently filed and effective uniform rate structure to a modified "capped" stand alone rate structure. On November 3, 1995, SSU filed a motion for reconsideration of the Rate Structure and Refund Order.

3. In its motion for reconsideration, SSU has challenged the Commission's determinations requiring SSU to implement the modified capped stand alone rate structure and requiring SSU to provide refunds to certain SSU customers as a result of the First District Court of Appeal's reversal of the uniform rate structure. Since

SSU's rate structure still remains at issue and pending before the Commission, the Rate Structure and Refund Order provides no basis for Commission denial of SSU's interim rate request -- the uniform rate structure remains intact at least until the Motion for Reconsideration is disposed of by the Commission and, potentially, for the duration of a court appeal.

4. The affidavit of Mr. Vierima confirms that SSU currently is in a dire financial situation. To summarize the affidavit:

(1) through October 31, 1995, SSU has lost approximately \$453,749 from continuing utility operations;

(2) in order to meet current expenses and capital requirements, including debt costs, SSU has been forced to use approximately \$500,000 to date of its retained earnings and will have to continue to deteriorate or deplete retained earnings to meet operating costs at least until revenue relief is obtained; and

(3) SSU's lenders and bonding institutions have responded adversely to SSU upon notification of the Interim Order and Rate Structure and Refund Order by refusing to renew a line of credit and by indicating an inability to provide bonding capacity for SSU, respectively (as described in the correspondence from those entities which are attached to Mr. Vierima's affidavit).

5. These results are consistent with the Commission Staff's acknowledgment at page 21 of the Staff Recommendation dated September 27, 1995 that SSU even then was experiencing "inadequate

liquidity and declining profitability."

6. SSU is now more than 10 months into the 1995 projected interim test year and, consequently, 10 months past the 1994 historic period. Attached hereto as Appendix B is an affidavit of Morris A. Bencini, SSU's Controller, confirming that through October 31, 1995, SSU is within 1% or \$220,000 of the projected \$26 million of administrative and general, customer service and direct expenses forecasted for the same period in SSU's original minimum filing requirements ("MFRs"). Appendix C contains the affidavit of Dennis Westrick, SSU's Senior Engineer, which confirms that through October 31, 1995, SSU has placed \$3.7 million of plant into service above the plant in service projected by SSU for this year to date period in the original MFRs.

7. The facts presented in these affidavits, provided under oath, substantiate the credibility of SSU's 1995 projected information. SSU believes, and reaffirms its request that the twelve months ending December 31, 1995 is the most appropriate period for interim relief. However, in accordance with the direction provided by the Commission in the Interim Rate Order, SSU also is filing Volumes II-B, III-B, V-B and XII which contain supplemental information for 1994 and 1995, for each individual service area, which would facilitate a Commission determination of the interim revenue relief necessary based on 1994 or 1995 data under alternative rate designs.

8. To facilitate Commission and Commission Staff review of the supplemental information concerning interim rate relief, SSU

notes the following:

a. SSU has designed rates under the following alternatives for 1994, 1995 and 1996:

1994 Interim Period

Alternative 1: Modified Stand Alone (Capped) present rates and revenues with a stand alone percentage increase.

Alternative 2: Modified Stand Alone (Capped) present rates and revenues with uniform percentage revenue increase.

Alternative 3: Uniform Present Rates and Revenues with a uniform percentage revenue increase.

1995 Interim Period

Alternative 1: Modified Stand Alone (Capped) present rates and revenues with a stand alone percentage increase.

Alternative 2: Modified Stand Alone (Capped) present rates and revenues with a uniform percentage revenue increase.

Note: For 1995, SSU requested uniform present rates and revenues with a uniform percentage revenue increase as contained in Volume V of SSU's original MFRs.

1996 Final Period

Alternative 1: Modified Stand Alone (Capped) present rates and revenues with stand alone (no cap) final rates and revenues.

Alternative 2: Modified Stand Alone (Capped) present rates and revenues with modified stand alone (capped) final rates and revenues (\$52 water/\$65 wastewater).

Alternative 3: Modified Stand Alone (Capped) present rates and revenues with uniform final rates and revenues.

Note: For 1996, SSU requested uniform present rates and revenues with a uniform percentage revenue increase as shown in Volume V of SSU's original MFRs.

b. The requested 1994, 1995 and 1996 operating revenues which appear at line 21 of the section entitled "Financial Summary - FPSC Jurisdiction" in Volume II, Book 1 of 4, page 37 of the originally filed MFRs are identical or immaterially different (due to rounding of the rates and the mechanical "billing out" of the revenues) from the operating revenues which appear in the similarly entitled section of Volume II-B at pages 5, 6 and 7 for 1994, 1995 and 1996, respectively. This confirms that SSU is not requesting any change in the revenue requirements originally requested in the MFRs accepted by the Commission as officially filed as of August 2, 1995.

c. Consistent with the Commission's past practice regarding interim revenue determinations, SSU has reconstructed present revenues for the 1995 and alternative 1994 interim test years, on an annualized basis, to reflect the present revenues which would have resulted if rates had

been designed during such periods based on the modified stand alone ("capped") rate structure approved by the Commission in the Rate Structure and Refund Order. The most significant change required by this reconstruction of present revenues is the increase in present revenues and the decrease in the requested increase appearing on line 13 of pages 5, 6 and 7 of Volume II-B. This decrease in the level of the requested increase exists because SSU's customers in this docket who formerly were under a uniform rate would have paid higher rates during 1994 and 1995 under a capped stand alone rate structure thereby paying higher levels of revenue to SSU during such period (please note the Spring Hill service area is removed from consideration).¹

d. Interim revenue requirements and the associated interim rates reflected in the E-schedules of Volume V-B under the "capped" stand alone structure do not cap water and wastewater bills at \$52 and \$65 for 10,000 gallons of consumption, respectively. Past Commission practice prohibits SSU from redesigning rates and instead required SSU to apply a percentage increase to the existing rates. The propriety of this process is confirmed not only by Commission practice in prior SSU rate cases but also in the Rate Structure and Refund Order where the Commission recognized indexing and pass-through revenue increases (which occurred after uniform rates

¹See Order No. PSC-95-1385-FOF-WS (removing service areas in Hernando, Hillsborough and Polk Counties from this proceeding).

were implemented in September 1993) in rates in a manner which caused rates to exceed the \$52 and \$65 caps for 10,000 gallons of consumption.

e. The Commission "caps" of \$52 and \$65 for water and wastewater service at 10,000 gallons of consumption are applied for 1996 final rate purposes under the "capped" stand alone rate structure alternative provided in Volume V-B.

f. The revenue requirements and associated rates for 1994, 1995 and 1996 under the stand alone and "capped" stand alone rate structures reflect the requirement in the Rate Structure and Refund Order that SSU can only charge the 5/8 inch base facility charge to customers in the Sugarmill Woods and Pine Ridge service areas who are served through one inch meters. SSU continues to dispute the validity of this requirement, and has done so in the motion for reconsideration of the Rate Structure and Refund Order, particularly because SSU believes the ordered 5/8 inch meter rate does not reflect the shift in revenues collected from the one inch meter category to the 5/8 inch meter category (which would increase the 5/8 inch meter base facility charge). However, since SSU's motion for reconsideration of that portion of the Rate Structure and Refund Order remains pending, we have reflected this requirement (without the revenue shift), in the supplemental information provided herewith.

9. As previously indicated, the supplemental information provided herewith includes supplemental E-schedules and comparative

analysis of rates which would result when alternative rate structures are applied to SSU's requested 1996 revenue requirements. The rate structures now presented by SSU for 1996 include the proposed uniform rates indicated in the original application as well as stand alone rates and "capped" stand alone rates. SSU will provide copies of this supplemental information in the libraries and customer service offices throughout the state where MFRs previously have been delivered. While this information is not required to be distributed, SSU has undertaken to do so in light of comments and concerns expressed by Commissioners, parties and a number of customers during this proceeding. SSU notes that a labor intensive and costly effort was required to produce this supplemental information and further notes that no utility should ever be required to possess the prescience necessary to anticipate all types of rate structures which the Commission might authorize or even consider in a rate proceeding. Therefore, SSU reiterates that SSU's willingness to provide this information and make it available to customers should in no way be construed as a concession that these activities are required or should in any way be construed as precedent setting.

10. SSU acknowledges the expressed desires of several commissioners and parties to this docket that additional time be allotted for the purposes of re-noticing customers about potential rate structures and holding additional customer service hearings.²

²SSU also has heard OPC's repeated assertions that additional time is required to prepare its testimony and exhibits. SSU does not believe OPC's assertions are credible.

SSU emphasizes that this rate proceeding, while large and complex, is no different from any other rate proceeding from the standpoint of potential outcomes based on the Commission's final determinations on revenue requirements and rate design. Despite the uncontroverted fact that SSU has complied with all applicable Commission noticing rules and that SSU's notices to its customers have been approved by the Commission Staff as required by rule, OPC persists in its complaint that customers are unable to derive their maximum (rate increase) exposure from SSU's notices. OPC's rhetoric raises three points. First, it is impossible to provide a notice to customers which describes the potential outcomes of a rate case since the potential outcomes are a function of the Commission's final decisions on revenue requirements and rate design. A utility such as SSU can only provide notice of what a customer's rate increase may be if the revenue increase and rate

Four OPC attorneys, several OPC consultants and a number of OPC staff members have been working on this docket since its inception. Whereas SSU's rate applications may be more voluminous and complex than filings by smaller water and/or wastewater utilities, it is hardly credible that SSU's rate applications are more complex, voluminous, controversial or otherwise time consuming such that a major telephone, electric or gas rate proceeding can be accomplished within an eight month suspension period but SSU's application cannot. SSU further notes that a significant portion of SSU's revenue requirement is comprised of "common costs" which are no more impacted by the number of service areas served by SSU than the revenue requirement of Florida Power and Light is impacted by the number of electric substations its operates throughout the state. Moreover, SSU's prefiled evidence reveals that approximately 74% of the plant placed in service during the period 1992 through 1996 are located in only ten service areas. Investigation and verification of the prudence of SSU's investments and the reasonableness of the costs should hardly be considered a documentary task.

design requested by the utility are granted in full. No utility should be held to a standard where it must provide notice of all possible rate design scenarios -- this would be an impossible burden to meet. Second, as suggested by the Staff at the Agenda Conference on October 31, 1995, if the parties or the Commission wish to change the way in which notice is provided to customers or change the contents of the notices, the appropriate procedural vehicle is through rulemaking. Third, OPC's complaints (and motions to dismiss) concerning the sufficiency of SSU's notices raise the question of what role OPC should play in advising its clients, SSU's customers, of potential rate design and revenue requirement scenarios.

11. In any event, SSU wishes to accommodate the noticing concerns expressed by the parties and Commissioners, however, as set forth in Mr. Vierima's affidavit, SSU cannot afford to go much longer without rate relief. Therefore, SSU proposes that the Case Assignment and Scheduling Record for this docket be adjusted to accommodate an extension of ninety (90) days during which customers would receive additional notice of rate structure issues and an opportunity to attend an additional customer service hearing (further justifying the establishment of interim rates, subject to refund, based on the 1995 interim test year). In return, SSU requests that the Commission review SSU's supplemental information provided herewith in an expeditious manner and hold an agenda conference within thirty (30) days of the filing of this information to consider this supplemental information and SSU's

urgent need for interim rate relief.³ In the event this request can be accommodated, SSU would agree to extend the eight month suspension period (currently nine months and five days due to past SSU time concessions) by an additional ninety (90) days. SSU further would agree that the twelve month suspension period would be extended to twelve months and five days.

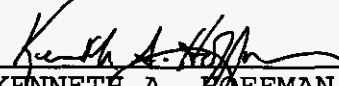
12. SSU emphasizes that its offer to extend the already extended eight month suspension period is solely to insure that customers are provided the new notice ultimately approved by the Commission and the opportunity to appear at another service hearing. If the final hearing is rescheduled for May, 1996, SSU has no objection to an extension of three (3) weeks being granted to the intervenors for the purpose of filing prefiled testimony and exhibits. SSU would request that it be given at least six weeks from the date intervenor testimony is filed for SSU to file its rebuttal testimony and exhibits (to permit the minimum time necessary to send and receive responses to SSU discovery on the parties). Finally, in light of the voluminous discovery requests previously served by OPC, other intervenors and Staff in this proceeding, as well as the numerous depositions taken in this proceeding, SSU would object to any further extension of the discovery deadline of January 22, 1996, previously established by

³Given the Commission's finding in the Interim Order that OPC lacks standing to address interim rate matters and the fact that a significant portion of the supplemental information (the plant specific information) provided herewith has been in Commission Staff's possession for more than one month (since September 29), SSU does not expect that this request would be unduly burdensome to accommodate.

Order No. PSC-95-1208-PCO-WS. An extension and proliferation of additional discovery is in no way related to the noticing concerns previously expressed in this proceeding and will serve only to unnecessarily increase rate case expense.

WHEREFORE, for the foregoing reasons, SSU respectfully requests that the Commission grant SSU interim revenue relief based on a 1995 interim test year or, if the Commission declines to use the 1995 test year for interim revenue purposes, SSU requests interim revenue relief based on a 1994 interim test year. SSU requests that such interim revenue relief be granted within thirty (30) days of the filing of this Supplemental Petition. Finally, if the Commission decides to postpone this proceeding for a period of ninety (90) days in accordance with SSU's consent therewith, SSU requests that a new Order Establishing Procedure be issued setting forth the discovery and prefiled testimony deadlines set forth in paragraph 12 above.

Respectfully submitted,


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and

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the Supplemental Petition of Southern States Utilities, Inc. for Interim Revenue Relief was furnished by U. S. Mail to the following on this 13th day of November, 1995:

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KENNETH A. HOFFMAN, ESQ.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application by Southern States)
 Utilities, Inc. for rate increase and)
 increase in service availability)
 charges for Osceola Utilities, Inc.,)
 in Osceola County, and in Bradford,)
 Brevard, Charlotte, Citrus, Clay,)
 Collier, Duval, Highlands, Lake, Lee,)
 Marion, Martin, Nassau, Orange,)
 Osceola, Pasco, Putnam, Seminole,)
 St. Johns, St. Lucie, Volusia, and)
 Washington Counties.)
 _____)

Docket No. 950495-WS

Filed: November 13, 1995

State of Florida)
 County of Orange)

AFFIDAVIT OF SCOTT VIERIMA

Before me, the undersigned authority, appeared SCOTT VIERIMA, personally known to me, who after being duly sworn, deposes and says:

1. I am Vice President and Chief Financial Officer of Southern States Utilities, Inc. ("SSU"). My business address is 1000 Color Place, Apopka, Florida 32703.
2. I submit this Affidavit in support of the Supplemental Petition of Southern States Utilities, Inc. For Interim Revenue Relief.
3. As Vice President and Chief Financial Officer of SSU, I have supervisory responsibility for financial records and reporting, cash management, budgeting, financial forecasting and planning, as well as financing/credit matters, and as such am familiar with the facts and circumstances set out in this affidavit and in SSU's Supplemental Petition for Interim

Revenue Relief.

4. I have reviewed Commission Order Nos. _____ (the "Rate Structure and Refund Order") and _____ (the "Interim Order") and am familiar with the facts and circumstances surrounding those orders, the relevant holdings of which appear to require SSU:

(a) to revise final rates to reflect a modified stand alone rate structure and to implement such rates prospectively;

(b) to refund with interest alleged overcharges to certain customers for the period "between the initial effective date of the uniform rate up to the date at which a new rate structure can be implemented",¹ with no provision for recovery by SSU of the current refund expense incurred by virtue of the Order;

(c) to adjust the Commission-prescribed modified stand alone structure rate to reflect base facilities charges for certain SSU service areas for 5/8-inch meters, despite the fact that customers in these service areas are supplied through 1-inch meters; and

(d) to refile a petition for interim revenue consistent with the Interim Order and the Commission's discussion at the October 6, 1995 Agenda Conference if the Company so chooses in view of its financial distress.

I understand that SSU is required by the Order to calculate the refunds on the hypothesis that the modified stand alone rate structure now required by the Commission was in effect since September 15, 1993 -- the date the uniform rate structure heretofore required by the Commission was made effective.

5. I am also familiar with and have assessed the substantial adverse financial impacts

¹Order at 8.

that implementation of the refund directive contained in the Rate Structure and Refund Order will have on SSU -- impacts that were neither considered nor addressed in that order.

6. If SSU is required to implement refunds as required by the Rate Structure and Refund Order, without any corresponding provision to permit recovery of the extraordinary refund expense in future rates, SSU necessarily and inevitably will have been precluded from earning even the minimum rate of return authorized on SSU's investment devoted to serving its customers. Indeed, as I discuss below, SSU is not now, and for the period that uniform rates were in effect, has not been earning that minimum return on investment. The refunds mandated by the Rate Structure and Refund Order will compound this situation, with devastating impacts on SSU.

7. On October 6, 1995, the Commission voted to deny SSU's application for interim rate relief, which relief was and still is required if SSU is to have any opportunity to avoid losses on its continuing operations in 1995, and to mitigate the serious difficulties now being experienced in meeting its obligations to lenders.

8. According to the pro forma projections of rate base, revenues and expenses for the year ending December 31, 1995 that were prepared and filed by SSU in connection with its interim rate request, SSU's projected 1995 return on equity would be 0.6% and -1.93% for water and wastewater operations, respectively. This equated to a projected 1995 negative return on equity for combined water and wastewater operations of -0.43%, before the impacts of the refunds contemplated by the Rate Structure and Refund Order.

9. As of the date of this affidavit, actual results are now available through October 31, 1995. Such results confirm the accuracy of SSU's projections -- for the ten-month period

ended October 31, 1995, SSU incurred a year-to-date loss on continuing operations of \$453,749. SSU is incurring monthly losses, including \$260,169 for September and \$199,046 for October, 1995.

10. Quite clearly, the denial of interim rate relief alone will cause SSU to incur losses on its continuing operations in 1995. This has impaired SSU's ability to meet its debt covenants and attract the capital required to fund necessary construction and other ongoing capital requirements on reasonable terms. As a consequence of denial of interim rate relief, SSU has been placed on the private placement equivalent of a credit watch by its principal lending institutions (see Attachment A which contains copies of correspondence from CoBank and SunBank, N.A. and my notification letter to SunBank dated September 21, 1995 referred to therein). Covenants in SSU's credit instruments require creditors to be notified of events that may have material adverse effect on SSU's financial condition. As such, SSU has notified its lenders of the denial of interim rate relief, the reversal of uniform tariffs, and the order for refunds exceeding \$8 million. The lenders expressed deep concerns over these developments in view of SSU's year-to-date net loss, and pre-tax interest coverage below 1.0 for the nine-month period ended September 30, 1995, a level classified as non-investment grade by rating agencies. Denial of interim rate relief alone has created significant liquidity uncertainties and serious doubts as to whether SSU can continue to meet operating, construction, and debt service requirements. Additionally, SSU was in the final stages of negotiations with lenders for a back-up credit line and, before the denial of interim rate relief, had received a proposal under terms and rates beneficial to customers and shareholders. The proposal was withdrawn by the prospective lender. Consequently, even before the substantial additional adverse impacts of the refunds required by

the Rate Structure and Refund Order there exists a serious threat to the continued ability of SSU to meet its financial obligations and maintain access to capital markets.

11. The refund requirement in the Rate Structure and Refund Order, if implemented as proposed with no provision for SSU to recover the associated refund expense, materially compounds these financial difficulties. Our calculations confirm that the refunds required by that order will amount to approximately \$8.7 million, including additional interest of approximately \$414,000. I should note that the Rate Structure and Refund Order requires SSU to compute and pay interest on the refund amounts, even though SSU at no time had the use of "excess" customer funds, i.e., collections in excess of SSU's Commission-approved revenue requirement. If the Commission reaffirms the Rate Structure and Refund Order on reconsideration, and SSU is required to book this refund expense, I project an aggregate after-tax loss on continuing operations of in excess of \$5 million for 1995, which will wipe out all of SSU's retained earnings.

12. I should note that even if the Commission were now to grant the full level of interim rate relief originally sought by SSU, such action would not be sufficient to resolve the financial difficulties and distress I have discussed. SSU has been advised by its primary bonding company (SafeCo Surety) that it will be unable to obtain performance bonding for either interim rates or the ordered refund, without parent company (Topeka Group, Inc.) indemnification (see Attachment B which contains a copy of correspondence from SafeCo Surety). In addition, as of September 30, 1995, SSU had unrestricted cash of less than \$0.6 million, and unused credit lines of \$5 million. Liquidity will deteriorate substantially in the fourth quarter without interim rate relief, making the ability to independently fund a cash refund in excess of \$8 million doubtful.

13. Considering both the principal and interest components of the refunds, the Rate Structure and Refund Order has the effect of denying SSU the opportunity to recover more than \$8.7 million of its legitimate, prudent and approved costs as reflected in the revenue requirement determined by the Commission, a determination that I am advised was not disturbed by the reviewing Court. The Rate Structure and Refund Order imposes a current expense and cash requirement on SSU that can be discharged (if at all) only by taking capital that is devoted to serving SSU's customers, and by further impairing SSU's financial condition.

14. The Rate Structure and Refund Order contains no finding of imprudence, mismanagement, or incurrence of excessive or unreasonable costs as a basis for imposing these liabilities on SSU. SSU did nothing more than proceed in good faith pursuant to the only course of action available to it to comply with the Commission's decisions and implement the rates and systemwide rate structure the Commission authorized. The Interim Order purports to raise factual questions concerning SSU's projected capital additions and expenses but the Commission did not conduct a hearing to permit SSU to present evidence which would have resolved the Commission's factual questions.

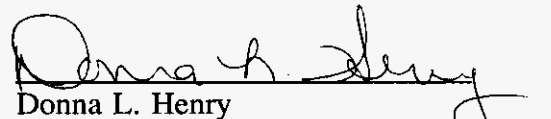
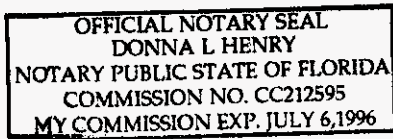
15. SSU originally filed its request for interim revenue relief in June of 1995 using a projected 1995 test year. Having reviewed the transcript from the October 6, 1995 Agenda Conference and the Interim Order, I understand that the Commission expressed some reluctance in using the 1995 projected test year for interim revenue purposes. I wish to emphasize that we are now at the point when actual results are in for 10 of the 12 months of 1995. The affidavits of Messrs. Bencini and Westrick confirm the accuracy and reasonableness of our originally filed projections for 1995. Due to the passage of time and denial of SSU's original request for interim

revenue relief, 1995 is now predominately a historic year for ratemaking purposes. SSU has experienced actual losses through the first ten months of 1995, again, before the impacts of the refunds contemplated in the Rate Structure and Refund Order. For these reasons, I believe it urgent and reasonable that the Commission grant SSU interim revenue relief in an expeditious manner based on the use of the 1995 projected test year data.



SCOTT VIERIMA
Vice President and Chief Financial Officer
Southern States Utilities, Inc.

Sworn to and subscribed this 10th day of November, 1995, by Scott Vierima, who is personally known to me.



Donna L. Henry
Notary Public, State of Florida at Large
Commission No.: CC212595
My commission expires: 7-6-96



200 Galleria Parkway NW
Suite 1900
Atlanta, Georgia 30339
Phone: (770) 818-3200
Fax: (770) 818-3202

November 3, 1995

Mr. Scott Vierina, Vice President
Southern States Utilities
1000 Color Place
Apopka, Florida 32703

Dear Scott:

This letter is intended to document our continuing conversations regarding the FPSC's recent decisions to order \$8 million in refunds from your last rate case, to reverse the uniform rate structure, and to deny interim relief on your current application. In view of these events, I believe that withdrawing our pending line proposal is appropriate at this time until the related written orders from the FPSC and SSU's legal remedies can be further evaluated or at least some items resolved. Clearly these events are material from a credit perspective and if the orders are not reversed, will cause cash, capital and earnings plan changes for the remainder of 1995 and for 1996. An obvious concern is the source of funding for a lump sum cash refund, if that requirement emerges, and the pricing relative to that risk and associated reduced levels of cash flow generated from normal operations.

While I agree that your positions on appeal appear persuasive, I am hopeful that the issues can be resolved quickly to the mutual benefit of your customers and capital providers alike. Please keep us closely informed of further developments as they unfold.

On other matters, I am reviewing the mortgage issues you raised relative to a possible refunding of your existing tax-exempt debt and the assumption of the Orange Osceola Utilities taxable debt. If you have any questions or comments, please do not hesitate to call me.

Sincerely,

A handwritten signature in dark ink, appearing to read "John F. Cole", is written over a large, stylized, light-colored graphic element that resembles a leaf or a large letter 'C'.

John F. Cole
Assistant Vice President
Rural Utility Banking Group

ATTACHMENT A

ATLss/UWSostaresC/ltr-1103.doc



SunBank, N.A.
P.O. Box 3833
Orlando, Florida 32802-3833

November 2, 1995

Mr. Scott Veriema
Vice President, Finance and CFO
Southern States Utilities, Inc.
1000 Color Place
Apopka, FL 32703

Dear Scott:

I wanted to take an opportunity to respond to some of the issues raised in your letter of September 21, 1995.

As you can imagine, we see the recent vote of the Florida Public Service Commission (the "FPSC") to order refunds to certain SSU customers as a cause for significant concern, particularly when combined without the offsetting right to collect "backbills" for those other customers who initially benefited from the uniform rate design in question. The probable negative impact of this decision on revenues and cash flow is a major credit issue from our standpoint.

As you may recall, the final approval of SSU's 1993 rate case was an important consideration in SunTrust Bank of Central Florida's ("SunTrust" - you may recall that we recently changed our name from Sun Bank, N.A.) decision to approve various credit exposures for Southern States. Our further assumption of revenue levels driven by the rate structure in the last case was also important in the methodology we used to price our various credit exposures to SSU.

Finally, we are also very concerned about the likelihood of SSU's violation of the year end 1.25x coverage test. Although we understand the reasons for the likely shortfall, we do view it as a serious event.

Scott, as you know, SunTrust does value its relationship with Southern States Utilities. We look forward to on-going dialogue with you concerning these issues in the next several weeks and months.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Aguilar", written over a horizontal line.

Christopher J. Aguilar
First Vice President

3533



Southern States Utilities • 1000 Color Place • Apopka, FL 32703 • 407/880-0058

September 21, 1995

Christopher J. Aguilar
SunBank, N.A.
200 S. Orange Avenue
Orlando, Florida 32801

RE: Recent Florida Public Service Commission (FPSC, the "Commission")
Action on Florida First District Court of Appeal (FDCA, the "Court")
Remand Order of Docket No. 920199-WS.

To confirm our telephone conversation of September 13, 1995; the FPSC voted 5-0 at its regularly scheduled agenda conference of September 12, 1995 to order refunds (within 90 days of written order) to SSU's customers whose rates were higher under the uniform design approved by the Commission in September of 1993, than those rates would have been under a modified separate facility design. This vote was in response to a FDCA ruling in April of 1995 that found the Commission erred in its implementation of uniform rates prior to a finding that SSU functions as one state-wide "system".

Although the exact amount of the potential refund won't be known until September 26, 1995, SSU estimates the amount to be \$8 million. SSU intends to request reconsideration; and if that fails, to initiate court appeals on various grounds including the facts that; SSU implemented a Commission approved rate design, that refunds without backbills are contrary to the accepted revenue neutrality of rate design disputes, and that such an action constitutes retroactive ratemaking. It should also be noted that the Commission's action was in opposition to the primary recommendation of their own legal staff, and that in June the Commission confirmed, in separate formal proceedings, that SSU does function as one system.

I do not expect this issue to be resolved in 1995, but will keep you advised of further developments and forward a copy of the written order when received in early October.

On another note, as we had discussed at our Letter of Credit closing, we do not expect to meet the year-end coverage test of 1.25:1.00 in our Revolver and LOC Agreements. Continued heavy rainfall has suppressed irrigation related demand compared to plan. Per your request, we continued to covenant that ratio in our Master LOC Amendment, and will formally request a temporary waiver as we approach the December 31, 1995 test date.

Sincerely,
Southern States Utilities, Inc.

Scott W. Vierima
Vice President Finance and CFO

SWV/alt

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SAFECO

SAFECO INSURANCE COMPANIES OF AMERICA
REGIONAL SURETY
1681 JULIETT ROAD
STONE MOUNTAIN, GA 30083

PHONE (770) 878-3378
FAX (770) 878-3348

November 1, 1995

Mr. Scott Vierima
Chief Financial Officer
Southern States Utilities
1000 Color Place
Apopka, Florida 32703

RE: Docket #920199-WS

Dear Mr. Vierima,

It is my understanding that the Public Service Commission is requesting an increase for bond #5723795 from \$3,000,000 to approximately \$8,000,000. Please be advised that any requested increase in the current bond will require the indemnity of your parent company, Topeka Group, Inc. Additionally, a premium increase is not an acceptable substitute for parent company indemnification at this time.

If you have any questions, please call.

Sincerely,



Drew Meadows on behalf of David Patton
Safeco Surety

cc: Mark W. Edwards
McGriff, Seibels & Williams



SAFECO INSURANCE COMPANY OF AMERICA
SAFECO LIFE INSURANCE COMPANY
GENERAL INSURANCE COMPANY OF AMERICA
FIRST NATIONAL INSURANCE COMPANY OF AMERICA
SAFECO NATIONAL INSURANCE COMPANY
SAFECO NATIONAL LIFE INSURANCE COMPANY
SAFECO INSURANCE COMPANY OF ILLINOIS

VL-3/EP 9/90

ATTACHMENT B

3535

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application by Southern)
States Utilities, Inc. for rate)
increase and increase in service)
availability charges for Osceola)
Utilities, Inc., in Osceola)
County, and in Bradford, Brevard,)
Charlotte, Citrus, Clay, Collier,)
Duval, Hernando, Highlands,)
Hillsborough, Lake, Lee, Marion,)
Martin, Nassau, Orange, Osceola,)
Pasco, Polk, Putnam, Seminole,)
St. Johns, St. Lucie, Volusia,)
and Washington Counties.)
_____)

Docket No. 950495-WS
Filed: November 13, 1995

State of Florida)
County of Orange)

AFFIDAVIT OF MORRIS A. BENCINI

MORRIS A. BENCINI, Controller of Southern States Utilities, Inc. ("SSU"), having been duly sworn under oath, submits this affidavit in support of SSU's requested relief regarding interim rates in the above-referenced proceeding and states as follows under penalties of perjury:

1. In my position as Controller of SSU, I have primary oversight responsibility over SSU's administrative and general, customer service and direct expense budgets.

2. I submit this affidavit in support of the Supplemental Petition of Southern States Utilities, Inc. for Interim Revenue Relief.

3. As of October 31, 1995, SSU's actual year to date administrative and general expenses of \$7,441,000 are three percent (or \$220,000) over the projections contained in the Company's minimum filing requirements ("MFRs") for the same period.

4. As of October 31, 1995, SSU's actual year to date customer service expenses of \$2,257,000 are eight percent (or \$202,000) under the projections contained in the Company's MFRs for the same period.

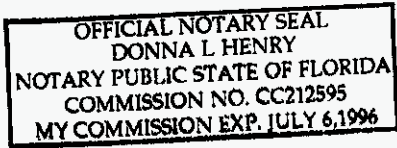
5. As of October 31, 1995, SSU's actual year to date direct expenses of \$16,124,000 are five percent (or \$888,000) under the projections contained in the Company's MFRs for the same period. Note that \$650,000, or 73%, of the variance in direct expenses through October 31, 1995 is attributable to fluctuations in variable costs resulting from actual consumption being lower than budgeted levels. These costs include purchased water and sewer, purchased power, sludge removal and chemical expenses.

6. The combined variance for administrative and general, customer service and direct expenses as of October 31, 1995 from 1995 projected expenses set forth for the same period in SSU's MFRs is only three percent below projections. This year to date variance equates to only \$870,000 on total budgeted O&M in the MFRs of \$25,822,000 through October 31, 1995. Exclusive of the \$650,000

variable costs discussed above, SSU's actual expenses through October 31, 1995 are only \$220,000 (or less than 1%) below the projected expenses in the MFRs for the same period.

Morris A. Bencini
MORRIS A. BENCINI

Sworn to and subscribed before me this 10th day of November, 1995 by Morris A. Bencini, who is personally known to me and did take an oath.



Donna L. Henry
Donna L. Henry
Notary Public, State of Florida at Large
Commission No.: CC212595
My Commission Expires: 7-6-96

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application by Southern)
 States Utilities, Inc. for rate)
 increase and increase in service)
 availability charges for Osceola)
 Utilities, Inc., in Osceola)
 County, and in Bradford, Brevard,)
 Charlotte, Citrus, Clay, Collier,)
 Duval, Hernando, Highlands,)
 Hillsborough, Lake, Lee, Marion,)
 Martin, Nassau, Orange, Osceola,)
 Pasco, Polk, Putnam, Seminole,)
 St. Johns, St. Lucie, Volusia,)
 and Washington Counties.)
 _____)

Docket No. 950495-WS
 Filed: November 13, 1995

State of Florida)
 County of Orange)

AFFIDAVIT OF J. DENNIS WESTRICK

J. DENNIS WESTRICK, Senior Engineer for Southern States Utilities, Inc. ("SSU"), having been duly sworn under oath, submits this affidavit in support of SSU's requested relief regarding interim rates in the above-referenced proceeding and states as follows under penalties of perjury:

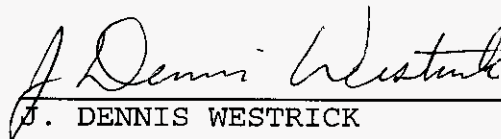
1. In my position as Senior Engineer and a witness in this proceeding, I have oversight responsibility for a majority of SSU's capital budget.

2. I submit this affidavit in support of the Supplemental Petition of Southern States Utilities, Inc. For Interim Revenue Relief.

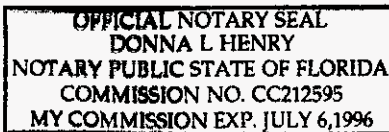
3. Attached as Attachment A to this Affidavit is a schedule confirming that as of October 31, 1995, SSU has placed \$3.7 million

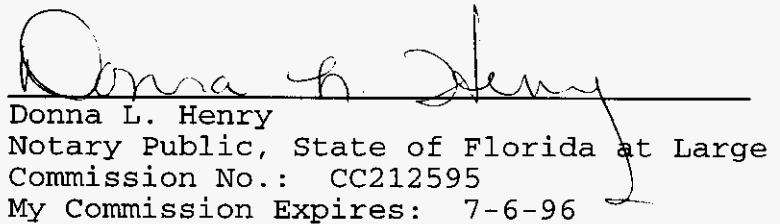
of water and wastewater plant into service above the projections of \$13,507,554 which were included in the minimum filing requirements ("MFRs").

4. Based on our current analysis of current projects and plant being placed into service, I believe that SSU will continue to exceed the total plant in service additions projected in the MFRs for the remainder of 1995.


J. DENNIS WESTRICK

Sworn to and subscribed before me this 10th day of November, 1995 by J. Dennis Westrick, who is personally known to me and did take an oath.




Donna L. Henry
Notary Public, State of Florida at Large
Commission No.: CC212595
My Commission Expires: 7-6-96

Southern States Utilities, Inc.
FPSC Regulated Plant In-Service Summary
For the period ending October 31, 1995

	YEAR-TO-DATE PLANT IN-SERVICE			
	<u>Budget (MFR)</u>	<u>In-Service</u>	<u>Variance</u>	<u>Percentage</u>
Total Company:	13,507,554	17,162,278	3,654,724	127%