

DOCKET 950495-WS

EXHIBIT NO. 191

CASE NO. 96-04227

Florida Public Service Commission

Audit Report

Projected Test Year End

December 31, 1996

Field Work Completed

October 13, 1995

Southern States Utilities, Inc.

Apopka, Florida

Orange County

Rate Case

Docket Number 950495-WS

Audit Control Number 95-226-3-1

Charleston J. Winston

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Minority Opinion

Yes ___ No R
Yes ___ No for
Yes ___ No for
Yes ___ No for
Yes ___ No for

Ian J. Forbes
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Regulatory Analyst Supervisor
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FL PUBLIC SERVICE COMMISSION
DOCKET NO. 950495 EXHIBIT NO. 191
COMPANY/ WITNESS: FPSC/Winston
DATE: 2/29/96

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I. Executive Summary

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to the appended exhibits as filed by Southern States Utilities, Inc. to support the Rate Case Docket Number 950495-WS for the projected twelve-month period ending December 31, 1996. Also, the Company's books and records were examined to determine compliance with Commission directives and to disclose any transactions or events that may influence Commission decision.

SCOPE LIMITATION: Due to untimely response from the Company, the Audit Staff could not properly audit Organization Costs. See Audit Exception Number 10.

There are confidential work papers associated with this report.

The last day of field work was October 13, 1995, and the audit exit conference was held on October 26, 1995.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

OPINION: Subject to the procedures described in Section II, the Company books and records for the projected test year ending December 31, 1996, are maintained in substantial compliance with Commission directives.

SUMMARY FINDINGS:**Exceptions:**

1. The MFRs did not allow for expedient review.
2. The Company should reduce Marco Island Water land account by \$5,529,200 or \$7,323,200 using the direct acreage method or the lump sum purchase method of allocation, respectively.
3. The Company should reclassify \$886,409 in deferred debits to nonutility expenses related to abandoned projects.
4. Due to the miscalculation of purchased water adjustment, the projected 1996 adjustment should be increased by \$9,648 and Regulatory Assessment Fees should be decreased by \$3,116.

5. The Company should be required to reduce 1996 O & M Expenses by \$208,776 because they are for shareholder services.
6. The Company incorrectly wrote off an abandoned project for \$19,143 to Contractual Services.
7. Accumulated Amortization of CIAC is overstated by \$10,451.
8. An abandonment project at Deltona Lakes was misclassified to Contractual Services for \$12,491 in 1996.
9. An abandonment project at Spring Hill Wastewater Treatment Plant was misclassified to Contractual Services for \$15,099 in 1996.
10. Due to untimely response from the Company, the Audit Staff could not properly audit Organization Costs.

Disclosures:

1. The Company has condemnation projects at Deltona Lakes and Marco Island.
2. Lehigh's land additions, representing Future Plant in Service, should be removed from current rate making consideration in the amounts of \$120,840 and \$260,562 from Water and Wastewater, respectively.
3. Audit staff could not determine if Sugarmill Woods Wastewater CIAC is properly stated.
4. Audit staff believes that the current balance for Hillsborough/Seaboard rate base may be overstated because of the effects of a water purchase agreement.
5. The Company classified the hauling of treated effluent as recurring rather than explore a more cost effective method.
6. The Company was unable to explain its consultant methodology for the 1996 conservation elasticity adjustment.
7. The Company included conservation expenses of \$524,425 in its 1996 O & M Expenses; however, it has no Commission-approved conservation program.
8. Audit staff believes that the Company's budgeted purchased power for Deltona Lakes is overstated by \$56,916.
9. The Company should be required to reduce 1996 O & M Expenses by \$22,753 for erroneously including purchased water amounts in the filing.

10. The Company's "Hurricane Preparedness Program" expenses should be classified as non-recurring; therefore, they should be reduced by \$7,736.
11. Audit staff believes that the amount budgeted for the Company's Hepatitis Immunization program represents non-recurring O & M expense and should be reduced by \$14,508 for 1996.
12. The Company should be required to remove Accrued Interest Receivable from its Working Capital Allowance for \$167,966 in 1996.
13. The Company should be required to reduce its amortization expense \$78,240 and increase its unamortized balance \$117,331 in 1996 for the miscalculation and the inclusion of AFUDC in its Seaboard Wastewater Plant Abandonment.
14. The Company's Preliminary Survey and Investigations 1996 balance should be reduced \$1,849,076 based on the wide variance between actual and projected amounts and improper documentation.
15. The Company's salary attrition rate used to determine 1996 wages was incorrectly stated in the filing resulting in an overstatement of \$16,764.
16. The Company incorrectly estimated the new president's annual salary.
17. The Company included "Plant Held for Future Use" in Utility Plant in Service accounts for \$33,082,895.
18. The Company violated Commission rules concerning the untimely response to Document Request No. 95 that requested information on the Company's organizational cost.

II. Audit Scope

The opinions contained in this report are based on the audit work described below. When used in this report, Compiled means that audit work includes:

COMPILED - means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and except as otherwise noted, performed no other audit work.

EXAMINED - means that the audit staff reconciled exhibit amounts to the general ledger; traced general ledger account balances to subsidiary ledgers; applied selective analytical review procedures; tested account balances to the extent further described; and disclosed any error, irregularity, or inconsistency observed.

RATE BASE

PLANNING: Read direct testimony of Judy Kimball, Scott Viermia and Morris Bencini. Attended initial D#950495-WS audit meeting at SSU headquarters.

UTILITY PLANT IN SERVICE: Calculated Southern States Utilities (SSU) Rate Base materiality thresholds for this audit. Materiality was calculated using filed rate of returns and standard corporate income tax rates. Scheduled both water and sewer year-end plant balances per plant for 1993 through projected 1996. Sorted plant additions per plant by year for sampling purposes. Requested material CWIP projects for detailed review.

LAND ADDITION: Read documents supporting \$9.2 million property acquisition costs associated with Collier condemnation. Requested and read five appraisals of condemned Collier Property Pulled land addition detail for sampling to a separate schedule.

DEFERRED DEBITS: Obtained and read an agreement between SSU, City of Naples and Florida Cities Water Company. Read documentation of water source acquisition efforts in an attempt to gain an understanding of the overall necessity for expenditures. Requested and read associated studies and reports for the same reason.

CONSTRUCTION WORK IN PROGRESS: Requested and read the SSU CWIP Practice and Procedures. Verified CWIP direct payroll charges D/R #102. Verified AFUDC Computation methodology D/R #102.

ACCUMULATED DEPRECIATION and DEPRECIATION EXPENSE: Requested that SSU employees provide depreciation workpapers and reconciled MFR Accumulated Depreciation with the General Ledger.

PLANT TOUR TO COLLIER COUNTY - September 11 and 12, 1995: Interviewed City of Naples Utility Director Dan Mercer obtaining information about interconnect project and outstanding agreements. Visited Collier County Water manager's office about outstanding agreements. Picked up three agreements between Collier County and SSU or Deltona. Interviewed Marco Island homeowner for insight into Marco utility service. Interviewed a principal of TGL Enterprises, a Collier County farming partnership. Researched Marco Island condemnation newspaper articles at Collier Public Library. Visited Collier County appraiser's office to verify property in Collier County with Property Tax invoices found in Audit Workpapers. (TAXES OTHER THAN INCOME section) Also obtained land maps and verified recorded agreements and condemnation order.

CIAC (CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION) AND AMORTIZATION: Compiled the Company's CIAC and Amortization schedules. Reviewed the Company's General Ledgers, Cash Receipts Ledgers, and Billing Registers for CIAC addition.

WORKING CAPITAL ALLOWANCE: Recomputed Working Capital Allowance using the 1/8 of Operation and Maintenance Expenses method for 1994 and 1995. Recomputed the Balance Sheet Method for Working Capital Allowance for 1996. Judgementally sampled the 1996 amounts for the proper amount, inclusion, and period.

NET OPERATING INCOME

REVENUES: Compiled the revenues for 1994. Recomputed the revenues for 1995 and 1996. Recomputed a sample of the revenues per tariffs.

OPERATIONS AND MAINTENANCE EXPENSES:

- 1) Compiled and determined that operation and maintenance accounts are accumulated and classified in compliance with Commission Rules and the Uniform System of Accounts.
- 2) Determined that operation and maintenance cost accounting is in compliance with management policy.
- 3) Determined that disbursements are only for authorized expenditures incurred and properly recorded in the correct account and dollar amount.
- 4) Determined that allocated cost are consistent with prior periods and that the basis and methodology are reasonable and mechanically accurate.
- 5) Determined that the filed exhibits agree to the results of the audit.
- 6) Determined the existence of related party transactions and that they appear prudent and competitive with non-affiliated transactions.
- 7) Scanned and recalculated Company's adjustments to the projected 1996 test year filing.
- 8) Scanned and recalculated a sample of Interim 1995 O&M expenses to test for accuracy and reasonableness as compared to 1994 historical filings.
- 9) Examined the 1994 base year amounts for O&M expenses and compared them to the corresponding budget 1995 amounts.
- 10) Obtained and enclosed in audit work papers the following company documents; 1995 Budget Variance Report, 1995 Itemized Salary Expense by line position, and 1996 Budget for Centralized Laboratory Facilities.

TAXES OTHER THAN INCOME: Compiled the Taxes Other Than Income for 1994. Sampled the Taxes Other Than Income for the proper amount, period and classification.

COST OF CAPITAL

Compiled the Capital Structure for 1994. Traced debt components to the debt agreements to determine the proper rates and amounts for 1994. Traced the customer deposit amounts to the customer deposit ledgers for the twelve months of 1994. Recomputed the 1995 and 1996 Capital Structures.

OTHER

OUTSIDE AUDITORS' REPORT: The Company's external auditor's report for 1994 was reviewed for items pertinent to this rate proceeding.

BOARD OF DIRECTORS MINUTES: The Company's Board of Directors' Minutes were reviewed for items pertinent to this audit from 1991 to June 1995.

AUDIT EXCEPTION NO. 7

SUBJECT: CIAC AMORTIZATION - OVERSTATEMENT

FACTS: In FPSC Document Request #22, the Company was requested to reconcile the difference between the book amount and the MFR amount for amortized CIAC for the Deltona Lakes water and wastewater accounts. The reply delineates part of the difference as being attributable to a sale to Volusia County which resulted in a retirement to the CIAC water of \$ 10,451. The Company states in its response, "It appears that the MFRs did not pick up this retirement of amortization which accounts for \$10,451 of the total difference. In other words, water accumulated amortization on the MFRs is overstated by \$10,451."

OPINION/RECOMMENDATION: The Company has reported an incorrect item on a filed exhibit. MFR A-13 did not include a retirement in the amount of \$10,451. The Commission should adjust the CIAC balance for the Company by the \$10,451 that is in error.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT EXCEPTION NO. 8**SUBJECT: DELTONA LAKES ABANDONED PROJECT**

FACTS: The Company started a project to build a 1 MG storage tank and a building for well #10 at its Deltona Lakes Plant. The project was abandoned at the end of 1991 due to a potential sinkhole problem. The project cost \$49,009 was transferred from Preliminary Survey and Investigations into Operations and Administrative Projects, Account Number 1862, and included the Working Capital Allowance for 1996.

The project is being amortized over a four-year period beginning 1/1/93 at \$12,252 (49,009 / 4) per year ending 12/31/96. In 1996 the Company indexed the \$12,252 by 1.98% to \$12,491. The amortization expense was charged to Account Number 6353, Contractual Services - Other.

The Company used 1/8 of Operation and Maintenance Expense for 1994 and 1995 to determine Working Capital Allowance and the Balance Sheet Method was used for 1996.

OPINION/RECOMMENDATION: The Company should be required to write off the abandoned project to either Miscellaneous Nonutility Expense, Account Number 426, or Miscellaneous Expenses, Account Number 675, as determined by the Commission. Therefore, Account Number 6353 should be reduced each year by \$12,252 for 1994 and 1995 and \$12,491 for 1996.

The Company should be required to reduce Working Capital Allowance for \$1,532 (12,252 / 8) in 1994 and 1995 if Account Number 426 is used for the amortization expense.

If the Commission rule that Account Number 675 should be charged, then consideration should also be given for the elimination of the above \$12,491 from expenses at 12/31/96.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT EXCEPTION NO. 9

SUBJECT: SPRING HILL WASTEWATER TREATMENT PLANT EXPANSION

FACTS: The Company included \$55,361 in Operations and Administrative Projects, Account Number 1862, for an abandoned proposed 2 MGD addition to Spring Hill Utilities Wastewater Treatment Plant located in Hernando County.

The project is being amortized at \$15,099 per year beginning 1/1/94, with the balance being amortized until 8/31/97. The amortization expense was charged to Account Number 7315, Contractual Services - Engineering.

The Company used 1/8 of Operation and Maintenance Expense for 1994 and 1995 to determine Working Capital Allowance and the Balance Sheet Method was used for 1996.

OPINION/RECOMMENDATION: The Company should be required to write off the abandoned project to either Miscellaneous Nonutility Expense, Account Number 426, or Miscellaneous Expenses, Account Number 775, as determined by the Commission. Therefore, Account Number 7315 should be reduced each year by \$15,099 from 1994 through 1996.

The Company should be required to reduce Working Capital Allowance for \$1,887 (15,099 / 8) in 1994 and 1995 if Account Number 426 is used for the amortization expense.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 1**SUBJECT: DELTONA LAKES AND MARCO ISLAND CONDEMNATION PROJECTS**

FACTS: The Company included in its 1996 Working Capital Allowance condemnation projects for Deltona Lakes and Marco Island. The condemnation amounts were included in Operations and Administrative Projects (OAPS), Account Number 1862. The condemnations are being amortized over a 15-year period to Miscellaneous Expense, Account Number 6758. The particulars for each project are shown below:

	DELTONA LAKES PROJECT #90EN010	MARCO ISLAND PROJECT #91ES027
Beginning Date	1/31/91	1/31/94
Ending Date	12/31/05	12/31/08
Original Amount	\$ 319,083	\$ 167,788
Annual Amort. Expense	21,273	10,634
Unamort. Bal. 12/31/96	\$ 191,455	\$ 135,753

OPINION/RECOMMENDATION: This disclosure is for informational purposes.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 3

**SUBJECT: CIAC - ERROR IN PRIOR MFRs
SUGARMILL WOODS**

FACTS: The Company reduced the beginning balance, 12/31/91, of CIAC - Water (MFR A11-W) and CIAC Wastewater (MFR A-11-S) for Sugarmill Woods in the amounts of \$87,080 and \$1,116,283, respectively. The Company, in reply to FPSC Document Request #38, said that incorrect amounts were included in the MFRs filed in Docket #920199-WS; however, the books were correct. The Company was able to reconcile the difference in the water accounts. Neither the Company nor the auditor could reconcile the difference in the wastewater accounts. The auditor reconstructed the "book balance" as of 12/31/91. At that point there was a difference between the Company's books and MFRs in the amounts of \$86,067 for water and \$1,102,389 for wastewater. In accordance with FPSC Order #93-0423-FOF-WS the Company subsequently reduced CIAC water in the amount of \$1,012 and CIAC wastewater in the amount of \$13,893. The combination of the difference between the Company's books and MFRs as of 12/31/91, and the rate order adjustments equal the Company's adjustments to the MFRs in the current rate case.

OPINION/RECOMMENDATION: There is a definite difference between the amounts as filed in Docket #920199-WS and the financial records of the Company as of 12/31/91. The auditor did not find any errors in the "booked amounts." Since incorrect amounts were filed in the last case, it can not be determined by the audit staff what adjustments would have been made to the Sugarmill CIAC if the correct amounts were filed. The Commission will have to determine if the full amounts, as deducted by the Company, are applicable for the current rate case.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 12

SUBJECT: WORKING CAPITAL ALLOWANCE - ACCRUED INTEREST RECEIVABLE

FACTS: As required by the Commission, the Company used the balance sheet approach to compute Working Capital Allowance for 1996. For 1994 and 1995 1/8 of O & M was used.

In 1996 the Company recorded \$167,966 for year end and \$204,043 for 13-month average balance in Account Number 1710, Accrued Interest Receivable.

OPINION/RECOMMENDATION: Commission policy has been to exclude interest expense and interest bearing accounts for ratemaking purposes. Order Number PSC-92-1359-FOF-WS, page 5, addresses this issue.

If interest expense and interest bearing accounts are excluded for ratemaking, then the accrued interest receivable account should also be excluded.

The Company should be required to reduce Working Capital Allowance for the above amounts recorded for Accrued Interest Receivable.

COMPANY COMMENTS: The Company may respond at later date.

AUDIT DISCLOSURE NO. 13**SUBJECT: SEABOARD WASTEWATER PLANT ABANDONMENT**

FACTS: The Company recorded an original amount of \$656,626 for the Seaboard Wastewater Plant abandonment located in Hillsborough County. AFUDC (Allowance for Funds Used During Construction) for \$19,590 was included in this amount. Per Commission Rule 25-30.116 AFUDC is included for CWIP (Construction Work in Progress) and not for abandonments. This amount was included in Rate Base, line item Other, for 1995 and 1996.

The amortization period for the above amount is for five years beginning 4/30/95.

OPINION/RECOMMENDATION: The Company miscalculated and included AFUDC in the calculation of the above abandonment amount. The Commission should adjust the Company's accounting for the plant abandonment per the following:

Item	Per Company	Recomm. Adjs.	Per Audit	Reason
Original Amt 4/30/95	\$656,626	\$(19,590)	\$637,037	AFUDC Disallow.
Amortization Period	5	7	12	Miscalculation
Monthly Amort.	\$ 10,944	\$ (6,520)	\$ 4,424	AFUDC/Miscal.
1996 Amort. Expense	\$131,328	\$(78,240)	\$ 53,088	AFUDC/Miscal.
1996 Unamort. Bal.	\$426,802	\$117,331	\$544,133	AFUDC/Miscal.
1996 Average Bal.	\$492,466	\$ 78,211	\$570,677	AFUDC/Miscal.

See Schedule 1 for the calculation of the above amounts.

COMPANY COMMENTS: The Company may respond at a later date.

Schedule for Audit Disclosure No. 13

Schedule 1			
Item	Per Company 12/31/94 Balances	Audit Adjustments	Per Audit 12/31/94 Balances
Plant in Service	886,966		886,966
Accumulated Depreciation	(800,926)		(800,926)
CIAC	(58,546)		(58,546)
Accumulated Amortization	19,723		19,723
Rate Base @ 12/31/94	47,217		47,217
Estimated Cost of Removal	609,410	(19,590)	589,820
Net Abandoned Plant Basis	656,627	(19,590)	637,037
1994 Depreciation Expense	47,964		47,964
1994 CIAC Amortization	(3,166)		(3,166)
Return on Rate Base	6,370		6,370
Net Depreciation Expense	44,798	6,370	51,168
Estimated Remaining Life - Years	1	11	12 (1)
Actual Amortization Period Used	5	7	12
Amortization Amount - Monthly	10,944	(6,520)	4,424 (2)
1995 Amortization Amount (MONTHLY AMORTIZATION X 9 MONTHS)	98,496	(58,680)	39,816
1996 Amortization Amount (MONTHLY AMORTIZATION X 12 MONTHS)	131,328	(78,240)	53,088

Amortization Schedule - Per Audit

	Monthly Amortization 12 Year Life	Unamortized Balance
12/31/95 Balance (637,037 - 39,816)		597,221
Jan 96	4,424	592,797
Feb 96	4,424	588,373
Mar 96	4,424	583,949
Apr 96	4,424	579,525
May 96	4,424	575,101
Jun 96	4,424	570,677
Jul 96	4,424	566,253
Aug 96	4,424	561,829
Sep 96	4,424	557,405
Oct 96	4,424	552,981
Nov 96	4,424	548,557
Dec 96	4,424	544,133
Total Amortization Expense 12/31/96	53,088	
Average Rate Base Balance 12/31/96		570,677

(1) 637,037 / 51,168 = 12 rounded

(2) 637,037 / 12 = 53,088 / 12 = 4,424 rounded

AUDIT DISCLOSURE NO. 14**SUBJECT: PRELIMINARY SURVEY AND INVESTIGATIONS**

FACTS: The Company projected its Preliminary Survey and Investigations, Account Number 183, to be \$2,737,272. This is the year end and thirteen-month average amount included in Working Capital Allowance at 12/31/96. The Company used internal projections to achieve the \$2,737,272 for 1995 with no additional amounts projected for 1996. The following is a variance between actual and projected through 9/30/95, the most recent data as of this writing:

Month	Actual	Projected	Difference	
Sep 94	\$ 979,900	\$ 979,900	\$	0 Act Amts
Oct 94	983,595	983,595		0 Act Amts
Nov 94	1,030,985	1,030,985		0 Act Amts
Dec 94	774,158	774,158		0 Act Amts
Jan 95	799,852	777,358		22,494
Feb 95	804,650	1,106,515		(301,865)
Mar 95	805,953	1,194,987		(389,034)
Apr 95	829,293	1,315,668		(486,375)
May 95	847,724	1,654,961		(807,237)
Jun 95	908,833	1,767,933		(859,100)
Jul 95	865,735	1,863,905		(998,170)
Aug 95	888,285	2,182,627		(1,294,342)
Sep 95	1,027,587	2,278,099		(1,250,512)
	-----	-----		-----
Total:	\$11,546,550	\$17,910,691	\$	(6,364,141)
Divided by:	13			
Average	888,196	- 2,737,272	=	(1,849,076)

OPINION/RECOMMENDATION: The Company's 1996 projected amount, shown above, should be reduced \$1,849,076 for the following reasons:

1. The wide variance between the actual and projected amounts shown above;
2. The Company's supporting documentation for its projection was internally generated with no outside verification; and
3. The thirteen-month average balance at 9/30/95 is the most recent actual data available.

COMPANY COMMENTS: The Company may respond at later date.

**SCHEDULE OF WATER RATE BASE - 1996
SUMMARY**

Company: SSU / Total Company
 Docket No.: 950495-WS
 Schedule Year Ended: 12/31/96
 Interim Final
 Historical Projected
 Simple Ave. 13 Month Ave.
 Conventional Reverse Osmosis

Explanation: Provide the calculation of average rate base for the test year. Non-used and useful items should be reported as Plant Held for Future Use.

FPSC
 Schedule: A-1 (W)
 Page 1 of 1
 Preparer: Kimball

Line No.	(1) Description	(2) 1996 AVERAGE RATE BASE			(5) Supporting Schedules
		(3) Balance Per Books	(4) Utility Adjustments	(5) Adjusted Utility Balance	
1	Utility Plant in Service	196,766,605	(150,322)	196,616,283	A-5 (W)
2	Utility Land & Land Rights	10,963,115	267,155	11,230,270	A-5 (W)
3	Non-Used and Useful	(11,588,668)	0	(11,588,668)	A-7 (W)
4	Construction Work in Progress	0	0	0	--
5	Accumulated Depreciation	(54,541,339)	1,506,268	(53,035,071)	A-9 (W)
6	CIAC	(54,284,419)	43,542	(54,240,877)	A-12 (W)
7	FPSC Margin Reserve - CIAC	0	0	0	A-12 (W)
8	Accumulated Amortization of CIAC	13,781,234	(42,920)	13,738,314	A-14 (W)
9	Acquisition Adjustments	(64,578)	0	(64,578)	A-20 (W)
10	Accumulated Amort. of Acq. Adjust.	27,526	0	27,526	A-20 (W)
11	Advances for Construction	(6,060,491)	0	(6,060,491)	A-16 (W)
12	Unfunded Post-Retirement Benefits	(837,715)	0	(837,715)	Vol. II
13	Deferred Taxes	4,172,745	0	4,172,745	C-7 (W)
14	Working Capital Allowance	4,852,687	0	4,852,687	A-17 (W)
15	Other	1,319,227	0	1,319,227	A-21 (W)
16	TOTAL WATER RATE BASE	104,505,929	1,623,723	106,129,652	

**SCHEDULE OF SEWER RATE BASE - 1996
SUMMARY**

Company: SSU / Total Company

Docket No.: 950495-WS

Schedule Year Ended: 12/31/96

Interim Final

Historical Projected

Simple Ave. 13 Month Ave.

FPSC Uniform FPSC Non-uniform Non FPSC

Explanation: Provide the calculation of average rate base for the test year. Non-used and useful items should be reported as Plant Held for Future Use.

FPSC

Schedule: A-2 (S)

Page 1 of 1

Preparer: Kimball

Line No.	(1) Description	(2) 1996 AVERAGE RATE BASE			(5) Supporting Schedules
		(3) Balance Per Books	(4) Utility Adjustments	(5) Adjusted Utility Balance	
1	Utility Plant in Service	159,691,806	185,691	159,877,497	A-6 (S)
2	Utility Land & Land Rights	4,247,240	39,035	4,286,275	A-6 (S)
3	Non-Used and Useful	(6,100,561)	0	(6,100,561)	A-7 (S)
4	Construction Work in Progress	0	0	0	---
5	Accumulated Depreciation	(49,351,075)	1,104,232	(48,246,843)	A-10 (S)
6	CIAC	(59,832,623)	(21,295)	(59,853,918)	A-12 (S)
7	FPSC Margin Reserve - CIAC	0	0	0	A-12 (S)
8	Accumulated Amortization of CIAC	17,711,308	0	17,711,308	A-14 (S)
9	Acquisition Adjustments	(519,787)	0	(519,787)	A-20 (S)
10	Accumulated Amort. of Acq. Adjust.	225,555	0	225,555	A-20 (S)
11	Advances for Construction	(1,790,534)	0	(1,790,534)	A-16 (S)
12	Unfunded Post-Retirement Benefits	(379,180)	0	(379,180)	Vol. II
13	Deferred Taxes	662,509	0	662,509	C-7 (S)
14	Working Capital Allowance	2,196,500	0	2,196,500	A-17 (S)
15	Other	3,268,584	0	3,268,584	A-21(S)
16	TOTAL SEWER RATE BASE	70,029,741	1,307,663	71,337,404	

SCHEDULE OF WATER NET OPERATING INCOME - 1996
PRESENT AND REQUIRED

Company: SSU / Total Company

Docket No.: 950495-WS

Schedule Year Ended: 12/31/96

Item: [] Final [x]
Historical [] Projected [x]

Simple Ave.: [] 13 Month Ave. [x]
Conventional [x] Reverse Osmosis [x]

Explanation: Provide the calculation of net operating income for the test year.
If amortization (line 8) is related to any amount other than an acquisition adjustment,
submit an additional schedule showing a description and calculation of charge.

Preparer: Kimball
Supporting Schedule: B-3(W)

FPSC

Schedule: B-1(W)

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Supporting Schedules

Line No.	Description	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Income	Income	Adjusted	Adjusted	Required	Required	Required	
		For	Books	Utility	Income	Revenue	Income	Revenue	Supporting Schedules
		Books	Adjustments	Income	Income	Increase	Increase	Increase %	
		1996 PRESENT OPERATING INCOME	1996 PRESENT OPERATING INCOME	1996 PRESENT OPERATING INCOME	1996 PRESENT OPERATING INCOME	1996 REQUIRED OPERATING INCOME	1996 REQUIRED OPERATING INCOME	1996 REQUIRED OPERATING INCOME	
1	OPERATING REVENUES:								
2	Water Sales	32,412,721	0	32,412,721	11,445,530	43,858,251	35.31%	B-1(W), B-3(W)	
3	Other Revenue	636,085	0	636,085	0	636,085		B-4(W)	
4	TOTAL OPERATING REVENUES	33,048,806	0	33,048,806	11,445,530	44,494,336			
5	OPERATING EXPENSES:								
6	Operation and Maintenance	19,112,878	781,810	19,894,688	0	19,894,688		B-5(W)	
7	Depreciation net of CIAC Amort	5,719,041	0	5,719,041	0	5,719,041		B-13(W)	
8	Amortization	(689)	293,162	292,473	0	292,473		B-18(W), A-21(W)	
9	Taxes Other Than Income	4,283,370	53,763	4,337,141	515,051 (A)	4,852,192		B-15(W), B-1(W), B-3(W)	
10	Provision for Income Taxes	(961,346)	(468,542)	(1,429,889)	4,216,431 (B)	2,786,542		B-16(W), B-1(W), B-3(W)	
11	TOTAL OPERATING EXPENSES	28,153,262	660,192	28,813,454	4,731,482	33,544,936			
12	NET OPERATING INCOME	4,895,544	(660,192)	4,235,352	6,714,048	10,949,400			
13	RATE BASE	104,505,929	1,623,723	106,129,652		106,129,652		A-1(W)	
14	RATE OF RETURN	4.68%		3.99%		10.32%		D-1(W)	

Notes:

(A) Required Taxes Other Than Income Increase = Required Revenue Increase multiplied by .045.
(B) Required Income Taxes Increase = Required Revenue Increase multiplied by .38575.

**SCHEDULE OF SEWER NET OPERATING INCOME - 1996
PRESENT AND REQUESTED**

Company: SSU / Total Company

Docket No.: 950495-WS

Schedule Year Ended: 12/31/96

Interim Final

Historical Projected

Simple Ave. 13 Month Ave.

FPSC Uniform FPSC Non-uniform Non FPSC

Explanation: Provide the calculation of net operating income for the test year.
If amortization (line 8) is related to any amount other than an acquisition adjustment,
submit an additional schedule showing a description and calculation of charge.

FPSC

Schedule: B-2(S)

Page 1 of 3

Preparer: Kimball

Supporting Schedule: B-3(S)

Line No.	(1) Description	1996 PRESENT OPERATING INCOME			1996 REQUESTED OPERATING INCOME			(8) Supporting Schedules
		(2) Income Per Books	(3) Utility Adjustments	(4) Utility Adjusted Income	(5) Requested Revenue Increase	(6) Requested Income	(7) Requested Revenue Increase %	
1	OPERATING REVENUES							
2	Sewer Sales	24,732,910	0	24,732,910	7,214,608	31,947,518	29.17%	B-4(S),B-3(S)
3	Other Revenue	0	0	0	0	0		B-4(S)
4	Total Operating Revenue	24,732,910	0	24,732,910	7,214,608	31,947,518		
5	OPERATING EXPENSES							
6	Operation and Maintenance	15,016,503	493,187	15,509,691	0	15,509,691		B-6(S)
7	Depreciation net of CIAC Amort	4,203,210	0	4,203,210	0	4,203,210		B-14(S)
8	Amortization	(11,655)	131,328	119,673	0	119,673		B-18(S),A-21(S)
9	Taxes Other than income	3,322,861	14,138	3,336,999	324,659 (A)	3,661,658		B-15(S),B-2(S)3/3
10	Provision for Income Taxes	(861,294)	(702,379)	(1,563,673)	2,657,799 (B)	1,094,126		B-17(S),B-2(S)3/3
11	Total Operating Expenses	21,669,626	(63,726)	21,605,900	2,982,458	24,588,358		
12	NET OPERATING INCOME	3,063,284	63,726	3,127,010	4,232,150	7,359,160		
13	RATE BASE	70,029,741	1,307,663	71,337,404		71,337,404		A-2(S)
14	RATE OF RETURN	4.37%		4.38%		10.32%		D-1(S)

Notes:

(A) Requested Taxes Other Than Income Increase = Requested Revenue Increase multiplied by .045.

(B) Requested Income Taxes Increase = Requested Revenue Increase - Requested Taxes Other Than Income Increase multiplied by .38575.

SCHEDULE OF REQUESTED COST OF CAPITAL - 1996

Company: Southern States Utilities, Inc.

FPSC

Docket No: 950495 - YS

Explanation: Provide a schedule which calculates the requested cost of capital. If a year-end is used submit an additional schedule reflecting year-end calculations.

Schedule: D-1

Test Year Ended: 12/31/96

Page 1 of 1

Interim Final

Preparer: Scott W. Verina

Historic or Projected

Simple Average 13 Month Average

	(1)	(2)	(3)	(4)	(5)	(6)
COST OF CAPITAL						
Line No.	Class of Capital	Reconciled To Requested Rate Base	Ratio	Cost Rate	Weighted Cost	Supporting Schedules
1	LONG TERM DEBT	118,535,363	58.40%	8.06%	5.29%	D-5
2	SHORT TERM DEBT	0	0.00%	0.00%	0.00%	D-4
3	CUSTOMER DEPOSITS	1,753,184	0.86%	6.00%	0.05%	D-7
4	DEFERRED ITC	1,215,813	0.60%	9.68%	0.06%	D-5a
5	DEFERRED INCOME TAXES	0	0.00%	0.00%	0.00%	D-5a
6	PREFERRED STOCK	0	0.00%	0.00%	0.00%	D-3
7	EQUITY	82,821,786	40.81%	12.25%	5.01%	D-5a
8	ADJUSTMENT FOR GAS	(1,481,000)	(0.73%)	12.25%	(0.09%)	D-5a
9	TOTAL	<u>202,965,146</u>	<u>100.00%</u>		<u>10.32%</u>	