96-04227

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by Southern) Docket No. 950495-WS
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.)

SIXTH DAY - LATE AFTERNOON SESSION

VOLUME 25

PAGES 2691 through 2889

PROCEEDINGS: **HEARING**

BEFORE: CHAIRMAN SUSAN F. CLARK
COMMISSIONER J. TERRY DEASON
COMMISSIONER JULIA L. JOHNSON
COMMISSIONER DIANE K. KIESLING
COMMISSIONER JOE GARCIA

DATE: Monday, May 6, 1996

TIME: Commenced at 3:00 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: LISA GIROD JONES, RPR, RMR

APPEARANCES:

(As heretofore noted.)

I N D E X - VOLUME 25

WITNESSES

EXHIBITS

PROCEEDINGS

(Transcript continues in sequence from Volume 24.)

CHAIRMAN CLARK: All right, I understand we have it figured out as far as what we need to insert in the record, and it's my understanding that we need to insert into the record the document, the prefiled direct testimony of Ms. Dismukes that was filed on February 12th, which consists of 91 pages; is that correct?

MR. McLEAN: That's correct, Chairman Clark. And as for a check to ensure that you're looking at the right document, Page 66, Line 13 should have no redaction. And Schedule No. -- Ms. Witness, was it Schedule 24?

WITNESS DISMUKES: Yes.

MR. McLEAN: Schedule 24 should be included in the exhibit.

CHAIRMAN CLARK: Okay, I have both of those in this document.

MR. McLEAN: That's the correct version of the testimony.

CHAIRMAN CLARK: The testimony of Kimberly Dismukes, filed on February 12th, 1996 will be inserted in the record as though read.

MR. McLEAN: Thank you, Chairman Clark.

KIMBERLY H. DISMUKES

resumed the stand on behalf of the Office of Public Counsel, and having previously been duly sworn, testified as follows:

CONTINUING DIRECT EXAMINATION

BY MR. McLEAN:

Q Ms. Dismukes, did you also prepare an appendix which is affixed to your testimony?

A Yes, I did.

Q And an exhibit which contains 41 schedules?

A Yes.

MR. McLEAN: Ms. Clark, may we have those two items marked for identification?

CHAIRMAN CLARK: Yes. They will be marked as Composite Exhibit 175 and that is the appendix and the schedules.

MR. McLEAN: Thank you, ma'am.

(Exhibit No. 175 marked for identification.)

Q (By Mr. McLean) Ms. Dismukes, did you also prepare and arrange to be filed supplemental direct testimony dated March 4th, 1996?

A Yes, I did.

Q It too is in the form of questions and answers?

A Yes.

Q Is that correct? And do you have corrections, additions or deletions to that testimony?

A No, I do not.

Q If I asked you the same questions, would you provide the same answers which you gave on that occasion?

A Yes.

MR. McLEAN: Madam Chairman, may we have that moved into the record as though read?

CHAIRMAN CLARK: All right, I'm on the supplemental direct testimony.

MR. McLEAN: That is correct, ma'am.

CHAIRMAN CLARK: Dated March 4th.

MR. McLEAN: That is correct.

CHAIRMAN CLARK: That supplemental direct testimony will be inserted in the record as though read.

Q (By Mr. McLean) With respect to the supplemental direct testimony, Ms. Dismukes, did you prepare an exhibit to that testimony?

A Yes.

Q And how many schedules does it have?

A One.

MR. McLEAN: Chairman Clark, may we have that schedule marked for identification?

CHAIRMAN CLARK: That will be marked as Exhibit 176.

COMMISSIONER KIESLING: I'm sorry, could I get one clarification. The copy I have has a blank page for Schedule 1. Am I looking at the right thing?

WITNESS DISMUKES: I don't know if I can help out. That was originally claimed to be a confidential letter. The Schedule 1 is the cover page to it and behind it is supposed to be the letter. It has since been, it's my understanding, is no longer considered confidential.

COMMISSIONER KIESLING: Okay, so it's not --

WITNESS DISMUKES: It's not a schedule in the true sense that we typically speak of them.

COMMISSIONER KIESLING: Thank you. I was looking for something with numbers and columns.

MR. McLEAN: Thank you, Commissioner. And it was marked for identification?

CHAIRMAN CLARK: As 176.

(Exhibit No. 176 marked for identification.)

Q (By Mr. McLean) And Ms. Dismukes, did you also file a supplemental testimony March 25th, 1996 in the form of questions and answers?

A Yes.

Q Do you have any corrections and deletions to that particular testimony?

A No, I do not.

Q And were you asked the same questions, you would provide the same answers; is that correct?

A Yes.

MR. McLEAN: Madam Clark, may I have the --

CHAIRMAN CLARK: Yes, the second supplemental direct testimony of Ms. Kimberly Dismukes, filed on March 25th, 1995, will be inserted in the record as though read.

MR. McLEAN: Thank you, Chairman Clark.

Q (By Mr. McLean) And Ms. Dismukes, there's one exhibit with three schedules; is that correct?

A Yes.

MR. McLEAN: May we have those marked for identification?

CHAIRMAN CLARK: That would be marked as composite Exhibit 177.

(Exhibit No. 177 marked for identification.)

Table of Contents

Q. What is your name and address?

A. Kimberly H. Dismukes, 5688 Forsythia Avenue, Baton Rouge, Louisiana 70808.

Q. By whom and in what capacity are you employed.

A. I am a self-employed consultant in the field of public utility regulation. I have been retained by the Office of the Public Counsel (OPC) on behalf of the Citizens of the State of Florida to analyze SSU's rate filing in the instant docket.

Q. Do you have an appendix that describes your qualifications in regulation?

A. Yes. Appendix I, attached to my testimony, was prepared for this purpose.

Q. Do you have an exhibit in support of your testimony?

A. Yes. Exhibit 175 (KHD-1) contains 41 Schedules that support my testimony.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to respond to certain portions of Southern States Utilities, Inc.'s (SSU, Southern States, or the Company) request to increase rates by $18,137,502, which equates to an increase of $11,791,242 for water service and $6,346,260 for wastewater service.

My testimony is organized into nine sections. In the first section of my testimony, I address SSU's weather normalization clause proposal. In the second part of my testimony, I examine SSU's rate design proposal. In the third section, I discuss the Company's conservation program. In the fourth section, I discuss the gain on the sale of the Venice Garden System and other gains that SSU has recently recognized or anticipates recognizing. In this section I also address adjustments to SSU's equity ratio. In the fifth section of my testimony, I discuss several adjustments related to SSU's test year level of revenue. In the sixth section of my testimony, I discuss the Company's acquisition program and associated adjustments. In the seventh section, I address various expense adjustments that I recommend to correct SSU's test year level of expenses. In the eighth section, I address adjustments to rate base that I recommend--specifically adjustments related to Lehigh and Buenaventura Lakes. Finally, in the ninth section, I present my overall recommendations concerning my adjustments and their impact on SSU's revenue requirement.

Q. Do you have any general comments before you begin your testimony?

A. Yes. In order for the Office of the Public Counsel to orderly compile and produce the testimony of its consultants, counsel for the Citizens requested that I use a cutoff date with respect to discovery of January 26, 1996. Thus, because there was still discovery of the Citizens' outstanding as of this date, it may be necessary for me to supplement my testimony as SSU responds to discovery. In most cases I have noted these instances throughout my testimony.

I. Weather Normalization Clause

Q. Please turn to the first section of your testimony. Would you describe SSU's proposed weather normalization clause?

A. Yes. According to SSU's witness, Mr. Forrest Ludsen, the Company is proposing a weather normalization clause in the instant proceeding because "SSU faces an inordinate level of financial and business risk as compared to water utilities operating in other parts of the country due to circumstances beyond its control, such as weather." [Testimony, p. 21.] The weather normalization clause (WNC) is designed to provide monthly adjustments in the gallonage charge to reflect deviations from the target consumption per bill that will be established in the instant proceeding. According to Mr. Ludsen, implementation of the weather normalization clause would simplify the regulatory process by removing the necessity of aggressively litigating the appropriate consumption level to use for rate setting purposes. [Testimony, p. 28.]

Q. Do you see any problems with SSU's proposed weather normalization clause?

A. Yes, I do. There are several problems with the clause. First, SSU's proposal is essentially a revenue decoupling or revenue normalization proposal. It is not merely a weather normalization clause proposal. If implemented as proposed by SSU, the Company will be insulated from all forms of variation in revenues and pass this risk onto customers. The Commission should carefully consider the desirability of dramatically shifting the risk of revenue recoverability from SSU's stockholders to ratepayers. Although Southern States is a regulated utility and has an obligation to serve its customers, this should not provide it with an automatic guarantee that it will recover essentially 100% of its revenues despite circumstances.

As proposed, SSU's WNC will insulate it from variations in weather, conservation, tourism, changes in the economy, and all other factors that affect water consumption. It is insulation from the risks of the latter three factors of the clause that are the most disturbing. Ratepayers should not be put in a position of guaranteeing collection of SSU's proposed revenue requirement regardless of the circumstances. SSU should bear some, if not all, of this risk.

In the electric industry when similar proposals have been made to decouple revenues from profits, the Commission has specifically not allowed the utility to decouple the effects of the economy. [Order No. PSC-95-0097-FOF-EI.]

Second, contrary to Mr. Ludsen's opinion, the mere establishment of the weather normalization clause or decoupling proposal should not reduce the litigation associated with establishing the appropriate test year consumption level. If the test year level of consumption is not properly set, the weather normalization clause will produce much wider variations in surcharges or rebates than necessary. While it might be desirable for SSU to know that it will recover its revenue regardless of any errors or omissions in the rate setting process, it is still extremely important that the starting point of the process is correct.

I question to what degree SSU truly believes its own statement since it has proposed two adjustments that have significant impacts on test year consumption--its repression adjustment and its conservation adjustment. If the regulatory process was to be simplified by the WNC, with no need to litigate the appropriate consumption levels, SSU would not have needed to propose its repression or conservation adjustments. In fact it is interesting that SSU has only made adjustments to revenues that are beneficial to it in the development of test year consumption levels. Both the repression and conservation adjustments reduce test year consumption levels and increase current rates to customers relative to not proposing such adjustments. If SSU wished to reduce the level of litigation associated with test year consumption levels, it would not have proposed these two adjustments.

Third, and related to the second problem with SSU's proposal, SSU has not started with weather normalized test year consumption. (I discuss this greater in the fifth section of my testimony.) Unless corrected, this error will produce rebates in the future. In my opinion, customers would rather pay lower rates now than pay higher rates now and get rebates in the future. Furthermore, it would not be good regulatory policy for the Commission to ignore the test year consumption controversies merely because any injustice will be corrected in the future.

The Commission should ensure that test year consumption levels are set as close to reality as possible. Since the clause proposed by SSU is supposed to be a weather normalization clause (even though it is not), the Commission should make sure test year consumption levels are also properly weather normalized.

Fourth, the Company has not properly accounted for changes in costs that would be affected by changes in consumption. The Company's proposal essentially assumes that all costs are fixed and that changes in consumption would not change costs. This is an unrealistic assumption. SSU does incur costs that vary directly with the level of consumption. These are purchased water, purchased power and chemical costs. Unless these costs are adjusted for actual consumption levels, as opposed to targeted consumption levels, SSU will over or under collect the revenue requirement resulting from this case. In other words, if sales decline and expenses are not adjusted accordingly, excess profits may result which are not a function of management's performance. Under recovery could also result, but this risk is less than over recovery, since the regulatory process is not symmetrical. SSU has no incentive to draw attention to excess profits, but would be quick to request rate relief when profits fall below the authorized level. SSU's proposal may create a pattern of excess profits only partially balanced by the possibility of inadequate profits.

Fifth, SSU has not explained how it proposes to recover over or under collections. In other words, will the difference be collected by merely adjusting each month's gallonage charge, or will it appear as a separate line item on customers' bills? Clearly, the latter option is preferable to the former, as it should create less customer confusion. Customers can see from their bill that the actual rate per 1,000 gallons remains constant, and that it is only the weather normalization clause that is producing a change in their cost per unit. This is similar to the way the Commission treats fuel adjustment clauses.

Sixth, the clause may create customer confusion, because if customers consume less, (in total) the actual unit cost will increase. Similarly, if customers consume more, the unit cost will decrease.

Seventh, SSU's decoupling proposal could lead to perverse incentives related to quality of service issues. Under traditional regulation a water utility has the incentive to quickly respond to outages because lost water sales directly affect profits. If the Company is assured that all revenues will be collected regardless of the level of sales, it may not react as quickly to line breaks and the like that affect water sales and quality of service.

Q. Are there any other aspects of SSU's proposal that you believe should be brought to the Commission's attention?

A. Yes. The Commission needs to consider all of SSU's proposals together. The Company is requesting to change its rate structure such that it will collect more of its revenue requirement from the base facility charge (BFC) than the gallonage charge. According to Dr. Whitcomb, SSU is proposing to change the percentage of revenue collected through the base facility charge from 33%, approved in Docket No. 920199-WS, to 40% in the instant proceeding. Likewise, less of SSU's total revenue requirement will be collected from the gallonage charge. SSU proposes to collect 60% of its revenues from the gallonage charge versus the 67% approved in the last rate case. [Testimony, pp. 10-11.]

SSU's rate design proposal will shift greater risk for revenue collection to customers. This results because SSU is guaranteed to collect all revenue associated with its BFC, all else equal. By shifting a greater portion of its revenue requirement into the BFC SSU has shifted the risk relationship between customers and stockholders. This produces greater revenue stability for SSU. Thus, under the Company's proposal, the revenue instability associated with changes in consumption will be less than past experience has indicated. If the Commission grants SSU's rate design proposal it should not adopt the WNC until experience is gained with the proposed rate design. As described in a later section of my testimony I do not agree with SSU's proposed rate design changes.

Q. You have identified several flaws in SSU's weather normalization proposal. What do you recommend?

A. I recommend that the Commission not approve SSU's WNC proposal. It is seriously flawed and shifts most, if not all, of the risk associated with revenue recovery to ratepayers. To the best of my knowledge, the Commission has never approved such clauses in the past for water, electric, or telephone companies, and I see no extenuating circumstances that would warrant it in the instant case.

Q. Do you have an alternative recommendation if the Commission believes that such a clause is desirable?

A. Yes. First, the Commission, if it approves any form of weather normalization clause, should do so only on a trial basis. The Commission should annually reevaluate the effects of the proposal on both SSU and ratepayers. Such a reevaluation will allow the Commission to fine tune the process as more experience is gained. It is worthwhile to note that in the electric industry, similar decoupling proposals have been abandoned or rejected because of the potential impact on customers' rates.

Second, I would not recommend even an alternative proposal unless the Commission also appropriately adjusts test year consumption to ensure that the effects of weather are minimized. Otherwise, customers will be asked to pay higher rates today in exchange for rebates in the future. I do not believe that this would be equitable or good regulatory policy.

Third, the Commission should adjust the formula proposed by SSU to adjust for expenses which directly vary with consumption. To ignore this change in expenses would allow SSU to over or under collect its true revenue requirement. It similarly could put SSU in an over or under earnings position.

Fourth, as an incentive for SSU in the future to "get the pot right" at the beginning of the process, the Commission should require SSU to pay interest on revenues which are over collected. The opposite would not be true for revenues that are under collected. (SSU should not be allowed to charge interest for revenues that are under collected.) If the Company is required to pay interest on revenues that it over collects, SSU will have an incentive not to under project test year consumption. Interest would be calculated in accordance with the Commission's Rules.

Fifth, because I do not believe that it is appropriate for customers to insulate SSU from 100% of the variability in its revenues, I recommend that the Commission not approve recovery of 100% of changes in consumption. My recommendation varies depending upon the Commission's decision with respect to the rate structure issue. If the Commission adopts the rate structure proposed by SSU, then I recommend that the Commission allow SSU to collect 50% of the changes in consumption through a revenue normalization clause. As I previously noted, SSU's rate design proposal already exposes customers to greater risk than the previously approved rate structure. In addition, because there are factors that will affect consumption which are not properly borne by customers, i.e., changes in the economy and tourism, the Commission can ensure that customers do not bear this risk by not allowing 100% recovery of changing consumption levels. It is worthwhile to note that in his deposition, Dr. Whitcomb indicated that he believed weather accounted for about 45% of the variation in SSU's customers' consumption. Allowing SSU to true-up 50% of the variability in its revenue would be consistent with the degree to which the Company believes weather affects the variability in consumption.

If the Commission adopts the rate design proposal that I recommend, then the Commission should allow SSU to collect 75% of the changes in consumption through a revenue normalization clause. Since my rate design proposal will potentially produce greater levels of conservation and revenue instability, I believe it would be appropriate to allow SSU to include a larger portion of its consumption variability in a clause that is designed to adjust for the effects of weather. The increased revenue stability associated with including 75% of consumption in the clause will help offset the increased variability associated with the rate structure that I recommend. By allowing SSU to recover only 75% of the variability in consumption, the Commission can help ensure that customers do not completely bear the risk of an economic down turn.

Finally, I recommend that the Commission modify the clause proposed by SSU. The continual change in rates, caused by SSU's proposal, may create significant customer confusion. I recommend that the Commission adopt a methodology that is similar to the fuel adjustment mechanism used by electric utilities. That is, consumption levels and revenue would be trued-up to actual. In other words, barring legal constraints, one-year after the rate case is completed, SSU would file for a weather normalization clause proceeding. At that time the Commission would determine the revenue shortfall or excess that would be collected or credited in the following year. This has the advantage of continual regulatory review and it should lessen customer confusion, because the portion of customers' rates associated with the revenue normalization clause would not change monthly.

II. Rate Design

Q. Please turn to the second section of your testimony. Would you address SSU's rate design proposal?

A. Certainly. According to the testimony of Dr. Whitcomb, SSU is proposing to increase the percentage of revenue collected from the BFC and reduce the percentage of revenue collected from the gallonage charge. Currently the Company's rates collect

33% of revenue from the BFC and 67% from the gallonage charge. SSU proposes to change this relationship with 40% coming from the BFC and 60% coming from the gallonage charge. According to Dr. Whitcomb, the rate structure proposed by SSU is a water conserving rate structure, using the criteria set forth in the Brown & Caldwell Study.

Dr. Whitcomb suggests that because the 40/60 split results in a water conservation score of 3.2 (according to the Brown & Caldwell study), it qualifies as a water conserving rate structure. I have included as Schedule 1 of my exhibit the calculations performed by Dr. Whitcomb to arrive at this score.

Dr. Whitcomb prefers the 40/60 spilt to the 33/67 split because it produces a greater level of revenue stability for SSU. This occurs because a greater proportion of SSU's revenue is collected from the base facility charge which is not dependent upon consumption. SSU is guaranteed to collect these revenues, all else equal. But, this does not enhance conservation, as Dr. Whitcomb admits in his Waterate documentation

> Remember that one of the best ways to reduce water consumption is to shift cost recovery from the fixed charge to the quantity charge. You can lower meter charges and increase water price and still collect the same revenue. [Response to Citizens Document

Request 23.]

Q. Would you please discuss the criteria used by the Southwest Florida Water Management District (SWFWMD), as developed by Brown & Caldwell, to assess whether a rate structure is considered conservation promoting?

A. Yes. The study developed by Brown & Caldwell uses four criteria to evaluate the effectiveness of a utility's rate structure in promoting water conservation. They are rate structure form, allocation of costs to fixed versus variable charges, sources of utility revenue, an_ communication on the customer's bill.

The first criterion judges the relative conservation promoting potential based upon the type of rate structure. The types of rate structure include: uniform quantity charge, inclining block quantity charge, seasonal block charge, and fixed monthly charge.

The second criterion judges the conservation potential based upon the allocation of costs between the fixed and variable component, i.e., the base facility charge versus the gallonage charge. The more of a utility's revenue requirement collected from the gallonage charge the greater the conservation potential.

The third criterion, the source of revenue, considers the portion of a utility's revenue requirement obtained from rates as opposed to other sources, like tax receipts, connection fees, and turn-on fees.

The fourth criterion, communication, evaluates the communication about rates and consumption on customers' bills. It scores the utility's conservation potential relative to whether rate and consumption information is included on the customer's bill.

The Brown & Caldwell study assigned a weighting factor to each of these criterion. They are as follows:

Rate Structure Form	20%
Allocation of Costs	40%
Sources of Revenue	30%
Communication	10%

As admitted in the study, these criteria are subjective and others might weigh them differently.

After the weighting system was developed, the Brown & Caldwell study ranked and scored the various options within each of the four criteria. I have attached the complete scoring system included the Brown & Caldwell study as Schedule 2 of my exhibit. For example, as shown on Schedule 2, within the rate structure form criterion, an inclining block rate structure, where the ratio of the tail block charge to the first block charge is greater than 1.5 times and the first block threshold is less than or equal to 125 percent of the average monthly use for the class, a score of 3.5 is achieved. A nonseasonal uniform charge receives a score of 2.5.

With respect to the allocation of costs to the fixed and variable component, Brown & Caldwell assigned a high score of 5 to rate structures that recover between 90 and 100% of revenue from the quantity component and a score of 1 to rate structures that recover between 50-59% of revenue from the quantity component. As depicted on this schedule, the sources of utility revenue range from a high score of 5, when 90 to 100% of a utility's revenues are collected from rates and charges to a low of 1 when 50 to 59% of a utility's revenues are collected from rates and charges. The last criterion, ranks the conservation potential of a utility's rate structure based upon the information provided on the customer's bill. The more information a customer is given about his or her rates and water usage the more likely he or she will respond to price signals. As shown, if a utility's bill contains rates, water use in the current month and water use in a similar period of a prior year and/or and average from a prior year, a score of 5 is achieved. On the other hand, if a utility's bill shows no information on rates or usage, a score of 1 is achieved.

According to the Brown & Caldwell study, in order for a utility's water rates to be defined as conservation promoting it must achieve a score of at least 3.2. While the weighting and scoring system developed by Brown & Caldwell is not perfect, it can be used by the Commission as a starting point to evaluate the relative effectiveness of a utility's rate structure proposals.

Q. Do you agree with SSU's rate design proposal?

A. No, I do not for several reasons. First, the Company's proposal shifts more risk for revenue collection from SSU's stockholders to its customers. I do not believe this is necessary.

Second, while SSU claims that its rate structure qualifies as a conservation rate structure, it certainly is not the most aggressive conservation rate structure. In fact, its proposal is less conservation oriented than its prior rate structure. Relative to a rate structure which collected 33% from the BFC and 67% from the gallonage charge, SSU's proposal reduces the cost per 1000 gallons of water, thereby, providing less of a financial incentive for customers to reduce consumption. The 3.2 score of SSU's proposed rate design is the lowest possible score which can still be considered a water conserving rate structure.

A review of some of SSU's internal correspondence suggests that its goal with respect to rate structure is more revenue stability than conservation. In a letter SSU wrote to Dr. Whitcomb, SSU stated:

> One area of discussion will be your ideas on revenue stability. Currently our commission is looking at something like 30% of revenues coming from our fixed charge versus 70% from the variable charge. In the past we have also had 40% coming from fixed, and there is one instance (in a high per capital consumption plant) of

> 20% of revenues being generated from fixed charges. The company's stance is that something closer to 50% should come from our fixed charge. To give you an example, last year there was a substantial increase in rainfall from recent years, which causes a company's revenues to be volatile if a substantial amount of those revenues are generated from the variable charge. We would like to discuss what effects the fixed charge percentage and the implementation of a conservation promoting rate structure would have on the stability of company revenues. [Response to Citizens Document Request 107.]

Third, while moving from a 33/67 split between the BFC and gallonage charge to a 40/60 split allows SSU to stay within the score of 3.2, it is a move in the wrong direction. I do not believe the Company, which apparently believes itself to be a water utility which promotes water conservation, should move in a direction which gives customers less of a price signal to conserve water. SSU's proposal, in my opinion, is illogical. Many of SSU's systems operate in water resource caution areas or proposed water resource caution areas. SSU's rate design is inconsistent with reducing consumption in these areas.

Southern States has recognized the precious and limited nature of Florida's water supply.

> Since Florida's aquifers hold so much fresh water, many residents view the supply as endless. Unfortunately it is not. In many parts of our State, there is visible evidence of the severe depletion that has and is occurring within our underground reservoir system due to population growth, development, and salt-water intrusion.
>
> Much of Florida's natural resources and a large portion of our economy is dependent on an adequate supply of high-quality fresh water. But, providing enough clean water for Florida's future is becoming a major challenge. Floridians consume water at a rate matched by few other states. In fact, we are second only to California in water consumption. [Response to Citizens Document Request 247.]

Despite its stated concerns, Southern States proposes to move its rate design in a direction that produces less water conservation than previously approved by the Commission. SSU suggests that although it has moved in a direction away from conservation the Commission should take comfort in the notion that they are still within the subjective conservation designation of the Brown & Caldwell study. This should be no comfort at all. SSU chose the 40/60 split because it produced a result within the conservation designation. In my opinion, SSU should move in a direction that gives a better price signal and produces more, rather than less, conservation.

Q. Do you have a recommendation for a rate structure that is more conservation oriented than the one proposed by SSU?

A. Yes. I recommend that the Commission approve a rate structure which collects 25% of SSU's revenues from the base facility charge and 75% from the gallonage charge. The Commission should continue the existing 20/80 split BFC/gallonage for Marco Island. Because the customers of this system consume an above average amount of water it would be appropriate to continue with the existing 20/80 rate structure.

The 25/75 split between the BFC and the gallonage charge for SSU's other systems will move SSU to a more water conserving rate design. I developed the split between the BFC and the gallonage charge using the criteria set forth in the Brown & Caldwell study. The spilt that I recommend will move SSU up one notch under the cost allocation criterion set forth in the Brown & Caldwell study and will produce an overall score of 3.6. Inclusion of historical consumption information on SSU's customers' bills will boost SSU's overall score to 3.7.

Q. Can you give an example of how your recommendation would impact rates compared with SSU's proposal?

A. Yes. Assume the monthly revenue requirement for a residential customer consuming 10,000 gallons per month is $35.00. Under the 40/60 split requested by SSU, the customer's rates would consist of a BFC of $14.00 and a gallonage charge of $2.10 per 1,000 gallons. Under my recommendation, this exact same set of circumstances would produce rates of $8.75 for the BFC and $2.63 for the gallonage charge. If this customer's consumption pat'ɜrns change, the latter rate structure will send a better price signal than the former. For example, assume this customer consumes 20,000 gallons in the next month. His or her total bill will increase to $56.00 under SSU's proposal and to $61.35 under my proposal. Thus, under SSU's proposal while a customer's consumption increased by 100% his or her total bill only increased by 60%. However, under my recommendation the customer's bill would increase by approximately 75%.

The opposite is also true. If a customer conserves water, his or her total bill will decrease more under my proposal than under SSU's proposal. Assume the same circumstances as above, but the customer consumes only 5,000 gallons in a month. Under SSU's proposal, the customer's bill would be $24.50, for a decrease of 23%, with a decline in consumption of 50%. Under my recommendation the customer's bill would decline to $21.90--a decrease of 37%.

Q. Are there other rate structures that also promote water conservation?

A. Another rate structure that may enhance water conservation is an inverted block rate. Under such a rate structure, the gallonage charge would increase as customers consume more water. Typically, such rate structures are done in blocks, such that the first block recognizes the average or typical water consumption of a customer. Any consumption in excess of this typical level would be priced higher, recognizing the increased cost associated with producing this additional water.

III. Conservation Program

Q. Please turn to the third section of your testimony. Would you explain SSU's water conservation program?

A. Yes. SSU has three water conservation programs. The first is a general water conservation program designed to educate customers about basic water conservation practices. The second is a pilot program targeted at Marco Island's customers. The third is a program to gear up in 1996 targeted at six communities: Palisades Country Club, Silver Lake Estates/Western Shores, Quail Ridge, Dol Ray Manor, Sugar Mill Woods, and Valrico Hills. According to Ms. Kowalsky, SSU's conservation witness, these communities were selected primarily because they had high average monthly consumption for the past four years.

SSU's statewide conservation program began in 1991 and includes communication and public education as well as operational efforts regarding unaccounted for water and meter change out programs. The program for Marco Island began in December 1994. It consists of public education programs including workshops, open houses, newspaper advertising, feature article placement, a conservation newsletter, school programs, trolley signs, an annual Christmas float, and stickers. The program also includes a promotion of indoor conservation retrofit devices. Initially the kits were made available at no cost. Now the kits are available for $6 each. Each kit contains a low flow showerhead, kitchen and bathroom aerators, and a toilet tank bag. The program also includes water audits for high volume residential and multifamily users. In addition to the water audit, participants were offered a $50 rebate toward an irrigation shut-off device. Beginning in 1995 as part of SSU's enhanced efforts on Marco Island, SSU anticipates expanding its rebate offer to include a broader audience and it will include rebates for both low flow toilets and moisture sensing devices.

The expanded program beginning in 1996 for the six targeted communities is to include an alleged extensive public education program, free indoor retrofit kits, water saving toilet rebates, and rebates for irrigation shutoff devices. In addition, SSU proposes to survey customers to assess the effectiveness of the program.

To account for the expected consequences of SSU's conservation efforts the Company has reduced test year billing units by a total of 142,788,000 gallons. Of this amount, 63,765,500 gallons relate to the six targeted communities and 79,022,500 gallons relate to Marco Island. This information is reflected on Schedule 3 of my exhibit.

As depicted on Schedules 4 and 5, SSU's water conservation program is expected to cost $524,428 in 1996. As shown on Schedule 4, this compares to a 1995 budget of $199,250, actual expenditures in 1994 of $149,743 and actual expenditures in 1993 of $70,780. SSU's 1996 budget represents a 641% increase in costs relative to 1993, a 250% increase relative to 1994, and a 163% increase relative to 1995. Schedule 5 of my exhibit sets forth the detail of SSU's conservation expenses for 1995, the proforma adjustment for 1996, and the total budget for 1996.

Q. Do you have any general comments with respect to SSU's conservation program?

A. Yes, I do. SSU has not demonstrated that its conservation program is cost effective. It has provided no analyses comparing the various alternative conservation methods that are available to it and its customers and the costs and benefits of each. In my opinion, this is a fundamental flaw in SSU's proposal. SSU has failed to demonstrate that any of its water conservation programs are cost effective. In the Citizens' document request 215, SSU was requested to provide a copy of all cost/benefit studies or analyses prepared by or for SSU concerning its proposed conservation program. In response to this request, the Company produced one memo on the alleged effectiveness of the Marco Island high volume user audit program and an alleged cost/benefit analysis related to other Marco Island projects. Neither of these documents are, in my opinion, a cost/benefit analysis of SSU's proposed conservation program. The two alleged cost/benefit analyses do attempt to estimate the impact (water savings) of the various conservation measures and the cost to customers of installing the devices, but they contain many assumptions and fail to evaluate the full spectrum of alternatives available to SSU and the entire cost of the programs.

Q. Do you see other problems with SSU's proposed conservation program and expenditures?

A. Yes, there are several. First, SSU has proposed a 1996 proforma adjustment to its 1996 budgeted conservation expenses of $321,290. Without a proper cost/benefit analysis SSU's request is highly questionable. There are several problems with SSU's 1996 proforma proposal. For example, the 1996 proforma adjustment includes $14,080 for conservation expenses associated with Valrico Hills. According to Ms.Kowalsky, this system was included as one of the targeted communities because it was in the Southwest Florida Water Management District's Southern Water Caution Area and it had consumption in excess of the 110 gallons per capita per day goal established for these areas. Ms. Kowalsky noted that it was not one of SSU's systems with the highest water consumption. I would suggest that SSU look to the price these customers have been charged, for an explanation as to why consumption is relatively high. The cost per 1,000 gallons of water for residential customers in this system is $.60. This is roughly half of SSU's current rates.

Another concern that I have with respect to SSU's 1996 proposal relates to the cost and associated water conservation resulting from the free retrofit kits. As shown on Schedule 6, the 1996 proforma adjustment includes $60,180 for these kits. SSU's consultant provided SSU with information stating that based upon information obtained from similar efforts in Tucson Arizona the impact from low flow showerheads was small due to the high rate of removal of cheap devices[1]. [Response to Citizens Audit Request 24.] Furthermore, SSU has assumed that of the total number of kits given away, only 50 to 60% of customers will actually install the devices. This seems rather inefficient. A more cost-effective option might be to offer a rebate after the devices are installed. Under this scenario, only those customers that actually install and use the devices would receive the equipment free of charge. If not used, the rest of SSU's customers will not be asked to pay for the retrofit kits. Another alternative would be to charge customers for perhaps 50% of the cost of the retrofit kits. Customers would be more likely to install the kits if they had to pay for them, than if they were provided free of charge. SSU did not prepare any analysis of the various costs of such alternative or of the associated penetration rates. Such an analysis would enhance SSU's decision making and lead to a more informed decision.

With respect to the six targeted communities and to Marco Island, SSU proposes to spend $20,850 for rebates associated with irrigation shut-off devices. It is unclear to what degree these devices are effective. According to a survey of local contractors done by Image Marketing, rain sensors may not be effective. For example, Capri Landscaping told Image Marketing that rain sensors only kick in when it is raining and they only operate for 2 to 3 hours after any given period of rain. Likewise, Thompson Irrigation indicated that they tried to install soil moisture sensors a year

1 I would note that SSU apparently proposes to upgrade the kits for the targeted community. But it is not clear if they would still be considered "cheap".

ago, but they did not work. Thompson Irrigation lost money on the venture because they were forced to put in extra work trying to get the sensors to work. Image Marketing wrote to SSU stating:

> Here's what we found out locally concerning firms willing and able to install sensor devices. From what we have learned, there isn't much knowledge on Marco--or generally in Naples--concerning the value and use of water sensor devices....We would need some positive PR to make the islanders aware of the sensors to the point they would be willing to pay to have them installed. [Response to Citizens Document Request 221.]

Q. Do you see any other problems with SSU's water conservation proposal?

A. Yes. It is difficult to distinguish what portion of SSU's water conservation advertising, open houses, poster contests, parade floats, stickers, trolley signs, and the like are really conservation efforts as opposed to public relations efforts. My review of the invoices and memorandum submitted by SSU's marketing consultant indicates that the Company's ostensible conservation program is designed to enhance SSU's image as well as to produce water conservation.

For example, since 1993 SSU has sponsored a float in the Christmas parade on

Marco Island and has budgeted for one in 1995 and 1996. Regarding the 1993 parade float, SSU's marketing consultant wrote in a memo: "The parade went very well, and, judging from the reaction of the crowd, the float was a big hit. The float looked great (will send you photos as soon as they are processed) and everything went very smoothly....You can score this one as a positive PR effort all the way." [Response to Citizens Document Request 221.] In an analysis of the Marco Island conservation program/communications budget, SSU's marketing consultant indicated that the trolley signs were "a good SSU image builder." With respect to the possible billboard signs the consultant noted: "Also an excellent image builder." Regarding special events, the consultant noted that such efforts were "good community image builders, but expensive and time consuming for limited exposure." Concerning the school programs sponsored by SSU, Image Marketing (SSU's marketing consultant) wrote: "Good image building opportunity which offers PR possibilities." [Ibid.] With respect to other efforts, bills from the Company's marketing consultant often use the designation "public relations" concerning several alleged conservation programs. For example, with respect to the conservation kits, the consultant's bill states: "fax release to client for approval, prepare and distribute to media with photos, fax clip of PR to client." Concerning the poster contest, the consultant's invoice reads: "Poster Contest PR: Write copy for press release and revise." Similar "public relations" designations are noted with other alleged conservation expenditures.

SSU essentially claims that all of these costs are consumer education or conservation-related costs. I do not agree. SSU is spending considerable amounts of money on advertising and other public relations efforts that are not solely designed to enhance conservation. That portion of the costs associated with SSU's "public relations" efforts should not be borne by ratepayers. The Commission has consistently disallowed public relation costs in the past. In Order No. 10306, the Commission found that Florida Power & Light Company had included in its expenses costs related to an exhibit at Disney World, floats for parades, membership in Reddy Services, Inc. and expenses of the company's energy advocate program. The Commission concluded that only the latter expense should be allowed for ratemaking purposes and that the other expenses were removed as public communication expenses. [Order No. 10306, p. 28.]

The Commission has also held that the burden of proving the reasonableness of advertising expenditures in on the utility:

> ...it is incumbent upon a utility to affirmatively demonstrated that such charges [advertising] are in the interest of ratepayers. [Order No. 7018, p. 9.]

SSU has provided no such demonstration in the instant proceeding.

Q. Have you identified any other problems?

A. Yes. SSU has budgeted $20,000 for residential water audits on Marco Island. However, the last time SSU performed water audits for residential customers the audits were not well received. Specifically, only 7 of 17 residential customers contacted participated. This is in stark contrast to the commercial audits where 66 of the 78 customers contacted participated in the study. It is not clear that the proposed $20,000 for residential audits would be used.

Other concerns I have relate to SSU's budgeted expenses for "conservation" workshops. In her deposition, Ms. Kowlasky indicated that the last conservation workshop she attended in the fall of 1995 on Marco Island only drew 25 customers even though all customers on the island were informed. The year-round population of the island is approximately 11,000 with this amount increasing threefold during the tourist season. Ms. Kowlasky explained that she thought there were extenuating circumstances associated with this workshop that may have accounted for the low turn out. At another public meeting on Marco Island, SSU's marketing consultant reported that: "While the turnout was a little disappointing (64 at its peak, not including media or SSU officials), it can't be blamed on lack of publicity." [Response to Citizens Document Request 221.] Considering the population on Marco Island, the turnouts for these two meetings seem dismal at best. SSU has provided no evidence that these workshops were or are cost effective.

Q. Has SSU expended funds in the past associated with its conservation efforts that were not cost effective?

A. Yes. SSU conducted a survey on Marco Island of customers that installed retrofit kits. This survey was conducted on the advice of its marketing consultant despite a conclusion reached by the same marketing consultant that it would not yield the desired results.

> Tracking must be done from the outset, not by billings, which contain too many variables, but with set formulas to guarantee accuracy. Even so, I feel we should go ahead with the Marco Island retrofit survey, even if a bit after the fact. The information, at a minimum, will give us a valuable look at customer usage, attitudes and perceived water savings, as well as serve as a good PR/conservation tool. Whether we will be able to develop hard data from it is another question. [Response to Citizens Audit Request 24.]

In my opinion, this recommendation from SSU's consultant should have been questioned. What was the real impetus for the survey--water conservation results which could not be effectively developed--or enhanced public relations?

Q. Has SSU evaluated the relationship between its rate structure, alternative rate structures, and its proposed conservation program?

A. No. Southern States' conservation expert had no knowledge concerning the relationship between the two. It became clear to me, during her deposition, that the conservation committee did not evaluate how rates might affect conservation relative to spending $524,430 on specific targeted programs. In addition, in response to the Citizen's interrogatory 274, SSU stated: "SSU has not made a comparison between the projected water saving that could result from the enhanced conservation program and the water savings that could be achieved from any particular rate design." In my opinion, this is another fundamental flaw in SSU's approach to its conservation program. SSU is essentially asking its customers to pay considerable amounts of money to help produce conservation when a change in its rate design could produce the same or more conservation for a fraction of the cost.

Q. What are your recommendations with respect to SSU's water conservation program?

A. Given SSU's lack of overall conservation planning and cost/benefit analyses the Commission would be justified in disallowing all of SSU's conservation expenses. Nevertheless, I recommend that the Commission allow some of SSU's expenditures, specifically, $175,957. This produces a disallowance of $313,473 associated with SSU's conservation expenses. In addition, the Commission should remove from SSU's expenditures $35,000 to recognize that the South Florida Water Management District is assisting SSU with the funding of some of these programs. In total I recommend that the Commission disallow $348,473 of SSU's proposed 1996 conservation expenses.

I have allowed some conservation expenditures because it is my understanding that the water management districts require SSU to have a public education program in order to qualify for a consumptive use permit. I have also allowed most of the expenses associated with the Marco Island conservation program because of the high consumption per customer on the island and the potential water shortages faced by this community. I have disallowed all costs associated with the six targeted communities because SSU has not shown that the conservation programs are cost effective and because SSU can gain as much or more conservation by merely changing its rate structure. This is decidedly less expensive than SSU's proposal. I also have disallowed all costs associated with public relations efforts. If the Company's description indicated that it was public relations-related, I disallowed the cost. In addition, I recommend disallowance of one-half of SSU's advertising costs which SSU claims are conservation related. SSU has not demonstrated that these ads are in fact solely designed to produce water conservation. In fact, my review of past advertisements suggests that they are designed for both purposes--public relations and conservation. I also recommend disallowance of the water audit cost and survey costs associated with Marco Island for the reasons previously described.

Next, I recommend that the Commission disallow a portion of the cost associated with sponsorship of a 1996 conservation education program. SSU has not justified the increase in 1996 expenditures budgeted for this program. In fact, SSU has not provided any information on the nature or benefits of this sponsorship. Finally, as I just mentioned, SSU will receive \$35,000[2] in cost share funds from the South Florida Water Management District. SSU failed to take these funds into consideration when developing its 1996 budgeted expenses. Since SSU will not incur these costs, they should not be recovered from ratepayers. My specific recommendations are set forth

2 SSU has received approval of its request for \$10,000 to fund its 1995 water conservation rebate program. SSU has submitted a proposal for funding of \$25,000 in 1996. According to SSU's response to Citizens's Document Request 163, the 1996 request has been approved.

on Schedule 7.

IV. Gain on Sales and Equity Adjustments

Q. Please turn to the fourth section of your testimony. Has SSU recently sold assets for which it recognized a gain on the sale?

A. Yes, these gains, and in one instance a loss, are shown on Schedule 8 of my exhibit. As shown, the largest after-tax gain, $19,088,063, occurred in 1994 when SSU sold its Venice Garden Utility (VGU) to Sarasota County, under the threat of condemnation. I have included the total pre-tax gain on this system as an after-tax gain due to the unique tax circumstances of sale. Apparently, SSU took a special election on its income tax return such that income taxes were minimized or deferred. While I believe a portion of the total gain was taxed or deferred, SSU has, to date, refused to provide a copy of SSU's income tax returns as requested by the Citizens. If these are provided, I will adjust this figure accordingly. In addition, other adjustments may arise when SSU produces its income tax returns.

SSU also recognized two gains from parcels of land sold at its Spring Hill system in 1995. These two sales produced after-tax gains of $33,394 and $44,866. In addition, SSU anticipates selling its River Park system in 1995 for an anticipated gain of $33,726 and another parcel of land at Spring Hill for an after-tax gain of $201,950. SSU also incurred a loss of $115 associated with the sale of land in Seminole County. In total, these gains and the one loss amount to $19,401,882.

Q. Are you proposing that part of the gain on these sales be passed along to Southern

States' customers?

A. Yes. I am recommending that these gains be amortized over a period of five years consistent with the Commission's rules concerning non-recurring items. According to SSU's response to the Citizens' interrogatories 207 and 55, all of these assets were included in rate base as 100% used and useful. SSU recognized other gains during 1993 and 1994, but the associated assets were not included in rate base. I have, therefore, not included these other gains in my calculation of the amount of the gain that should be amortized above the line for rate making purposes.

SSU is likely to claim that the proceeds from the gain on the sale of VGU do not belong to the customers regulated by the Florida Public Service Commission, since the Venice Garden system was not under the Commission's jurisdiction at the time of the sale. In fact, when the Citizens initially requested information concerning gains on sales of utility assets SSU did not provide the information with respect to Venice Gardens, allegedly because it was not an FPSC regulated system. This however, contradicts the Commission's recent decision in Docket No. 930945-WS, where the Commission found:

> ...we find that SSU is a single system whose service transverses county boundaries. As such, this commission has exclusive jurisdiction over SSU's existing facilities and land in the State of Florida....[Order No. 95-0894-FOF-WS.]

Given that the Company strongly advocated the position that the Commission had complete jurisdiction over all of its systems, I find it disturbing that SSU failed to initially provide the Citizens with the information requested concerning all systems and assets sold.

Q. Why do you believe that these gains should benefit Southern States customers?

A. There are several reasons why these gains should be shared with ratepayers. First, in past proceedings this Commission has required utilities to share with ratepayers the gain on the sale of utility property. For example, in Docket No. 82007-EU the Commission stated:

> In Docket Nos. 81002-EU (FPL) and 810136 (Gulf Power), we determined that gains or losses on the disposition of property devoted to, or formerly devoted to, public service should be recognized above-the-line. We consider it appropriate to treat this gain in the same manner .... [Florida Public Service Commission, Docket No. 820007-EU, Order No. 11307, p. 26.]

The Commission should continue with its precedent and attribute the gain on the sale of these assets and land to ratepayers.

Second, with respect to the land sales, I question how SSU could sell land that was previously included in rate base as 100% used and useful. One must question why customers were asked to provide a return on land included in rate base that, by its very sale, indicates that it was not used and useful. Absent unusual circumstances, SSU's past actions have required ratepayers to provide a return on land that was apparently not used and useful. Accordingly, consistency would require that the Commission allow customers to receive the benefit from these gains.

Third, while Southern States will claim that no costs of the VGU system are being borne by the remaining FPSC regulated systems, this is not completely accurate. Because of the sale, FPSC systems, as well as the other systems, are absorbing the A&G and general plant costs that would have been allocated to VGU had it not been sold. Thus, indirectly through the allocation of common costs, Southern States' customers are paying for a portion of the costs that would have been allocated to VGU.

For these reasons, I believe the Commission should impute to the benefit of Southern States customers a portion of the gain on the sale of Venice Garden and the properties at Spring Hill, the anticipated sale of the River Park System[3] and the anticipated sale of land at the Spring Hill system.

Q. In SSU's last rate case the Commission determined that the gain on sale of an SSU system should not be shared with ratepayers. Do you agree with the Commission's

---

[3] If the Commission adopts my recommendation with respect to the gain on sale of the River Park system, it would need to consistently adjust the allocation of administrative and general and customer expenses to remove these customers from the allocation factor and redistribute the costs.

decision?

A. No. In addition to the reasons addressed above, there are several other reasons the Commission should allocate of portion of the gains to customers. First, as I mentioned earlier, the Commission has determined that all of SSU's systems are under its jurisdiction, as such, the gain on sale resulting from the VGU system should be shared with all customers of SSU regulated by the Commission.

Second, in the past, under circumstances similar to the present case, the Commission has required customers to absorb the loss on the sale of an entire system. Specifically, in Order No. 17168 the Commission found:

> Subsequent to the test year, Southern States sold the Skyline Hills water system to the Town of Lady Lake. We believe the <u>gain or loss on the sale of a system should be recognized in setting rates for the remaining systems.</u> Based on the net investment in plant by the utility, closing costs, and the purchase price, the sale of the Skyline Hills system resulted in a loss of $5,643. This loss should be amortized over a three-year period resulting in an annual expense of $1,881. [P. 9, emphasis added.]

It would be unfair for the Commission in the above instance to require the customers to absorb a loss after the sale of an entire system, but not to similarly allow them to share in any of the associated benefits. Unless the Commission consistently treats gains and losses the same, customers will be caught in a "catch 22"--if it's a loss, customers pay, but if it's a gain, customers get nothing.

Third, SSU anticipates selling other systems in the future. In his deposition, Mr. Sweat indicated that his recommendation to divest several additional systems was viewed favorably by SSU's management. Mr. Sweat's recommendation comes from a draft strategic plan developed by himself and others. This plan specifically targeted several systems:

> ...this look at ourselves must include a look at systems such as Marco Island, Kingswood, Oakwood, Holiday Haven, Leliani Heights, Fox Run, Fisherman's Haven, Beecher's Point, Wootens, Tropical Isle, Jungle Den and Sunny Hills. An evaluation over an eighteen month period will be conducted on the feasibility of SSU's divestiture [of] these and other specific satellite operations. A critical look will be given to certain operations that fall into singular categories such as:
>
> - geographically strains operating and maintenance performance
> - stagnated growth or no growth
> - politically correct

- water supply originates from another source
- exceptionally high operating cost
- capital intensive

These systems for the most part are stifled by small customer numbers, geographical distances, inhibiting water purchase agreements, etc. [Response to Citizens Document Request 161.]

It is evident from SSU's strategic plan that it anticipates sales in the future and that such sales will be a recurring item.

Fourth, SSU will undoubtedly argue that VGU has always been treated as stand alone for ratemaking purposes. While true, this does not mean that there have not been costs incurred for the benefit of the VGU system that were in fact paid for by the other systems of SSU. SSU's method of allocating all administrative and general expenses requires that all customers share in these costs regardless of which system incurred the expense. For example, in the Marco Island rate case Docket No. 920655-WS, I testified that the Company incurred approximately $14,000 in legal fees concerning either permitting or EPA and/or DER violations for the Venice Gardens system. [Response to Citizens Interrogatory 307, Docket No. 920199-WS and Citizens Interrogatory 64, Docket No. 920655-WS.] These fees were not directly charged to the VGU system, but were instead charged to all customers of SSU, contrary to my recommendations. While the amount in this particular instance was not large, SSU has made it a policy to treat all of its systems as if they were one, allocating all administrative and general expenses and customer expenses regardless of what system the expenses were incurred to benefit. Either SSU is one system as it argues, or it is not. Under SSU's theory---it is one system--there should be no distinction between one group of customers and the next--all should share in the costs and all should share in the benefits, including gains on sales.

Q. Schedule 8 also includes the gain on sale from the St. Augustine Shores system. Would you explain why you have included this gain?

A. Yes. As I mentioned above, the Commission did not approve of sharing this gain with customers in the last case. However, I respectfully disagree with the Commission's decision in that case and I believe that given that SSU's customers have been required to absorb losses from sales of entire systems, that it is only fair that they likewise share in the gains. Accordingly, I have included in my calculation of the gains that should be attributed to ratepayers the gain on St. Augustine Shores.

Q. Have you developed a recommendation concerning the amount of the gain that should be attributed to Southern States' customers?

A. Yes. Using the number of customers as a basis to distribute the gain between the various systems, I determined that Southern States filed FPSC systems' share of the gain is $16,817,059. I recommend that the gain be amortized over five years, so the adjustment to increase test year net operating income would be $3,363,412.

Q. Have you attributed any of these gains to stockholders?

A. Yes, I have. With respect to the gain on the sale of the VGU system , I attributed the portion of the gain that would have been allocated to VGU had it still been a part of the SSU family. The portion of the gain that I attributed to SSU's stockholders was $1,651,117. I made the same type of allocation with respect to the sale of St. Augustine Shores, with $118,020 attributed to shareholders.

With respect to the other assets, systems, and land that was sold or anticipated to be sold, I attributed 3% to stockholders. I believe the remainder, 97%, should be moved above the line. The percentage attributed to stockholders is based upon the percentage of SSU's efforts devoted to its acquisition program. For these gains, I have estimated the after tax gain to be $313,820. Of this amount $304,405 should be moved above the line and attributed to SSU's remaining customers. Using a five year amortization this produces an adjustment to test year net operating income of $60,881.

Q. Do you have an alternative recommendation if the Commission does not adopt your primary recommendation?

A. Yes. If the Commission treats these gains as non-utility or does not pass them along to ratepayers then I believe that, at a minimum, the associated dollars should be removed from the equity portion of SSU's capital structure. Assuming the Commission makes the determination that these funds are nonutility and thus belong to stockholders not ratepayers, then it is only appropriate that these funds be removed from equity. This Commission has historically determined that nonutility assets should be removed from the equity component of the capital structure. In my opinion, a determination that these funds should not be attributed to ratepayers is analogous to attributing them to nonutility functions. As such, SSU's equity should be reduced by $8,940,411. This amount is net of the $12.0 million SSU's paid to MPL in the form of dividends in 1994. This adjustment would reduce SSU's requested overall cost of capital structure from 10.32% to 10.20%--with an associated reduction to SSU's requested net operating income of $189,463 and a reduction to its revenue requirement of $322,977.

Q. Do you recommend any other adjustments to the equity component of SSU's capital structure?

A. Yes, as depicted on Schedule 9, I recommend that the Commission adjust the equity component of SSU's capital structure to recognize the refund the Commission ordered SSU to make pursuant to Order No. PSC-95-1292-FOF-WS. In that Order the Commission ordered SSU to refund the difference between the statewide rates approved in Docket No. 920199-WS and the rates approved in Order No. PSC-95-1292-FOF-WS. As a result of this refund of approximately $8.2 million, SSU will incur a reduction to its 1996 net operating income of approximately $4.8 million or more, depending upon when SSU makes the refund.

I also recommend that the Commission reduce SSU's equity ratio to remove the general plant allocated to its gas operations. It appears that SSU only removed the direct investment in its gas operations from the equity component of its capital indicated in its response to Citizens's interrogatory 97, that to develop a model to accurately measure the impact of weather/rainfall "would be extremely complex and unduly costly to prepare and maintain." [Response to Citizens Interrogatory 97.]

Q. Have you reviewed any data which demonstrates that rainfall was abnormally high during the period used by SSU to average test year billing units?

A. Yes. Schedules 10 through 15 demonstrate that rainfall was abnormally high for the years 1991 and 1994. For the years 1991 through 1994 rainfall for the majority of SSU's systems was above average. SSU's method of developing projected test year billing units is flawed and significantly understated projected test year consumption and revenue.

The information presented on these schedules was obtained from SSU's response to Staff's interrogatory 14. This response contained rainfall data obtained by SSU from each NOAA station closest to fourteen of SSU's service areas. The rainfall data collected accounts for 96.6% of SSU's total residential consumption. The data collected showed inches of rainfall for the period 1960 to 1994 and it compared the average annual rainfall for the period 1960-90, where available, against 1991, 1992, 1993, and 1994. I have presented a summary of this data on Schedule 10. This schedule shows that in almost all service areas, the rainfall experienced in 1991 and 1994 was abnormally high, and in several instances the rainfall experienced in 1992 was unusually high as well. For example, in the service area that contains Beacon Hills and Woodmere, the rainfall experienced in 1991 was 35.32% above the average for

> on-line with NOAA. He is checking with the climatologist at Southwest Water Management District to see where the data is available from. This doesn't mean he can't do the study, just that it may not be as in depth as originally proposed. To gather data manually from different sources would hold up the study by several weeks, which we don't have. [Response to Citizens Document Request 107.]

For some unknown reason SSU abandoned its efforts to directly adjust its 1994 billing units to account for the impact of abnormally high levels of rainfall. SSU, however, did have Dr. Whitcomb prepare an analysis that examined the impact of weather (Net Irrigation Requirements) on SSU's consumption. This analysis was not used for purposes of the instant rate case.

SSU maintains that its method of determining test year billing units helps solve some of the problems associated with its failure to normalize its billing units. This results because SSU has averaged four years worth of data. The implicit assumption in SSU's rationale is that while in some years the rainfall might be high in other years the rainfall would be low and on average the result produces billing units that reflect normal weather. This is a relatively simplistic and inaccurate assumption. SSU derive its billing units (gallons) for the projected test year, SSU averaged 1991 through 1994 gallons and then increased this average by the historic compound average growth rate in customers over the same period of years. This computation was made on a system by system basis.

The primary flaw in SSU's methodology is that it has failed to take into consideration the impact of weather, in particular rainfall. During 1994 SSU's billing units were notably understated due to heavy amounts of rainfall. SSU's management reports are replete with references to the abnormal level of rainfall depressing 1994 revenue. Likewise, SSU's MFRs indicate the costs for several systems were either higher or lower due to the heavy rainfall experienced during the historic test year 1994. Similarly, in a letter to Dr. Whitcomb, Mr. Isaacs wrote that: "...last year there was a substantial increase in rainfall from recent years...." [Response to Citizens Document Request 107.] Mr. Bencini , in his deposition, also made reference to the abnormally high level of rainfall experienced during 1994.

SSU apparently considered a specific adjustment for the effects of rainfall on its consumption data, but for whatever reason rejected using such an approach. In a memo to Forrest Ludsen from Tony Isaacs, Mr. Isaacs wrote:

> We may have a slight problem in the weather normalization. To do the extensive analysis he had originally planned John would need data that are not

structure. To be consistent with this adjustment, the Commission should also remove $203,924 associated with the general plant that was allocated to its gas operations. As shown on Schedule 9, these adjustments reduce SSU's overall cost of capital from 10.32% to 10.27%. It also reduces SSU's required net operating income by $80,750 and its reduces its revenue requirement by $143,153. This schedule also depicts the change in the Company's overall cost of capital using the cost of equity recommended by Citizens's cost of equity witness. As shown using a cost of equity of 10.10% and the equity adjustments that I recommend, SSU's overall cost of capital is reduced to 9.43%.

V. Revenue Adjustments

Q. Please turn to the fifth section of your testimony. Would you discuss the adjustments that you have made to SSU's test year revenue?

A. I have made several adjustments to SSU's test year revenue. These adjustments are depicted on Schedules 10 through 20. Schedules 10 through 18 relate to the issue of weather normalization. Schedule 19 adjusts SSU's variable expenses for the increase in consumption that I recommend due to SSU's failure to adequately consider the effects of rainfall on consumption. Schedule 20 relates to revenues associated with new reuse customers on Marco Island. I am also proposing an adjustment for the revenue effect of SSU's conservation program. The impact of this adjustment is depicted on Schedule 3.

Q. Would you please discuss your weather normalization adjustments?

A. Certainly. SSU has proposed to use a projected 1996 test year in this proceeding. To the years 1960-90. Likewise, the rainfall experienced in 1992, 1993, and 1994 was 32.82%, 12.55%, and 32.07%, respectively above the average. For the Marco Island and Marco Shores area, rainfall in 1991 was 34.91% above the average, rainfall in 1992 was 3.15% below the average, rainfall in 1993 was 17.39% above the average and rainfall in 1994 was 12.12% above the average. In total, for Marco Island and Marco Shores, for the years 1991-94 rainfall was 15.32% above the 1960-90 average.

As noted on this schedule there were a few months during 1991-94 where data was missing for three service areas. To overcome this problem, I substituted the average level of rainfall during the month for the period 1960-90, for the missing months. The results of this analysis are depicted on Schedule 11. With data available for all service areas for all months, it is possible to compare the total for 96.6% of SSU's service area. As shown on this schedule, the average annual rainfall for all of the systems for the period 1960-90 was 661.52 inches. This compares to 824.93 inches in 1991, 761.12 inches in 1992, 635.11 inches in 1993 and 818.23 inches in 1994. In total, rainfall for the period 1991-94 (the period SSU chose to average its billing units) was 14.86% above the average of the 30-year period. Clearly, the time period used by SSU to estimate 1995 and 1996 billing units is significantly biased downward due to the abnormally high level of rainfall experienced during this time period. Schedule 12 of my exhibit graphically compares the level of rainfall experienced in each of the years 1991 through 1994 to the average experienced over the period 1960-90. Schedule 13 contains the detailed information supporting Schedules 11 and

12. It shows the monthly rainfall for each of the years 1991 through 1994. In those months were there was missing data, I substituted the average for the period 30-year period. I have noted when a substitution was made with the use of an astrict.

I also prepared two similar schedules, but instead of substituting the average for the months of missing data, I substituted zero. In other words, I assumed that there was no rainfall in the months when there was missing data. This is an unrealistic assumption, but it nevertheless still shows that even with this overly conservative assumption, rainfall experienced in the years 1991, 1992, and 1994 was above average. As shown on Schedule 14, during 1991 rainfall was 24.40% above average, during 1992 it was 13.04% above average, during 1993 it was 6.61% below average, and during 1994 it was 21.02% above average. In total for the four year period, rainfall was at least 12.95% above normal. Schedule 15 shows the detail supporting Schedule 14.

The data presented on Schedules 10 through 15 demonstrates that, to the extent rainfall affects consumption, which even SSU has been forced to admit, the billing units used by SSU to estimate its 1995 and 1996 billing units are woefully understated due to the above average level of rainfall experienced over the period 1991 though 1994. The Commission should reject the method used by SSU to project its 1995 and 1996 billing units and projected test year revenue.

Q. Have you developed an alternative to SSU's projected test year billing units?

A. Yes, I have. The results of my analysis are depicted on Schedule 16. My alternative uses the results of a study prepared by Dr. Whitcomb entitled "Financial Risk and Water Conserving Rate Structures" and produced in response to Citizens's document request 24. In that study Dr. Whitcomb estimated the impact of rainfall (actually Net Irrigation Requirements) on SSU's water consumption. While the study prepared by Dr. Whitcomb did not capture the effects of net irrigation requirements for all systems, the study did encompass 96.6% of the total SSU residential water use. Accordingly, since the majority of SSU's residential water consumption was captured in this study, I have used it to estimate the impact of weather on SSU's billing units. The results of the study indicate that average annual weather normalized water consumption for SSU's residential customers equals 9,476 gallons per bill per month.

I used this estimate to develop weather normalized billing data for residential customers for the projected test year 1996. The results of this analysis are shown on Schedule 16. Using the number of bills for residential customers projected by SSU for 1996 I applied the weather normalized consumption per bill to arrive at the 1996 projected billing units. As shown on this schedule, using this method produces an increase in projected 1996 residential consumption of 1,227,876,000 gallons. Multiplying this increased consumption by SSU's test year gallonage charges produces an increase in test year revenue of $1,937,947. Accordingly, I recommend that the Commission increase projected test year revenue by $1,937,947.

Q. Did you prepare any other analyses of SSU's proposed test year billing units?

A. Yes. The results of this analysis is shown on Schedule 17. Instead of using SSU's 1991 through 1994 average consumption as the starting point to project 1995 and 1996 billing units and revenue, I used the average of 1992 and 1993. I excluded 1991 and 1994 for three reasons. First, as I have discussed, 1994 experienced an abnormally high level of rainfall and therefore distorts the average. Second, 1991 also was a year when the rainfall was abnormally high and would tend to understate the consumption. Third, SSU has indicated that the 1991 data is not particularly reliable.

As shown on this schedule, if 1992 and 1993 billing units are used to project 1996 billing units, an increase in total consumption of 318,515,813 results. This produces increased test year revenue of $428,398. If the Commission does not accept my primary recommendation to increase test year revenue by $1,937,947, then I recommend that it increase test year revenue by $428,398.

Q. Have you examined other data which suggests that SSU's estimation method understates test year billing units and therefore revenue?

A. Yes. Schedule 18 shows SSU's historical and projected test year billing units by year and the average consumption per customer by year. As shown on this schedule, for all FPSC systems, in 1991 SSU's customers consumed an average of 10,515 gallons per month, in 1992 they consumed 10,935, in 1993 they consumed 11,124, and in 1994 they consumed 10,016. It is interesting that customers on average tend to show increased consumption per year with the exception of 1994. It is not clear to what degree this decline is influenced by abnormally high levels of rainfall or other factors such as conservation. Nevertheless, if 1994 data is ignored as being abnormal, one would expect to see an increase in consumption per customer projected for 1995 and 1996.

However, SSU's projections show just the opposite. Specifically, for 1995[4] SSU's estimate of gallons and bills suggests that on average customers will consume 10,327 gallons per month. For 1996[5], the results are lower with customers consuming 10,283 gallons per month. Both of these estimates are substantially below the actual 1991, 1992, and 1993 consumption per customer and only slightly higher than the amount experienced in 1994. SSU's estimated consumption per customer for 1995 and 1996 is even below the average for the four years which is 10,640. Since SSU has not demonstrated to what degree, if any, conservation has affected 1994 consumption it is not possible to accurately assess its impact on 1994 consumption data. Because SSU's conservation program has been in effect since 1991, one would expect these earlier years to reflect the impact of conservation on consumption.

One difference between 1994 and earlier years would be consumption related to SSU's enhanced conservation efforts on Marco Island. But, SSU's pilot conservation program for Marco Island did not begin until late 1994. Therefore, its impact would be minimal. Nevertheless, even if the full impact of SSU's enhanced conservation

4 Before repression.

5 Before repression.

program on Marco Island were added back to 1994 billing units, the total consumption per customer would increase to only 10,103, which is still substantially below prior years. In summary, it is evident that for whatever reason, weather or other factors, SSU's 1994 billing units are significantly below prior years. By including this data in the base from which its projections are determined, SSU has understated projected test year billing units and revenue, and overstated its revenue requirements.

Q. Did you make an adjustment to account for the increased expenses associated with the increased consumption that you recommend?

A. Yes. My adjustment is shown on Schedule 19. If the Commission accepts my recommendation to increase test year billing units by 1,227,876,000, then it would need to likewise adjust test year variable expenses to account for the increased consumption and related costs. As shown on this schedule, this adjustment would increase test year expenses by $515,332.

Q. Would you please address your next adjustment to test year revenue?

A. Yes. The next adjustment, shown on Schedule 20, relates to effluent sales to new customers on Marco Island. SSU assumed that during the projected test year it would no longer be providing potable water to Hideaway Beach and the Tommy Barfield School, but instead would be providing effluent for reuse to these two customers. Accordingly, SSU reduced test year revenue by $183,688 and increased wastewater revenue by $13,668.

In response to Citizens's interrogatory 192, SSU indicated that the Hideaway Beach reuse facilities would not be on-line by the end of the projected 1996 test year. In depositions, SSU's witnesses did not know if the Tommy Barfield facilities would be in place by the end of the projected test year. SSU will be providing a late-filed deposition exhibit to answer this question. For purposes of making my adjustment I have assumed that the Tommy Barfield reuse facilities will not be in-service by the end of the projected test year. Accordingly, as shown on Schedule 20, I have increased test year water revenue by $183,668 and reduced test year wastewater revenue by $13,688.

Q. Earlier you mentioned that you made an adjustment related to SSU's conservation program. Would you please explain this?

A. Yes. As discussed in the third section of my testimony, I recommend that the Commission reject some of SSU's proposed conservation expenses for the six targeted communities. If SSU likewise does not implement its conservation program for these systems, as it has suggested it would not if the expenses are not approved by the Commission, then the conservation revenue impact estimated by SSU would also not materialize. Schedule 3 of my exhibit removes the revenue effect of the conservation programs for which I recommend disallowance of the related costs. As shown, test year revenue should be increased by $70,710.

For consistency I have also adjusted the variable expenses that would change as a result of the change in consumption. SSU failed to make this adjustment. Specifically, in response to Citizens's interrogatory 310, SSU indicated that it did not adjust variable expenses for the associated decline in consumption related to its conservation proposal. Schedule 3 of my exhibit shows the amount expenses that should be reduced if the Commission adopts SSU's proposal as well as the amount expenses that should be reduced if the Commission adopts my proposal. As shown, under my recommendation, test year expenses should be reduced by $33,372.

VI. Acquisition Program

Q. Please turn to the next section of your testimony. Would you address SSU's acquisition program and its affect on customers?

A. Yes. SSU has an aggressive acquisition program underway. It is in the process of attempting to acquire several systems. In its strategic growth plan SSU suggested that even though:

> the market today is considered a 'sellers' market, the opportunities are such that Southern States should add 50,000 customers to its current customer base within five years. SSU can achieve customer growth by adopting an aggressive acquisition attitude, and soliciting resources from our parent Minnesota Power. We must consider paying more than rate base for utilities that fit our growth needs and accomplish our financial goals. [Response to Citizens Document Request 161.]

SSU's report elaborated further with respect to the types of systems it expects to target:

> This report recommends that an immediate full scale effort be placed on the acquisition of the targeted FPSC A&B utilities in Florida. However, included with this acquisition effort is a commitment to the smaller utilities that are strategically located or otherwise a natural fit into SSU family of systems. The report details our acquisition strategy outside Florida in the southeast corridor states. It list[s] our acquisition target states, from the first to last, and our reasoning behind our choices. [Ibid.]

It is clear from SSU's strategic plan that SSU is not planning on buying small run down systems that are considered by some to be nonviable. In fact, its strategic plan and its divestiture plan suggests just the opposite. Contrary to some beliefs, SSU is not the savior for small run-down nonviable systems.

Q. Does Southern States suggest that its acquisition program is beneficial to its customers?

A. Yes. Southern States has continually argued that by acquiring more systems it can reduce its costs on a per unit basis. In other words, as SSU grows it can spread its fixed costs over a larger customer base. In the instant case, Mr. Vierima testified that in addition to economies of scale and other efficiencies offered by Southern States, its size enables it to hire specialists who concentrate their efforts on certain limited fields of expertise and identify areas where costs can be decreased or quality of service improved. [Testimony, p. 10.]

Q. Have you examined any evidence that suggests that SSU's acquisition program is not necessarily beneficial to customers?

A. Yes, I have. First, as shown on Schedule 21, I examined the impact of SSU's acquisition of Buenaventura Lakes on the costs of this system on a before and after acquisition basis. I compared the stand alone cost of Buenaventura Lakes to the cost of providing service under SSU's ownership. As depicted on this schedule, SSU's acquisition of this system actually increased the cost to the customers of Buenaventura Lakes--it did not decrease, as would be expected if SSU's acquisition offered it the economies of scale SSU so often touts. As shown on this schedule, the cost to operate Buenaventura Lakes on a stand alone basis in 1996 dollars is $1,957,883. This compares to the cost after acquisition by SSU of $2,503,780, also in 1996 dollars. In other words, instead of decreasing costs, SSU's acquisition of this system increased its operating costs by $545,897--or 28%.

The most alarming aspect of the increase is depicted under the category administrative and general expenses. This would normally be the area of expenses were a reduction would be reflected since these costs are relatively fixed and SSU should be able to provide service at less cost than a stand alone system. Contrary to my expectation, SSU's acquisition of Buenaventura Lakes increased administrative and general expenses by $494,532---an increase of 123%. Clearly there were no economies of scale to the customers of Buenaventura Lakes after it was acquired by SSU.

Q. Have you reviewed any other information concerning Buenaventura Lakes which suggests that either SSU has not properly identified the potential cost savings as a result of acquiring Buenaventura Lakes, or that others could operate it more efficiently?

A. Yes. The City of Kissimmee was interested in purchasing this system. It ultimately concluded that the system should not be purchased because the asking price was too high and consequently it would not produce a positive cash flow. Nevertheless, the City prepared a study to examine the cost of providing service to the customers on a stand alone basis as well as if it were acquired by the City. This analysis showed that while the cost to operate the system would increase, it would only increase by $32,000--not over $500,000. It is also worthwhile to note that if the City had acquired this system, customers rates would have decreased not increased as requested by SSU in the instant case. Specifically, if this system had been acquired by the City, the rates for these customers would have been $1.19 per 1,000 gallons for water and $4.03 per 1,000 gallons for wastewater. This compares to SSU's proposed rates of $2.16 and $4.74, respectively. The base facility charge would have also been lower. The BFC for water under the City's tariffs is $2.23 and for wastewater it is $8.05. This compares to SSU's request of $9.17 and $17.59, respectively.

SSU also did a preliminary analysis of the cost to operate Buenaventura Lakes if it was acquired by SSU when it was pursuing the system. Contrary to the amount included in SSU's test year expenses, SSU projected that it could reduce Buenaventura's administrative and general expenses by one-half. In the instant case, SSU *only removed* 21% of Buenaventura Lakes administrative and general expenses prior to adding SSU's administrative and general expenses[6] to Buenaventura Lakes. If 50% of the costs were reduced as originally estimated by SSU, an adjustment of $307,000 would be needed as opposed to SSU's adjustment of only $127,327.

Q. Perhaps the acquisition of Buenaventura and the impact on costs is an anomaly. Did you examine any other recent acquisitions?

A. Yes. I made a similar comparison for SSU's acquisition of Lehigh Utilities in 1991. This analysis is presented on Schedule 22, and it reflects a similar result. As shown, on a stand alone basis, Lehigh's costs for its water operations were $803,241. After acquisition by SSU, its costs were $908,906 for an increase resulting from SSU's acquisition of $105,665. The same result occurs for the wastewater side of the operations. On a stand alone basis, Lehigh's operating costs were $686,013. However, after acquisition by SSU its wastewater operating costs increased to $822,610--an increase of $136,597.

Q. Have you examined any other data that shows, contrary to SSU's assertions, that there may not be administrative and general economies of scale associated with SSU's larger size?

A. Yes, I have. Schedule 23 examines SSU's administrative and general expenses and

---

6 It is the addition of SSU's allocated administrative and general expenses that causes the costs for the Buenaventura Lakes systems to increase so dramatically.

customer expenses per customer in 1991 compared to the expenses in 1994, 1995, and 1996. As shown on this schedule, and contrary to expected results, SSU's administrative and general and customer expenses have actually increased on a per customer basis. In 1991, the cost per customer of its administrative and general and customer expenses was $54.18. This cost increased to $70.26 in 1994, to $74.03 in 1995, and to $76.78 in 1996. From 1991 to 1996 SSU's number of customers increased by 6,207. Despite this increase in the number of customers, the actual cost per customer increased. This result is the opposite of what one would expect if there were the economies of scale alleged by SSU. In fact, this schedule suggests that there are diseconomies of scale associated with SSU's larger size and the acquisition of new systems.

Q. Your analysis suggests that SSU's customers have not benefited from SSU's acquisition program. How can the Commission protect SSU's customers from these inefficiencies?

A. I recommend that the Commission reduce SSU's adjusted test year expenses to account for the diseconomies of scale or inefficiencies that I have identified. To develop this adjustment, I allowed SSU to recover the cost per customer of its administrative and general expenses as incurred in 1991. I then multiplied this cost, $54.18, times SSU's 1996 average number of customers to arrive at a 1991 level of expenses adjusted for the current number of customers. This produced an expense level of $8,929,022. To this amount I added inflation for the years 1992 through 1996. This produced an allowable or efficient 1996 level of administrative and general and customer expenses of $10,257,661. From this amount I subtracted the amount of administrative and general and customer expenses SSU is requesting in the instant proceeding, to arrive at a gross inefficiency adjustment of $2,395,104. Applying the FPSC allocation factor to this amount results in an adjustment of $1,818,842. From this amount I also subtracted other adjustments that I recommend and those of other consultants that reduce the inflated level of SSU's 1996 expenses relative to the 1991 level of expenses. For example, in 1991 SSU did not incur the same level of conservation expenses as requested in the instant proceeding. Likewise, I have taken into consideration the payroll/wage adjustment recommended by Mr. Katz as well as the other adjustments that I recommend that reduce 1996 expenses. By removing the impact of these other adjustments I have ensured that there would be no double counting of other adjustments with respect to this adjustment. As shown on Schedule 23, after taking these other adjustments into consideration, I recommend that the Commission reduce test year expenses by $243,773 to account for SSU's diseconomies of scale or other inefficiencies.

Q. Have you made any other adjustments for SSU's acquisition efforts?

A. Yes, I have. These two adjustments are reflected on Schedules 24 and 25 of my exhibit. As shown on Schedule 24, I have reduced test year salaries by $175,928 to reflect the portion of SSU's salaries devoted to SSU's acquisition efforts. SSU books the costs of its acquisition efforts to an account that is recorded below the line. However, for purposes of the projected test year SSU failed to recognize the full amount of costs that should be recorded below the line. SSU estimated that $30,585 would be recorded below the line for its acquisition salary-related efforts. This amount, however, is substantially less than what was recorded below the line in 1994 and is substantially less than what should be recorded below the line in 1996.

Schedule 24 shows each person that expended time on SSU's acquisition efforts in 1994 and the percentage of their time devoted to this effort. To arrive at the amount to remove from the 1996 test year, I used the percentage of time actually devoted in 1994 applied to each person's 1996 base salary, with three exceptions. The exceptions include the three individuals that work in the corporate development section of SSU. This is the department at SSU that is primarily responsible for SSU's acquisition efforts. According to Mr. Sweat, he spends approximately 90% of his time on SSU's acquisition efforts. Therefore, instead of utilizing the percentage actually recorded in 1994 for Mr. Sweat and his subordinates, I used Mr. Sweat's current estimate of the time he expends on SSU's acquisition program. Since SSU intends to increase its acquisition efforts relative to 1994 it is only reasonable that a larger portion of Mr. Sweat's salary and his subordinates' salaries be recorded below the line in 1996. My estimate of the additional salaries that should be removed from test year expenses and recorded below the line is most likely quite conservative. I have not increased any of the percentages of other persons in SSU that work on the acquisition of new systems, despite SSU's increased effort in this area. As shown on this schedule, my adjustment reduces test year expenses by $175,928.

The next adjustment that I recommend is similar. As shown on Schedule 25, I have removed from test year expenses 90% of the amount of material and supplies, transportation, and miscellaneous expenses charged to Mr. Sweat's responsibility center. Since the majority of Mr. Sweat's time is devoted to SSU's acquisition program it is only logical to conclude that the same percentage of expenses should likewise be charged below the line. The adjustment that I recommend reduces test year expenses by $10,742.

VII. Expense Adjustments

Q. Please turn to the seventh section of your testimony. What other adjustments do you recommend?

A. I am recommending several other adjustments. These are shown on Schedules 26 through 36. The first adjustment shown on Schedule 26 removes from the test year the salary of the Company's public relations/governmental relations employee. In response to Citizens's interrogatory 114, SSU stated that for the projected test year it did not record below the line any salaries related to lobbying. With respect to the salary of its employee designated for its governmental/lobbying efforts, SSU responded: "The 1995 budget contains no below the line salary expense for lobbying although the budget does include a charge of $92,000 for lobbying costs to be performed by outside consultants. The 1995 budget was prepared prior to Mr. Smith's hiring at SSU, and therefore, his labor being included in lobbying costs was not anticipated." [Response to Citizens Interrogatory 114.]

I have reviewed the travel vouchers of Mr. Smith for the year 1995 and most of his travel relates to lobbying efforts. For example, his expense reimbursement request for March 1995 contains the following descriptions: "lobbying activities-telephone calls," "lobbying activities-lodging," and "legislative committee meeting-Tallahassee airfare". Similar descriptions are made on his reimbursement request for May 1995, some examples include: "legislative dinner"," lobbying activities," and "Tallahassee Chamber Meeting for Legislator-Tallahassee tickets". Other examples on his expense reimbursement requests for other months include such descriptions as: "Public Relations Society of America Chapter Meeting," "Tallahassee-lobbying dinner," and "Tallahassee Legislative Relations". [Response to Citizens Document Request 85.] With rare exception, Mr. Smith's travel has been mainly related to lobbying and/or public relations.

Correspondence between Mr. Smith and SSU's lobbying consultant also confirms Mr. Smith's dominant role as a lobbyist for SSU. For example, in a letter to Mr. Sharkey, SSU's lobbying consultant, Mr. Smith wrote:

> Thank you again for including me on the guest list for dinner with the Governor and Mrs. Chiles. It was a most enjoyable and memorable evening. While the affair was intended as a tribute [to] the excellent work you've done on behalf of the Governor, it was I who felt honored to be in attendance. [Response to Citizens

Audit Request 222.]

In a fax to Mr. Smith, Capital Strategies (SSU's lobbying consultant) wrote: "Attached is an agenda for the meeting in Tallahassee next week. I have ascertained that the Governor is in town on the 30th and have requested a 'courtesy visit' with him. His scheduling office will let me know tomorrow. I will call you." [Ibid.]

Other correspondence also supports Mr. Smith's involvement in lobbying for the benefit of SSU. In a memorandum from Mr. Sharkey to Mr. Smith, Mr. Sharkey wrote:

> I spoke with Kari Hebrank of the Association of Counties regarding the water and sovereignty issue for the counties. She is going to be handing the topic in the Legislature for the Association. She told me that Mike Twomey had attempted to excite the Association into developing legislation supporting statutory authority for counties to regulate investor-owned utilities. She told me that she does not believe that the FAC will actively promote this initiative but they have developed a legislative position in support of the concept. I mentioned to her my conversation with John Hart, the incoming President of FAC and his concern that the Association not get too

involved in this issue. Kari does not want the association to get out in front on this. We need to educate their executive committee on the issue as soon as possible, which I will start to do immediately. [Ibid.]

It is apparent from the correspondence between Mr. Smith and SSU's lobbying consultant that Mr. Smith is one of the main contacts at SSU who handles legislative matters. Mr. Smith is also a registered lobbyist for SSU. [Response to Citizens Interrogatory 95.] The Commission has historically not permitted the recovery of lobbying and public relations activities from ratepayers. Such efforts are for the benefit of stockholders not ratepayers. As shown on Schedule 26, I recommend that the Commission remove from test year expenses $65,661 which is the 1996 budgeted salaries and overheads for Mr. Smith.

Q. What is you next adjustment?

A. My next adjustment is similar. As shown on Schedule 27, I recommend that the Commission remove from test year expenses, those costs included in the budgeted test year related to public relations, government relations, and image enhancement. The Commission has consistently found that such expenses do not benefit customers, but are for the benefit of stockholders. [Order No. 7669, p. 10; Order No. 11307; and Order No. 24049, p. 28.] As shown on this schedule, I recommend removal of the following expenses: $375 associated with public relations association dues; $5,000 related to Florida Leadership training; $658 related to legal costs which are lobbying or public relations related; $900 for public relations memberships; and $13,250 associated with corporate image enhancement. The total adjustment for the FPSC systems is $15,626.

Q. Would you please describe the adjustments shown on Schedule 28?

A. Yes. There are two adjustments depicted on Schedule 28. First, as part of its goal setting process for 1995, SSU established a goal to reduce certain budgeted expenditures below the level of the approved budget by 5%. These were specifically identified as administrative and general and operating miscellaneous costs (material and supplies, telephone, postage, temporary help, etc.) and contractual services for legal, accounting, engineering, and other. [Response to Citizens Document Request 56.] Since SSU will or has presumably strived to meet this goal, I recommend that the Commission adjust the overall level of budgeted expenses in these categories by 5%. In response to Citizens's interrogatories 130 and 131, SSU indicated that the 5% reduction would amount to $239,000. This equates to an FPSC adjustment for 1996 of $191,002.

Second, I propose an adjustment to true-up SSU's 1995 budget to actual. For purposes of this adjustment I used the September 1995 year-to-day budget variance analysis prepared by SSU. I examined each difference between SSU's 1995 budget and actual expenditures made as of September 1995. For those expense accounts over or under budget where it appeared that the overage or underage would continue into the remainder of 1995, I accordingly adjusted the expense account. These adjustments are shown on the bottom half of Schedule 28. The adjustments that I recommend reduce test year expenses by $305,033.

Q. What is the next adjustment that you propose?

A. My next adjustment is shown on Schedule 29 and relates to SSU's request to recover from SSU's customers $208,776 associated with MPL's shareholder expenses. Mr. Vierima explained:

> The MFRs include $209,000 of costs which represents Southern States' portion of costs incurred by Minnesota Power regarding shareholder reporting and communication. These costs have been assessed to the parent and all subsidiaries based on average invested equity as a percent of consolidated equity. [Testimony, p. 35.]

Mr. Vierima explained that the shareholder expenses include costs for shareholder meetings, SEC filings, stock exchange fees, rating agency fees, registrar and transfer agent expenses, board fees, annual and quarterly reports, proxy statements, and the staff assigned to respond to shareholder inquiries. [Ibid.] Other than this brief description, SSU has provided no support for these costs or how they benefit SSU's ratepayers. The Commission in the past has disallowed certain shareholder expenses that are passed onto a subsidiary:

> Shareholder relations expenses are incurred for activities related to image building and good will. This type of expense is not normally allowed by this Commission if incurred by a utility. This type of expense should be disallowed if incurred by a parent and passed through to subsidiary companies. [Order No. 11307, p. 23.]

The Commission has also disallowed ownership/investor costs allocated from a parent company. [Order No. PSC-0708-FOF-TL, p. 31.]

In my opinion, SSU has not demonstrated that the costs it seeks to recover from ratepayers are appropriate. SSU has produced no documentation supporting this expense or that the components thereof represent costs that the Commission typically allows in rate proceedings. Accordingly, I recommend that the Commission disallow 50% of the costs requested by SSU. As shown on Schedule 29, the Commission should remove $79,272 from SSU's projected test year expenses.

Q. Would you please explain the adjustments you recommend concerning rate case expense?

A. The adjustments that I recommend are depicted on Schedule 30. I made two types of adjustments. The first relates to SSU's current rate case and the second relates to SSU's request to recover the cost of the uniform rate state-wide rate investigation as part of rate case expense in this case.

Q. What adjustments are you proposing to the current rate case expense?

A. I made several adjustments. First, as discussed later, I increased rate case expense by $30,481 to reflect the overtime included in the 1995 budget. Second, I removed the rate case consulting fees for witnesses that have not prefiled direct testimony in this proceeding. SSU's rate case expense included $30,000 for consulting fees for Mr. Gartzke and $20,000 for Mr. Cresse. Since neither of these consultants have provided direct testimony in this proceeding, I removed the associated expenses. If these cons ltants are used for rebuttal testimony, it might be appropriate to add these costs back, at least with respect to Mr. Cresse. I also removed the cost the Company estimated for its cost of capital consultant, Dr. Morin. In my opinion, the Commission should not allow this expenses or any additional costs incurred by SSU for cost of capital testimony. The Commission developed the leverage formula to estimate water and wastewater utilities' cost of equity. This was done to ease the burden on the Commission and ratepayers due to the significant time and effort typically expended on this issue in rate cases. If SSU chooses to use a witness for this subject, then its stockholders should bear the associated cost, because its stockholders will be the sole beneficiary to any increase in the cost of equity proposed by SSU over the leverage graph.

Q. Concerning your adjustment for the state-wide uniform rate investigation, would you please explain the background of that case?

Q. Certainly. SSU first pursued the issue of uniform rates in Docket No. 900329-WS. That case was dismissed and as such there was no decision by the Commission concerning uniform rates. In its 1992 rate case (Docket No. 920199-WS) SSU included a request for a capped rate--supported by SSU's witness Mr. Cresse. The Commission, however, went beyond the cap proposal requested by SSU's and ordered state-wide uniform rates, excluding only those systems which were not part of the "giga" rate case. This uniform rate design decision prompted intense opposition from systems whose rates would be materially higher than they would have been on either a stand alone basis, or under the rate design proposed by SSU. In response to this opposition, the Commission, on its own motion, opened Docket No. 930880, an investigation of the appropriate rate design for SSU.

Both reconsideration and appeals of the uniform rate design aspects of the Commission's Order in Docket No. 920199-WS ensued. Similarly, after the decision in the investigation docket, the parties also asked for reconsideration of that proceeding and filed an appeal.

Recently, the First District Court of Appeal, reversed the Commission's uniform rate design Order in Docket No. 920199-WS and the Commission subsequently ordered a rate design very similar to that originally proposed by SSU. Shortly after the First DCA's reversal of the uniform rates, SSU unsuccessfully sought review in the Florida Supreme Court.

Q. Did SSU pursue the issue of uniform rates to the fullest extent possible?

A. Yes. Although SSU did not initially propose uniform rates in Docket No. 920199-

WS, SSU became an advocate of the Commission's ordered rates. SSU spared no expense in defending uniform rates, going so far as to petition for extraordinary review of the First DCA decision by the Florida Supreme Court. Indicative of its endeavor, SSU acquired the services of former Florida Supreme Court Justice Arthur England who charged SSU $500.00 per hour, well in excess of the fees charged by counsel normally retained by SSU.

Even though the imposition of uniform rates otherwise would have been st. ;ed by the operation of law, i.e., where an order is appealed by an agency of the government, SSU requested and the Commission granted SSU's request to dissolve the stay of the Commission's Order in Docket No. 920199-WS.

Q. In your opinion are the costs that SSU's has incurred to pursue state-wide uniform rates reasonable?

A. No. I do not believe that all of these costs should be borne by ratepayers. SSU has never maintained that the choice of uniform over stand alone rates, or visa-versa will affect their revenue requirement. Consequently, I question whether the considerable expense of advocating one rate design over any other--where the result is revenue neutral--is reasonably incurred.

Q. Was there an exception to the revenue neutrality of this rate design issue?

A. Yes. When SSU successfully sought to dissolve the stay of the Commission's Order in Docket No. 920199-WS it may have put several million dollars of its revenue at risk. At the time SSU gladly accepted this risk, apparently because it believed the court would affirm the Commission's decision. Contrary to its belief, other parties were successful in obtaining a reversal of the Commission's Order. Because SSU may be unable to recover foregone revenue from many customers, it may experience a revenue shortfall.

Q. Why do you believe SSU was willing to incur the costs you have described?

A. I do not know what SSU's motives are. I question whether SSU would have incurred the costs that it did, if it knew that such costs would not be recovered from ratep: yers. SSU may believe that its stockholders will benefit in the long run if uniform rates are adopted by the Commission. In the absence of this reasoning, it is difficult to imagine a reason why SSU would spend over $400,000 on a revenue neutral issue.

Q. Hasn't SSU consistently alleged that uniform rates will benefit its customers?

A. Yes it has. SSU may have an initial obligation to its customers to bring to the Commission a rate design which its believes is not unduly discriminatory. But SSU has exceeded that obligation. SSU has remained a staunch advocate of uniform rates primarily because it gives the appearance of lower rates to customer groups that might experience extremely high rate increases. Nevertheless, a large number of Southern States' customers are far less than satisfied with SSU's looking out for their interests. These customers have not only been put to the expense of arguing against the Commission's decision, they have also had to incur expenses arguing against SSU's defense of the Commission ordered rate design. If SSU is permitted to include its uniform rate design advocacy expenses in rate case expense, these customers would also have to finance SSU's fight.

Q. What do you believe would have been an appropriate role for SSU, in this investigation?

A. Clearly, SSU needed to participate in the uniform rate investigation. However, SSU's participation went beyond that of a utility making itself available to the Commission's inquiry. Nothing in the Commission's investigation put any of SSU's revenue at risk. In fact, the Commission's Order on this subject aptly notes that the investigation was revenue neutral. It was an inquiry into the wisdom and perhaps authority for uniform rates. SSU participated as an enthusiastic advocate in that docket as if it were at risk. SSU solicited and bused customers supporting uniform rates into service territories where there was opposition, it engaged the services of a telemarketer, and it hired a public relations consultant. The costs of these types of actions should not permitted by the Commission.

Q. Would you describe the costs SSU incurred concerning this investigation?

A. Yes. SSU incurred $432,069 associated with the uniform rate investigation. Its costs include $34,358 on a telemarketing consultant, $95,285 on consultant testimony, $4,587 on Image Marketing Associates (SSU suggests that this was for customer education) $102,629 on legal services, $104,804 on FPSC notices, transportation, and security, $54,963 for "customer education mailings", $1,574 for open houses, and the remainder, $33,888, on miscellaneous travel, federal express, and the like.

Several of these expense by their very nature should not be recovered from customers.

These include expenses for a telemarketing consultant, expenses for Image Marketing--a P/R consultant, expenses for "customer education" mailings, and expenses for open houses. These expenses were incurred by SSU for the sole purposes of gaining customer support for uniform rates. Such expenses are analogous to lobbying expenses and public relations expenses which the Commission does not allow recovery from ratepayers. SSU initiated a strong campaign to gain customer support for uniform rates. Its efforts included such things as placing door hanger on customers' doors, various unneeded direct mailings to customers, and busing customers in support of uniform rates into areas where there was opposition. SSU has not provided a breakdown of the $104,804 of expense associated with notices, transportation, and security, so it is not possible to determine what portion of any of this expense is reasonable.

SSU is requesting that customers pay $432,069 for expenses incurred in the state-wide rate investigation. This is almost one-half of what the Company expects to spend in the instant rate proceeding where $18.0 million dollars is at stake.

Q. What is your recommendation with respect to expenses SSU incurred in the uniform rate investigation?

A. Most of SSU's expenses should be disallowed. As set forth above, SSU had an obligation to bring to the Commission a reasonable and not unduly discriminatory rate design. Once this rate design was brought before the Commission, SSU's obligation on the issue was satisfied. SSU also had an obligation to fully co-operate with the Commission's investigation. But the advocacy of uniform rates in that docket was unnecessary, or benefited SSU's stockholders, not ratepayers. Accordingly, as shown on Schedule 30, I recommend that the Commission disallow 80% of the costs SSU's incurred, or $345,671.

Q. What is the next adjustment that you recommend?

A. The next adjustment that I propose implements the recommendation of the Citizen's engineering consultant concerning excess unaccounted for water. Schedules 31 and 32 of my exhibit show that to account for excessive unaccounted for water above 10%, the Commission should reduce test year chemical, purchased power, and purchased water expenses by $67,121.

Q. Would you please address the adjustment depicted on Schedule 33?

A. This schedule removes from test year expenses Operations and Administration Projects (OAP) that will be fully amortized by the end of the 1996 test year. SSU did not adjust its 1995 or 1996 test year expenses to remove those expenses that will be amortized by year-end 1996. As shown on Schedule 33, my adjustment reduces test year expenses by $93,452.

Q. What is the next adjustment that you recommend?

A. The next adjustment that I recommend is shown on Schedule 34. According to SSU's budget variance comparison for the month of June 1995, SSU overestimated the cost of an aquifer performance test at Keystone Heights. According to the Company's budget report, a change is scope reduced the cost of this OAP project by $45,000. According, I have reduced the cost of this project. Since the project will be amortized over seven years, test year expenses should be reduced by $3,214.

Q. Would you please explain the adjustments shown on Schedule 35.

A. Yes. This schedule combines several miscellaneous adjustments that I recommend. Many of these SSU has already indicated would be appropriate adjustments. The first adjustment shown on this schedule reduces test year salaries by $16,764 for an error SSU made in applying its salary increase to 1995 salaries and wages to arrive at 1996 salaries and wages. This adjustment reduces test year expenses by $16,764.

The next adjustment increases test year revenue for revenue received by the Company which was greater than the cost of providing the service. The monthly billing to customers of the Palm Terrace system include a fixed charge for electricity use for street lights. SSU receives a bill for the exact amount of electricity used. The excess of the amount collected from customers and the amount paid to electric company is recorded below the line for ratemaking purposes. SSU claims that this is the appropriate treatment because it is a non-utility function. I disagree. Unless the expenses associated with processing the bills are recorded below the line, the excess revenue should be recorded above the line. Accordingly, test year revenue should be increased by $7,000.

The next adjustment reduces test year purchased water expense for the Enterprise system by $22,753. In response to the Staff's Audit Request 145, SSU indicated that it erroneously included $24,720 associated with purchased water at Enterprise in its

1995 budget. The amount that should be removed from the 1996 test year, according to SSU, is $22,753. [Response to Staff Audit Request 145.]

The fourth adjustment relates to overtime expenses. In its 1995 budget the Company included $30,481 for overtime related to the rate case. These expenses should either be considered nonrecurring or moved to rate case expense. I have accordingly, removed them from the projected test year expenses. I have included them as an allowable expenses under my adjustment to rate case expense.

The next adjustment that I propose concerns employee recognition expenses. These include such items as luncheons for employees and other small tokens of appreciation. SSU's budget indicated that additional employee recognition expenses would be incurred during 1995 due to the demands of the rate case. Since SSU will not be processing a rate case in every year following the test year in this proceeding, I see no reason to allow the abnormally high level of expense as if it were recurring. In addition, a comparison of the employee recognition expenses incurred by SSU in prior years demonstrates the excessive nature of the amount budgeted in 1995. In 1992, 1993, and 1994 SSU incurred $13,989, $13,613, and $19,099, respectively associated with employee recognition expenses. These amount compare to a 1995 budgeted figure of $33,785. [Response to Citizens Interrogatory 222.] I recommend that the Commission reduce this expense to the level incurred during 1994, adjusted for inflation and customer growth. Therefore, test year expenses should be reduced by $14,341.

The next adjustment relates to bad debt expense. SSU's March 1995 budget variance report indicated that bad debt expense was reduced by $46,955 to reflect a lower reserve requirement. Accordingly, I have reduced bad debt expense by $46,955.

The seventh adjustment shown on Schedule 35 reduces test year expenses by $76,463 for a 1994 Price Waterhouse audit included in the 1995 budget. SSU also included in its 1995 budget an audit for the year 1995. SSU's budget appears to include the cost of two audits, yet only one should be included. Therefore, I have reduced test year expenses by $76,463 to recognize this double counting.

The next several adjustments relate to utility-related income recorded below the line for ratemaking purposes. With the exception of the management fee for Pirates Harbor, SSU agreed in response to Citizens's interrogatory 189 that this income should be moved above the line for ratemaking purposes. I have also moved above the line for ratemaking purposes the management fee charged to Pirates Harbor. I reviewed SSU's allocation of common costs to determine if any of these costs were allocated, below the line, to the management function at Pirates Harbor. Since no costs were allocated to this function, the associated income should be moved above line. The total amount of these adjustments is $10,997.

Schedule 35 also depicts an adjustment for revenue not billed. In response to Citizens's interrogatory 214, SSU identified several customers that receive water or wastewater service either free of charge or at a discount. In my opinion, if SSU chooses to provide water and wastewater service either free of charge or at a discount, these foregone revenue should be borne by stockholders, not ratepayers. Accordingly, I recommend increasing test year wastewater revenue by $50,595. The Company has not demonstrated that its other customers receive any benefit from these free or discounted services. In some instances SSU indicated that in exchange for free or discounted services it received the use of an easement or right of way. I did not include these instances in my adjustment. I would note that the agreements which support these discounts were provided at the time my testimony was being finalized. If the agreements contain additional information, I will supplement my testimony accordingly.

The last adjustment shown on this schedule relates to $225,100 associated with a cooperative funding agreement between SSU and the Big Cypress Basin for partial funding of the Marco Island ASR Project. In its response to Citizens's interrogatory 202, SSU indicated that this contribution was not included in SSU's proposed test year rate base. Accordingly, since the cost of the ASR Project is included in the 1996 rate base, it is only appropriate to include the associated cost share funds as CIAC. This adjustment would reduce SSU's rate base by $225,100

As shown on Schedule 35 the total miscellaneous adjustments that I recommend amount to: a reduction in expenses of $163,245, an increase in income of $8,474, an increase in revenue of $57,595, and a reduction to rate base of $225,100.

Q. What is the next adjustment that you propose?

A. The next adjustment relates to the recommendation of Dr. Dismukes to not approve SSU's repression adjustment. For consistency, I have reversed SSU's adjustment to reduce test year expenses for the related reduction in chemical, purchased power and purchased water expenses. As shown on Schedule 36, this increases test year expense by $287,585.

VIII. Rate Base Adjustments

Q. Please turn to the eighth section of your testimony. What rate base adjustments are you proposing?

A. I am proposing two sets of rate base adjustments. One group relates to the Lehigh system and the other relates to the Buenaventura system. With respect to Lehigh, I am recommending two adjustments. These adjustments are shown on Schedules 37 and 38. Schedule 37 presents my recommendation with respect to land included in SSU's rate base that should be removed. Schedule 38 depicts adjustments for non-used and useful transmission, distribution, and collection lines. Schedule 39 reduces and increases portions of Buenaventura's rate base consistent with the Commission decision permitting the transfer of this system to SSU. Schedule 40 reduces SSU's rate based for wetlands at Buenaventura that are nonused and useful.

Q. Would you please describe your adjustment to Lehigh land?

A. My recommendation includes two adjustments to the land at Lehigh included in rate base. The first adjustment recognizes an error SSU made in developing the rate base for Lehigh. In response to Staff Audit Request 104, SSU indicated that the first three parcels of land purchased form its affiliate Lehigh Corporation and shown on Schedule 32, should not have been included in rate base. This land should be removed from rate base and included in land held for future use. This adjustment reduces test year water rate base by $122,035 and wastewater rate base by $260,562.

The next adjustment that I recommend relates to the fourth parcel of land shown on this schedule in the amount of $19,268. I recommend that the Commission reduce the value of this land by 60% consistent with its decision in Lehigh's last rate case, Docket No. 911188-WS. In that case SSU argued that the difference between the purchase price of the consortium of Lehigh companies and the book value of those companies should be attributed 100% to the unregulated operations, including the company which owned a substantial amount of land. The discount from book value represented by the purchase price was 60%. Topeka Group, Inc. purchased the assets of the Lehigh group for $40.0 million while the book value of the group was $99.0 million.

The Commission essentially agreed with SSU that no discount from book value should be attributed to the utility operations and that all of it should be attributed to the non-utility operations. Accordingly, the land that SSU purchased from Lehigh

Corporation should be reduced by 60%, consistent with SSU's claims that it was the Lehigh group's non-utility investments that were valued at 60% below book value. It was not possible to determine the value of this land included on the books of Lehigh Corporation because SSU refused to provide the information requested in discovery. Nevertheless, for purposes of the adjustment that I am making, I have assumed that they were purchased at book value as opposed to market value. Accordingly, for consistency with the Commission's decision and SSU's claim in the last Lehigh rate case, the cost of this land should be reduced by 60%. As shown on Schedule 37, rate base for Lehigh's wastewater operations should be reduced by an additional $11,561. I also recommend that the Commission require SSU to write down the value of the land included in land held for future use. This will prevent SSU from moving the purchase price of this land into rate base in the future. The Commission should order that the remainder of this land be written-down by $229,558.

Q. What is the next adjustment that you recommend with respect to Lehigh?

A. Schedule 38 of my exhibit represents adjustments the Commission should make to remove non-used and useful assets from Lehigh's plant in service, and the associated adjustments for depreciation expense and accumulated depreciation. These adjustments relate the developers agreement and relationship between Lehigh Corporation and SSU. In July 1992, Lehigh Utilities, Inc.[7] and Lehigh Corporation entered into a developers agreement which set forth the terms under which Lehigh

---

[7] At this time Lehigh Utilities, Inc. was a separate subsidiary and had not yet been merged with SSU.

Corporation and Lehigh Utilities, Inc. would construct water and wastewater facilities that would subsequently be used to provide water and wastewater services to customers at Lehigh. The agreement provided that Lehigh Corporation could construct certain utility assets, but that Lehigh/SSU would only reimburse Lehigh Corporation for funds expended as customers connected to the system. In August 1994, SSU and Lehigh Corporation entered into a modified developers agreement. The terms of that agreement indicate that pursuant to modified escrow agreements[8] with the states of Michigan and New York, Lehigh Corporation can withdraw funds from the escrow account to construct utility assets at Lehigh.

According to the Company's response to Citizens's interrogatory 241, as assets are constructed by Lehigh Corporation, they will be subject to the Modified Developers Agreement which requires SSU to record the assets with an offsetting refundable advance to Lehigh Corporation. As future customers connect, SSU will repay Lehigh Corporation for the cash received in the form of connection charges.

From reading the Company's response to Citizens's interrogatories and the depositions of SSU's witnesses the arrangement should work such that any non-used and useful assets that are constructed by Lehigh Corporation would be offset by refundable advances until such time as customers actually connect. While in theory the agreement

[8] The escrow agreements between Lehigh Corporation and the States of New York and Michigan were originally established to ensure the availability of funds for utility connections at the time lot owners in New York and Michigan built on their lots.

sounds reasonable, SSU application of it in the instant case is not. The Company has included substantial amounts of non-used and useful assets constructed by Lehigh Corporation in rate base without the offsetting refundable advances[9].

Q. Would you please explain how you made this determination?

A. Yes. In 1995 and 1996 the Company proposes to include in rate base $1,602,000 and $220,000 of water transmission and distribution mains associated with Lehigh Corporation and the Escrow Agreement. Likewise is proposes to include $905,000 and $451,000 of wastewater assets respectively in its 1995 and 1996 rate base. According to the Company's response to Citizens's document request 196, of these amounts only a small portion of these assets are related to customers that have connected to the system. These amounts are represented on Schedule 38 as contractor payments. As shown, in 1995 the non-used and useful amount of these water assets amount to $1,476,540 and in 1996 they amount to $42,000, for a total of $1,518,540. Similarly, for wastewater, the amount of non-used and useful assets amount to $661,460 in 1995 and $93,750 in 1996, for a total of $755,210.

Q. How do you know that the Company did not effectively remove these assets from rate base when it applied its non-used and useful percentages to this account?

A. A review of the Company's F Schedules show that from 1994 to 1996, the non-used and useful percentage of transmission, distribution, and collection lines decreased, they did not increase. While this might be expected, since the Company projects

9 There is still discovery outstanding on this subject that may require that I supplement my testimony in the future.

customer growth between 1994 and 1996, the Company failed to add to the denominator of the used and useful calculation the additional lots represented by the addition of these transmission, distribution, and collection lines. From 1994 to 1996, the number of available lots remained unchanged for Lehigh's water system at 7,789. Similarly, from 1994 to 1996 the number of wastewater lots remained unchanged at 5,270. Clearly, since the Company is adding substantial amounts of transmission, distribution, and collection plant to plant in service, the number of available lots should have increased from 1994 to 1996. If the Company had correctly increased the number of lots, then it is possible that the application of the non-used and useful percentages would have correctly removed these plant additions. This, however, was not done.

Q. Earlier you mentioned that this non-used and useful plant would be offset with an equal amount of escrowed funds. Has the Company included these funds in rate base to off set the non-used and useful plant?

A. No, it has not correctly performed this calculation. The Company's MFRs, pages 715 and 703 for water, and pages 481 and 469 for wastewater, show that the Company assumed 100% of its advances for construction were non-used and useful. Thus, when calculating its non-used and useful plant for Lehigh, the Company subtracted the advances for construction. As a result, the amount of non-used and useful plant for Lehigh increases rate base as opposed to decreasing rate base. This results because the amount of advances for construction is greater than the non-used and useful plant. This confirms that the Company did not correctly determine the amount of nonused and useful transmission, distribution, and collection plant associated with Lehigh.

Q. Would you please explain how you developed the adjustment that should be made to rate base?

A. Yes. These calculations are set forth on Schedule 38. First, I examined the total amount of transmission, distribution, and collection plant on the Company's books for 1996. From this amount I subtracted the amount of Lehigh Corporation constructed assets that are not used and useful. Next, I applied the Company's non-used and useful percentage to the balance of transmission, distribution, and collection plant to arrive at the amount of non-used and useful plant that is consistent with the Company's lot count percentage. For water this produced non-used and useful plant of $1,500,977. To this amount I added the non-used and useful assets constructed by Lehigh Corporation which for water amounted to $1,518,540, for a total non-used and useful amount of $3,019,517. From this amount I subtract the amount of non-used and useful transmission and distribution lines as determined by the Company, $1,847,422. I subtracted this amount from the total non-used and useful plant to arrive at the amount of the adjustment that should be made to the Company's plant in service. This amounts to $1,172,095 for water plant. The same calculations produce an adjustment to wastewater plant of $667,015. Accumulated depreciation should be reduced by $279,673 for water and $196,177 for wastewater. CIAC should be reduced by $36,757 for water and $34,021 for wastewater. Accumulated amortization of CIAC should be reduced by $2,268 for water and $2,503 for wastewater.

Likewise, depreciation expense should be reduced by $26,454 for water and $14,252 for wastewater.

Q. Would you please explain the adjustments that you propose with respect to Buenaventura Lakes?

A. Yes, the first group of adjustments are depicted on Schedule 39. These are the same adjustments ordered by the Commission when it approved SSU's acquisition of Buenaventura Lakes by SSU. As shown on Schedule 39, water rate base should be reduced by $298,190 and wastewater rate base should be reduced by $930,770. Depreciation expense should also be reduced by $2,261 and $22,173, respectively for water and wastewater.

The second group of adjustments relate to wetlands at the Buenaventura system. These are presented on Schedule 40. SSU's due diligence study described the wetlands as follows:

> On December 31, 1983, 207.72 acres of wetland[s] was transferred to OOU by Real Estate Corporation at a figure of $9,230/acre. The sites were to be used as a segment of OOU's effluent disposal system. In OOU's 1985 rate case, the cost of the land was reduced to $4,547 per acre [due] to the nature of the related property transaction. OOU later wrote the land cost down (in accordance with FPSC order) to $717,854.

Added to the land cost was $816,614 of construction costs related to berms and piping, bring the total wetlands cost on OOU's books to $1,585,257. Only 39 acres of the wetland[s] have functioned effectively as a disposal system. The FPSC, in OOU's 1988 rate case No. 871134-WS indicated that of the wetlands only 15.2% [were] used and useful, allowing $240,959 in rate base. Due diligence disclosed the upper wetlands have not been used since January 1989. It is recommended that the offering price for OOU be reduced by $1,066,933 the net book value of the upper wetlands, and that REC should take title to the 131 +/- wetland[s]. [Response to Citizens Document Request 168.]

Some notes obtained by OPC while reviewing SSU's acquisition files also reveal the non-used and useful nature of most of these wetlands. These notes state:

Reports indicate that the upper wetlands (130 acres) have not been used since 1989. This is bound to be an issue in the next rate case. (How long can you argue that they are drying out?)

The Company's due diligence study indicated that an adjustment of $591,110 should be made to the land account and that account 36220-3, Oxidation Lagoon should be reduced by $628,270. This study also showed that accumulated depreciation should be reduced by $153,141 as of December 31, 1994.

In response to Citizens's interrogatory 278, the Company gave the following response to Citizens' inquiry about the wetlands.

> . . . The investment in the wetlands at Buenaventura Lakes is in wastewater utility plant in service. This investment in wetlands has not increased since the FPSC audit performed at the time of transfer.... The wetlands are necessary as a backup to the groundwater infiltration system placed in service. The investment in wetlands is approximately $1.5 million.
>
> [Response to Citizens Interrogatory 278.]

Unlike the determination made by SSU in its due diligence study and the Commission in OOU's last rate case, SSU is now suggesting that the wetlands are 100% used and useful. I believe that the facts show that most of the wetlands are not used and useful and have not been used since 1989. Accordingly, I have made an adjustment, shown on Schedule 40, to remove this investment from SSU's rate base. As shown, plant in service should be reduced by $1,219,380, accumulated depreciation should be reduced by $200,261, and depreciation expense should be reduced by $15,707.

IX. **Summary and Overall Recommendation**

Q. Please turn to the last section of your testimony. Do you have a schedule which summarizes your recommendations and the adjustments that you propose?

A. Yes, I do. A summary of all of the adjustments that I propose is presented on Schedule 41. The first column of this schedule describes each adjustment, the second column shows the amount of each adjustment, the third column shows the net income impact of the adjustments, and the fourth column shows the revenue requirement impact of the adjustments I recommend. In total, these adjustments reduce SSU's requested revenue requirements by $9,933,350.

Q. Does this complete your testimony prefiled on February 12, 1996?

A. Yes, it does.

SUPPLEMENTAL TESTIMONY
OF
KIMBERLY H. DISMUKES

On Behalf of the
Florida Office of the Public Counsel

Before the
FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 950495-WS

Q. What is your name and address?

A. Kimberly H. Dismukes, 5688 Forsythia Avenue, Baton Rouge, Louisiana 70808.

Q. Are you the same Kimberly H. Dismukes that prefiled direct testimony in this proceeding?

A. Yes.

Q. Do you have an exhibit in support of your testimony?

A. Yes. Exhibit 176 (KHD-2) contains 1 Schedule that supports my testimony.

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental is to address the Lehigh Corporation Escrow Letter between Mr. Ronald Sorenson and Ms. Laura A. Holquist, dated December 14, 1993 and produced by Southern States on February 23, 1995, pursuant to the pre-hearing officer's Order "Escrow Letter". I have included as Schedule 1 to my exhibit a copy of this letter.

Q. Would you please describe the background of the escrow agreements and the Escrow Letter?

A. Certainly. Lehigh Corporation had approximately $5.2 million held in an escrow account under the terms of Escrow and Trust Agreements with Barnett Bank. The escrow accounts were established pursuant to the direction of the States of New York and Michigan to ensure the availability of funds for utility connections at the time the lot owner builds on the property. These funds were never recorded on the books of Lehigh Corporation, the developer of land owned in Lehigh Acres. According to the letter from Ms. Holquist, these funds were previously believed to belong to the lot purchasers and that Lehigh Corporation had no ownership interest in the funds. Legal research apparently concluded that the funds actually belonged to Lehigh Corporation and not the lot purchaser. Furthermore, this research concluded that the funds represented no liability to Lehigh Utilities, Inc. (a/k/a SSU) because the Commission ruled in March 1993 that the funds did not represent any liability or impute CIAC. Because of these conclusions, Lehigh Corporation reconsidered the accounting treatment of these funds.

The letter from Ms. Holquist describes the various rationales for assuming that Lehigh Corporation has little or no obligation to future customers as they connect to the system. It was concluded that:

> ...we have determined that any significant water and sewer reimbursement obligation that might exist from

> sales representation would be binding only onto the original lot purchasers. We have further determined that the average age of these lot purchasers when the reimbursement obligation could potentially be incurred would be greater than 86 years. Thus it appears that due to natural life-span constraints, minimal reimbursement, if any would actually be paid under our assumption that an obligation exists. We have concluded that no liability should be recorded for this potential exposure. [Escrow Letter.]

Lehigh Corporation stopped short of recording no liability for the escrowed funds because of its intent to negotiate access to these funds, which it successfully did. Lehigh Corporation also negotiated a supplement to the developers agreement between itself and SSU. This supplemental developers agreement provides that, with the release of the escrow funds, Lehigh Corporation would install utility facilities, including transmission and distribution lines, collection lines, water and wastewater treatments plants, and other major utility assets, and sell these facilities to SSU. If the facilities are not used and useful within 10 years, the plant will be contributed to SSU. According to Ms. Holquist, installation of water and sewer lines toward New York and Michigan purchasers' lots would spur development and increase the value of the lots, presumably those still to be sold by Lehigh Corporation. In related correspondence Bill Livingston, of Lehigh Corporation wrote:

> A conceptual plan for providing water and sewer service will then be prepared for each service area. Each plan will provide for spending all available escrow funds, as well as projected future receipts, in a manner that will extend water and sewer lines as close as possible to the contributing lots and also provide sufficient plant capacity to serve those lots. <u>Careful consideration will also be given to benefiting Lehigh Corporation owned property as much as reasonably possible.</u> (Emphasis Added.)

In her letter, Ms. Holquist noted that because Lehigh Corporation's management intends to offer a credit associated with the escrowed money, an obligation may be created in the near future. Accordingly, Lehigh Corporation estimated this obligation so that it could be recorded on its books. Using present value analysis and projections of when New York and Michigan lots would be expected to connect to the central utility services, it was determined that the present obligation is approximately $662,000. The remainder, or approximately $4.5 million was recorded as income. Because of the purchase agreement between Lehigh Acquisition Corporation and the

Resolution Trust Corporation, the income tax liability associated with the income, or escrow funds recorded prior to 1991, was to be included on the tax returns of Resolution Trust Corporation, not Lehigh Corporation. Income taxes on escrow money and interest earned after the acquisition are to be recorded on the books of Lehigh Corporation.

Q. Did Lehigh eventually record the funds on its books?

A. Yes. According to the Company's response to the Citizens' interrogatory 241, in 1994 Lehigh Corporation recorded approximately $5.2 million of escrowed funds held under offering statements approved by the States of New York and Michigan as a post-acquisition adjustment. The cash is apparently restricted to Lehigh Corporation and can only be drawn to construct major utility facilities. Under the provisions of various agreements between SSU and Lehigh Corporation, Lehigh Corporation is to develop water and wastewater utility facilities using these escrowed monies and sell them to SSU under a refundable advance. Lehigh Corporation is to be paid for these assets based upon future connections.

As part of the agreement with the states of New York and Michigan, Lehigh Corporation agreed to grant a credit to lot owners for future connection fees in the amount of escrowed funds attributable to their specific lot as of March 31, 1994. Consequently, these customers will no longer receive the benefit of interest being earned on money they gave to the developer to construct utility assets. Based upon projected future connection dates, a deferred liability equal to the present value of this projected liability was recorded by Lehigh Corporation, totaling $700,000. In order to access the cash for construction, SSU agreed to guarantee the future credits to customers through a reduction of the approved CIAC tariff at the time the customers connect to the Lehigh plant. These credits, plus an administration fee, are to be billed to Lehigh and paid to SSU at that time.

Because of these various agreements and negotiations, Lehigh Corporation recorded income totaling $4.5 million and a deferred payable to SSU of $.7 million--this latter item is the present value of the estimated liability for refunds of deposits made by Michigan and New York lot purchasers.

Q. Is Lehigh Corporation an affiliate of SSU?

A. Yes. Lehigh Acquisition Corporation is the sole stockholder of Lehigh Corporation, Topeka Group, Inc. (TGI) owns 100% of the stock of SSU and approximately 80% of the stock of Lehigh Acquisition Corporation. Minnesota Power owns 100% of the stock of TGI. In essence, Minnesota Power controls the operations of the regulated SSU and the nonregulated Lehigh Corporation. This control was made especially evident in some correspondence related to this issue. In a memorandum from Mr. Scott Vierima of SSU to Mr. Bert Phillips, then president of SSU, and to other officers of SSU, Mr. Vierima expressed the desire of Minnesota Power with respect to these funds:

> LAC [Lehigh Acquisition Corporation] is finalizing modifications proposed by State authorities in NY and

MI, and has asked SSU to be prepared to execute the supplements within the next two weeks in order to ensure the ability to book related earning in MP's first quarter.

In reviewing various memorandum and correspondence concerning these escrowed funds it is apparent that the final treatment of these funds was structured such that they would have no positive affect on the customers of SSU and that all of the positive benefits, i.e., income, would inure to Minnesota Power's unregulated operations.

Q. What significance does this have to the Commission?

A. The Commission should consider whether the utility customers of SSU have been treated fairly with respect to these funds and their treatment on the books of SSU and Lehigh Corporation. Because of the manner in which the various agreements have been structured, there is no benefit to customers associated with these escrowed funds. Yet there is a significant benefit to Minnesota Power's unregulated operations. Minnesota Power was able to recognize a windfall profit of $4.5 million in 1994 because of money contributed by future customers of SSU. In addition, Lehigh Corporation will construct, and has constructed, water and wastewater assets in the Lehigh Acres development that will increase the value of the developer's lots. The developer will be reimbursed by SSU for water and wastewater facilities, through CIAC collected from near term customers, for which it has contributed nothing to increase the value of its lot inventory. This will in turn accrue to the benefit of

Minnesota Power in the form of higher profits for land sold by Lehigh Corporation much of which was brought about by the use of money collected from future customers and assets paid for by near term customers. Normally, the construction of utility lines by developers are contributed to the utility. However, in the instant case, no such contribution is being made. Instead, the money is being advanced by future customers and then the assets are being paid for by near term customers in the form of CIAC.

Q. What do you recommend?

A. In my opinion, the Commission should impute CIAC associated with all facilities constructed by Lehigh Corporation as future customers connect to the system. According to the Company's response to the Citizens Interrogatory 241, for the projected test year ending 1996, SSU will have repaid Lehigh Corporation for $769,000 for assets that Lehigh Corporation constructed. These used and useful assets are included in SSU's rate base. By imputing CIAC on these assets and future assets constructed by Lehigh Corporation the Commission can ensure that customers are not harmed by the various agreements and negotiations entered into by SSU and Lehigh Corporation that do nothing but enrich Minnesota Power, because of the contribution made by customers.

Q. Are there any other factors the Commission should consider when addressing this issue?

A. Yes. The Commission should realize that much of the plant and facilities that are being constructed by Lehigh Corporation are non-used and useful. I addressed this in my direct testimony and I proposed an adjustment to Lehigh's transmission, distribution, and collection facilities to ensure that current customers do not bear the cost of these non-used and useful assets. But the Commission also needs to be aware of the future problems that may arise because of Lehigh Corporation's construction activities.

Certain scenarios could develop that would further enrich Minnesota Power at the expense of customers. For example, assume that after enough customers connect to these new lines, SSU determines that it must construct additional water and wastewater treatment facilities to serve these additional customers. SSU may construct such facilities larger than necessary arguing that its less expensive to build a larger plant now, than several smaller plants over time. Under this scenario, SSU will likely argue that because of the prudence of the economies of scales associated with building a larger plant now, the entire plant should be considered 100% used and useful. This is an argument routinely made by SSU and often adopted by this Commission. If such a scenario evolves, and the Commission does not recognize the plant as non-used and useful, customers will pay for non-used and useful plant with the beneficiaries being SSU and Lehigh Corporation. Because of the negative potential impact on customers, the Commission should warn the Company today that current customers will not be saddled with the cost of non-used and useful assets resulting from the construction activities of Lehigh Corporation.

Q. Should the Commission evaluate this issue in conjunction with any other issues in this proceeding?

A. Yes. The Citizens' witnesses Larkin and DeRonne are recommending that the Commission recognize a negative acquisition adjustment with respect to the Lehigh system, as well as others. As I noted in my direct testimony, the Citizens were not successful at persuading the Commission in the last rate case involving Lehigh Utilities, Inc. which is now SSU, that a negative acquisition adjustment should be made. I believe the Commission should carefully reconsider its decision concerning the negative acquisition adjustment for Lehigh.

In the last Lehigh rate case SSU argued that the entire discount from book value associated with the acquisition of a consortium of Lehigh companies should be entirely attributed to the nonregulated operations of the purchased assets. Part of this argument was based upon the declining value of land in the area. Despite this assertion, Minnesota Power has recognized significant income associated with the sale of land by Lehigh Corporation--in fact, it reported a return on its equity investment in Lehigh Acquisition of 56% in 1994. In addition, due to the contributions of SSU's customers, Minnesota Power stands to enhance its profits in the future from land sales. The Commission should seriously question SSU's assertion that the discount from book value, associated with the purchase of the Lehigh consortium of companies, should be related solely to the nonutility assets purchased by TGI. In my opinion, the Commission should recognize the unusual relationship between SSU, Lehigh Corporation, TGI, and Minnesota Power and give the customers of Lehigh a portion of the benefit associated with this acquisition by recognizing the negative acquisition adjustment recommended by Mr. Larkin and Ms. DeRonne.

Q. Does this complete your supplemental testimony prefiled on March 4, 1996?

A. Yes, it does.

SECOND SUPPLEMENTAL TESTIMONY
OF
KIMBERLY H. DISMUKES

On Behalf of the
Florida Office of the Public Counsel

Before the
FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 950495-WS

Q. What is your name and address?

A. Kimberly H. Dismukes, 5688 Forsythia Avenue, Baton Rouge, Louisiana 70808.

Q. Are you the same Kimberly H. Dismukes that prefiled direct testimony in this proceeding?

A. Yes.

Q. Do you have an exhibit in support of your testimony?

A. Yes. Exhibit 17 (KHD-3) contains 3 Schedules that supports my testimony.

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental testimony is to address the income tax returns of Southern States and its parent companies which were recently provided to the Office of the Public Counsel.

Q. What subject regarding the income tax returns would you like to discuss?

A. I would like to address the acquisition of Lehigh Acquisition Corporation (LAC) by Topeka Group, Inc. (TGI). In July 1991 TGI acquired a two-thirds ownership interest in Lehigh Acquisition Corporation for $6.0 million. Lehigh Acquisition Corporation subsequently acquired for $34.0 million the stock of Lehigh Corporation and several other subsidiaries involved in real estate from the Resolution Trust Corporation. Lehigh Utilities, Inc. (Lehigh Utilities, Inc. was subsequently merged into SSU and is now a system of SSU) was part of this purchase. The total purchase price of the assets was $40.0 million, the net book value of the assets was $99.0 million--representing a discount of $59.0 million or approximately 60%. At the time of the purchase, Lehigh Acquisition Corporation apparently decided that the entire discount associated with the acquisition should be attributed to the non-regulated operations of Lehigh Acquisition Corporation and not Lehigh Utilities, Inc. (LUI). The reason for this allocation is unclear. However, TGI hired Raymond James & Associates, Inc. to check the reasonableness of the allocation.

The Raymond James report, which I have attached as Schedule 1 to my Exhibit, essentially endorsed the allocation proposed by LAC. Raymond James endorsed the allocation because 1) it essentially agreed with MPL that MPL would have paid book value for the assets of Lehigh Utilities, Inc. and 2) there were numerous uncertainties and contingencies associated with the non-utility assets of LAC.

Apparently, with the endorsement of Raymond James, SSU/LUI argued in LUI's last rate case that all of the discount associated with the purchase of the Lehigh group should be allocated entirely to the non-regulated operations of the Lehigh group.

From a regulatory perspective, this would prove advantageous for TGI MPL because there would be less risk that the Commission would include a negative acquisition adjustment in the rate base of Lehigh Utilities, Inc. Furthermore, as it turns out, it provides a significant benefit to TGI and its stockholders.

As I have stated elsewhere in my prior testimony, in the last Lehigh rate case, Docket No. 911188-WS, the Commission did not endorse the arguments of the Citizens concerning the attribution of a 60% discount to the operations of LUI. The Commission apparently believed the arguments made by SSU/LUI that the discount was entirely attributable to the non-utility operations. The reasons for rejecting the Citizens' arguments and adoption of the SSU/LUI's arguments were summarized by Commissioner Clark at the January 19, 1993 Special Agenda conference concerning the Lehigh rate case:

> COMMISSIONER CLARK: I just want to have clear in my mind an added reason for not making any acquisition adjustment. It seems to me, first of all, that we don't make acquisition adjustments, either up or down, absent extraordinary circumstances. And what would add to the argument that you not make [an] adjustment in this case is that it appears that where

> the devaluation really took place was not in the utility assets, but in the property held for development. That the market had -- in effect, the bottom had gone out of the market, and any devaluation that took place we could reasonably conclude was not really related to the utility, but more related to land development value. And, therefore, one could argue that there is no -- they didn't pay less than book value for the utility assets. [Transcript of January 19, 1993 Special Agenda Conference in Docket No. 91118-WS, p. 19, emphasis supplied.]

Q. Did the arguments made by LUI/SSU in fact materialize, i.e., that the fair value of the non-utility assets was substantially below the book value of the non-utility assets?

A. No. SSU/LUI's arguments that the value of the non-utility assets was significantly less than book or fair value is in stark contrast to how the acquisition was recorded on the books of TGI. Subsequent to the Raymond James report, and LUI/SSU's contention that the fair market value of LUI approximated book value and that the fair market value of the non-utility operations of LAC approximated $39.0 million less than book value, it was determined that the fair market value of LAC was actually substantially greater than argued to the Commission in Docket No. 921118-WS. In fact, instead of a fair market value of $34.0 million, the actual fair market value of the non-utility assets was $96.0 million.

Q. Where did you obtain this information?

A. As part of the workpapers to the 1992 income tax returns of TGI, the Company provided the financial statements and accompanying notes to the financial statements of TGI. (I have included this page of the financial statements as Schedule 2 to my Exhibit.) One on the notes to TGI's financial statements has particular relevance to the value of the LAC. Specifically, note 5 to the financial statements discusses the acquisition of Lehigh Acquisition Corporation in 1991 by TGI.

> The fair value of the net assets acquired by Lehigh Acquisition Corporation exceeded the purchase price by approximately $62 million. The excess of fair value over purchase price (the bargain purchase amount) has been allocated to acquired receivables, land, land improvements and residential construction, and property and equipment expected to be realized after June 30, 1992 on a pro rata basis based upon the estimated fair value of these assets. Recognition of the bargain purchase amount as income began on July 1, 1992, as principal payments on acquired receivables are received and cash funds are received for the sale of assets. During 1992 $7.0 million of this bargain purchase differential was recognized as income.

In other words, the fair market value of the non-utility assets was determined to be substantially more than the purchase price. This differential allows TGI/MPL to recognize as income approximately $7.0 per year over the period that the bargain purchase amount is amortized.

Q. What significance does this have to the instance proceeding?

A. At least in part, the support for the Commission's decision in Docket No. 911188-WS, was either not factually accurate, or changed dramatically at about the time the decision was made in that docket. Consequently, it would be more than appropriate for the Commission to reevaluate the issue of a negative acquisition adjustment for the Lehigh system of SSU. In my opinion, the facts today, do not support an allocation of the entire discount of the purchase price to the book value to the non-utility operations of LAC.

Q. Do you have any other support for your contention that part of the discount should be attributed to Lehigh?

A. Yes. In a recent acquisition, specifically, Lakeside Golf, Inc., the Company prepared a draft due diligence study that compared the purchase price of Lakeside Golf, Inc. to Lehigh Utilities, Inc. I have attached as Schedule 3 to my exhibit a portion of this draft study. This comparison stated:"As shown by the following measures, terms of the proposed purchase compare favorably to that of Lehigh Utilities." The comparison showed that the purchase price of Lakeside Golf, Inc. was .41 times book value while the purchase price of Lehigh Utilities, Inc. was .45 times book value. In other words, for purposes of this comparison, the Company showed that Lehigh was purchased at 45% of book value, not the 100% alleged in Docket No. 911188-WS. The difference closely approximates the 60% discount that the Citizens argued should be attributed to Lehigh in Docket No. 911188-WS.

Q. What are your conclusions?

A. The facts and arguments made by LUI/SSU in Docket No. 911188-WS turned out to be incorrect. In my opinion, the substantial extraordinary difference between what was alleged in Docket No. 911188-WS and what actually happened, clearly warrant that the Commission include a negative acquisition adjustment in the rate base of the Lehigh system of SSU. The amount of the negative acquisition adjustment is depicted on Schedule 17 of the Citizens witnesses Larkin and DeRonne.

Q. Does this complete your supplemental testimony prefiled on March 25, 1996?

A. Yes, it does.

Q (By Mr. McLean) Ms. Dismukes, you were deposed on April 15th, 1996; is that correct?

A Yes.

Q And as I recall, there was not a notary present at that particular deposition.

A That's correct.

Q And you're under oath this afternoon?

A Yes.

Q Were all the answers given by you in that deposition the same as they would have been had you been under oath at that time?

A Yes.

Q Such that you now say under oath those are the correct answers to the questions posed by the attorneys?

A Yes.

Q Thank you, ma'am. Have you prepared a summary to your testimony?

A Yes, I have.

Q Would you provide that summary to the Commission?

A Yes. My testimony covers a lot of topics. I want to try and hit the high points and move through this rather quickly, but bear with me. It is a little long.

The first section of my testimony I deal with the Company's weather normalization clause. I'm opposed to the Company's weather normalization clause. It is not a weather normalization clause as the Company suggests, but it's a revenue normalization clause for a decoupling proposal. The Company's proposal essentially shifts business risk from the Company's customers -- from the Company's stockholders to the Company's customers. It insulates the Company from all forms of revenue variability, including variations in weather, conservation, tourism, changes in the economy and all other factors that affect water consumption. I don't believe that customers should be put in a position of guaranteeing the Company the collection of its proposed revenues, regardless of the circumstances. Stockholders are in a much better position to hedge this risk than ratepayers. This Commission, in fact, in considering a decoupling proposal of an electric utility, found that the revenue losses associated with an economic downturn should not be borne by customers, but they should be borne by the Utility.

In the second section of my testimony I address the Company's rate structure proposal. The Company, as you know, is proposing to move from a rate design -- a rate structure is that less conservation oriented than the rate structure the Commission approved in Docket 920199. I am recommending that the Commission move a little bit further in the direction of conservation and to have the Company's revenues in rates structured such that 25 percent of the Company's revenue is collected from the base facility charge and the remaining is collected from the gallonage charge.

In the third section of my testimony I address the Company's conservation program. The Company is proposing to include in test year expenses in excess of half a million dollars for a proposed water conservation plan. The Company's requested expenses are substantially in excess of what it has spent in the past. For example, in 1994, the Company expended $149,000 on conservation programs. I studied the Company's proposed expenses, past conservation efforts and the degree to which the Company evaluated the relative cost-effectiveness of its proposed programs. My examination indicated that the Company's programs were not evaluated for cost-effectiveness. This is in contrast with the recommendations of Brown & Caldwell and the St. Johns River Water Management District. Nor did the Company consider in its overall conservation plan the relationship between rate structure and its conservation programs. Likewise, it did not attempt to assess the degree to which capacity deferrals would result from its conservation program.

In addition, my review of the Company's past conservation efforts shows that some of the costs incurred were more for PR or for image enhancement than for conservation. I would like to quote from SSU's budget concerning one of the purposes associated with some of its conservation expenditures. The quote in its budget is, "to promote the image of SSU in its presence in the communities it serves." For these and a variety of other specific reasons I am recommending that the Commission disallow $300,000 of the Company's proposed expenses. I will point out that my recommendation still allows a considerable sum of money for conservation, specifically $170,000, for programs such as public education and the specific programs proposed for Marco Island.

Q Ms. Dismukes, we can hear you remarkably well. Would you put a little distance between yourself and the microphone?

A If you'll bring me a glass of water.

CHAIRMAN CLARK: Ms. Dismukes, do you need some water?

WITNESS DISMUKES: Yes, it's empty over here.

CHAIRMAN CLARK: Okay, we'll get you some.

WITNESS DISMUKES: Thank you. In the fourth section of my testimony I discuss the gain on sale issue. I am recommending that the Commission amortize the gain on sale of several systems and assets of Southern States above the line. My recommendation increases test year revenue by $5.7 million.

In the next section of my testimony I discuss the Company's 1996 projected test year revenues. The Company has proposed to project its billing determinants based upon an average of the years 1991 through 1994. I disagree with the methodology used by the Company because I believe that it understates projected test year revenue.

The primary reason for my disagreement with the Company's proposed methodology is that it uses consumption data during a time period when rainfall was abnormally high. As such, it understates projected test year consumption. I have proposed that the Commission use information obtained from a study done by Dr. Whitcomb, which attempted to capture -- I'm sorry -- which attempted to capture the effects of rainfall on residential consumption. The study Dr. Whitcomb prepared showed that the weather normalized consumption for residential customers was 9,476 per bill her month. I used this estimate to calculate projected 1996 revenue and billing units. I have also proposed an alternative adjustment which is similar to the Company's method, but instead it uses the years 1992 and 1993 for the period in which to project 1996 billing units. During these time periods, rain levels were more normal than the four-year time period that the Company used.

In the sixth section of my testimony I address the Company's acquisition program and show that with respect to at least the two recent and largest acquisitions made by Southern States, the cost of the newly acquired systems actually increased; they did not decrease. The Company has continuously argued that its acquisition program is beneficial to customers and allows it to spread its fixed costs over a larger body of customers thereby reducing the costs per unit to the customers.

I tested this theory by examining the Company's administrative and general expenses over the period 1991 to 1996. My analysis showed that as SSU's size increased, so did the cost per customer. This is the opposite of what one would expect if economies of scale so often touted by SSU were true. My analysis showed that the cost per customer of administrative and general expenses increased from $54 to $77 in 1996.

MR. JACOBS: Madam Chairman, maybe we could share some water, since they seem to be a little bit lengthy getting it to her. Do y'all have some up there? Could we just have some of that, or whatever, because she's getting dry here.

CHAIRMAN CLARK: Matt, what happened?

MR. FEIL: I passed it off to Lila. (Pause)

WITNESS DISMUKES: Thank you. The conclusion drawn from my analysis of the Company's administrative and general expenses is that SSU's larger size is not more efficient but less efficient. Accordingly, I am recommending an inefficiency, or diseconomies of sale adjustment, of $1.8 million.

After considering the other adjustments proposed by myself and other witnesses for the citizens, the net adjustment that I recommend is a reduction in expenses of $244,000.

The remainder of my direct prefiled testimony addresses various expenses and rate base adjustments, including removal of lobbying salaries, acquisition expenses, rate case expenses and rate base adjustments related to Lehigh and Buenaventura Lakes.

I am going to move on to my first supplemental testimony. In that testimony I address a recent event that occurred with an affiliate of Southern States, Lehigh Corporation. In 1994 Lehigh Corporation renegotiated some escrow agreements with the states of

New York and Michigan and was allowed to access some funds to construct utility assets in Lehigh Acres Community.

It likewise recognized a gain in that year on its books of 4.5 million associated with the escrowed monies. The correspondence that I have reviewed suggests that it is the intention of Lehigh Corporation to install lines in areas where it will increase the value of the lots held in the inventory of Lehigh Corporation. During this time period, the time period that the escrow agreements were being renegotiated, Southern States and Lehigh Corporation negotiated a modification to a developer's agreement whereby Lehigh Corporation would advance to SSU the funds used to construct the utility assets. The agreement between SSU and Lehigh Corporation is supposed to work such that nonused and useful assets constructed by Lehigh Corporation and sold to SSU would be offset with advances for construction until customers connect to the system. When customers connect to the system and pay a connection charge, the refundable advance will be drawn down.

You might ask what relevance this has to Southern States. I believe it's important for the Commission to consider the effects of this arrangement between Southern States and Lehigh Corporation. Lehigh Corporation is an affiliate of SSU. As such, the various transactions cannot be considered arm's length. My evaluation of the various transactions indicate that they were carefully constructed such that there would be no benefit associated with the transactions to the customers of Southern States. All of the benefit will inure to the unregulated operations of Minnesota Power & Light.

In 1994 Minnesota Power & Light recognized a windfall gain profit of $4.5 million because of money contributed by future customers. In addition, Lehigh Corporation will construct and has constructed utility assets that will serve to increase the value of the developer's lot. A developer will be reimbursed by SSU for water and wastewater facilities the developer constructed through CIAC collected from the interim customers. The developer has contributed nothing to increase the value of its lots. Normally the construction of utility lines by a developer are contributed to the utility. However, in the instant case, no such contribution is being made. Instead -- lost my place. Instead the money is advanced by future customers and then the assets are being paid for by near term customers in the form of CIAC. Because of the complexities of this transaction and their affiliated nature, I am recommending that the Commission impute CIAC associated with all facilities constructed by Lehigh Corporation.

In my second supplemental testimony I also address the Lehigh system of Southern States. In current information obtained from Minnesota Power & Light's tax returns I discovered what I believe to be an inconsistency between what SSU told the Commission concerning the acquisition of the Lehigh consortium of companies in the last Lehigh rate case, Docket 911188-WS and what actually transpired.

In Lehigh's last rate case, the Company told the Commission that the 60 percent discount from book value associated with the acquisition of the Lehigh Companies should be attributed entirely to the nonregulated real estate operations because of the decline in the value of those assets relative to the book value.

However, for tax and book purposes there was no decline in the fair market value of the assets of the nonregulated real estate operations. Instead, the fair market value of the assets was determined to be the same as the book value. In deliberating on this subject during the agenda conference of whether or not a negative acquisition adjustment should be attributed to the regulated operations of Lehigh, the Commission relied upon statements of Southern States that in my opinion were incorrect. Accordingly, I recommend that the Commission reevaluate the acquisition of Lehigh Utilities, which is now a system of Southern States, and include a negative acquisition adjustment in rate base as recommended by Witnesses Larkin and DeRonne. That completes my summary.

MR. McLEAN: Chairman Clark, tender the witness for cross.

CHAIRMAN CLARK: Mr. Jacobs.

MR. JACOBS: I have no questions.

CHAIRMAN CLARK: Mr. Twomey? Mr. Hansen?

MR. HANSEN: I don't think he has any questions.

CHAIRMAN CLARK: Okay, Mr. Hoffman.

MR. HOFFMAN: Thank you, Madam Chairman.

CROSS EXAMINATION

BY MR. HOFFMAN:

Q Good afternoon, Ms. Dismukes.

A Good afternoon.

Q I'm Ken Hoffman representing Southern States Utilities. What I will try to do with my examination is to try and keep it somewhat organized by asking you questions kind of by subject.

A That's good.

Q Let me start with the weather normalization clause. Would you agree that the Commission should establish the most accurate projection of 1996 consumption per bill as possible in this rate case?

A Yes.

Q Without regard to whether the weather normalization clause is approved?

A Yes.

Q And in order to do that, the Commission needs to evaluate whether it is appropriate to include SSU's conservation and price elasticity adjustments to projected consumption; isn't that true?

A Yes.

Q You admit that it would be appropriate to include a price elasticity adjustment if your rate design proposal is adopted by the Commission, correct?

A You asked me that question in my deposition, and I think that my response was that under the rate design proposal that I am recommending, there would tend to be more repression or conservation associated with that shift in the gallonage charge, between the BFC and the gallonage charge. I --

Q Let me ask --

A Go ahead. I'm sorry.

Q Let me ask you to refer to Page 60 of your deposition beginning at Line 22. Do you have that in front of you, Ms. Dismukes?

A Yes.

Q Could you read the question that begins on Line 22 of Page 60 and the answer that finishes on Line 2 of Page 61?

A "Do you know if it would be appropriate to include a price elasticity adjustment as part of your rate design proposal?

"I think to the extent that the calculation on the estimates, et cetera et cetera, were performed correctly, that it would be appropriate."

Q Okay, so then you do agree that it would be appropriate to include a price elasticity adjustment if your rate design proposal is adopted by the Commission?

A Assuming that their repression adjustment was calculated appropriately, and I don't agree that it was.

Q You agree that the weather normalization clause will assist Southern States in obtaining lower cost of capital, all other factors being equal?

A Yes.

Q Ms. Dismukes, I took a look at the appendix to your direct testimony.

A Yes.
Q Which is identified as part of Exhibit 175.
A Yes.
Q And in going through that appendix, which concerns your qualifications, it did not appear that you had any experience regarding different types of adjustment clauses; is that correct, or is that incorrect?
A That's a little incorrect.
Q Could you just briefly describe the experience that you have with different types of adjustment clauses?
A The primary experience that I have is with the fuel adjustment clause in electric utilities. I'm familiar with other forms of adjustment clauses, purchased gas adjustment clauses. I believe the Commission here has a conservation cost recovery clause.
Q How does a fuel adjustment clause operate?
A Essentially it operates to allow the utility to collect the changes in the fuel, the cost of its fuel.
Q What about a purchased gas adjustment clause, how does that operate?
A Basically the same way. It allows the utility to collect the changes in the cost of its fuel relative

generally to either what was included at the time of a rate case, or if you have annual true-ups or -- in Florida they have -- either annually or every six months they have a fuel adjustment proceeding.

Q Okay, I think you also mentioned a conservation cost recovery clause?

A I'm familiar that there is one of those in the state of Florida.

Q Do you know how it operates?

A No, not specifically.

Q Do you agree that there are some similarities between this Commission's fuel adjustment clause and Southern States' proposed weather normalization clause?

A I would agree with you that there are similarities, but I think there are large differences as well. The fuel adjustment clause is not designed to completely insulate the utility from all forms of variation in the consumption patterns. Furthermore, the reason -- my understanding -- the reason that many commissions implemented fuel adjustment clauses had to do with significant increases in the cost of fuel that occurred in the 1970s, and that it was difficult for the utilities to control those costs.

Q Doesn't Southern States face similar uncontrollable events, including rainfall, evaporation and other weather factors, tourism and such, that would clearly affect Southern States' projected level of revenues?

A I would agree with you that Southern States does not have control over those particular aspects. Those are factors that the Company has -- since it's been operating in the state of Florida -- operated under. As I indicated in my summary, the risks associated with those types of events can be diversified by the stockholder. They cannot be diversified by the customer. So therefore, I think it's more appropriate in this instance for the shareholders of Southern States to bear those risks.

MR. HOFFMAN: Madam Chairman, I'm going to move to strike that answer. My question simply was whether or not Southern States faced similar uncontrollable events, including rainfall, evaporation and et cetera, as the uncontrollable events that are part of the fuel adjustment clause.

CHAIRMAN CLARK: I'm in a bit of a dilemma, Mr. Hoffman, because I think she simply repeated what she said in her summary with respect to the diversification. I would agree with you, it's probably not completely responsive, but it's previously been in testimony too, so I don't know what harm it does.

Q (By Mr. Hoffman) Your answer, Ms. Dismukes, just so the record is clear, is that Southern States does face such similar type of uncontrollable events in its operations?

A Yes, with the explanation that I gave.

Q Okay, fair enough.

CHAIRMAN CLARK: Let me ask a question while he's conferring with Mr. Armstrong. Do you know in rate design for electric utilities, is there -- in the forecasting, do they do weather normalization and do they do conservation?

WITNESS DISMUKES: That's a very good point. And to be honest with you, I -- in Florida I don't know. I do know in other jurisdictions that they do weather normalize when they have a projected test year.

CHAIRMAN CLARK: Okay, because it seems to me that we do in Florida, too, but I don't --

WITNESS DISMUKES: It would seem pretty intuitive if you're using a projected test year.

CHAIRMAN CLARK: And do you know if we take into account conservation?

WITNESS DISMUKES: I would assume that you would, but I haven't participated in any electric rate cases here.

CHAIRMAN CLARK: Okay.

WITNESS DISMUKES: Well, TECO, but that wasn't the subject.

CHAIRMAN CLARK: All right. Go ahead, Mr. Hoffman.

Q (By Mr. Hoffman) Ms. Dismukes, I think your testimony is that fuel adjustment clause is designed to allow the utility to recover only changes in the fuel component of its total cost; is that correct?

A Yes.

Q Do you know on average what percentage of an electric utility's total cost per customer is for fuel?

A Could you just repeat that, please?

Q Yes, ma'am. Do you know on average what percentage of an electric utility's total cost per customer is for fuel?

A Not on a cost per customer basis, but I am generally familiar with the relative relationship between fuel costs and total costs. It is fairly high. I would say it's -- I don't -- I don't know the precise percentage. A rough guess would be 50 percent. It could be higher than that, but I haven't performed the calculation.

Q Okay. You acknowledge that the weather normalization clause proposed by Southern States actually includes all factors affecting consumption, not just weather; is that correct?

A Yes.

Q I think you also proposed that if there is an overcollection under the weather normalization clause, that Southern States' refund be made with interest; is that correct?

A That's correct.

Q But if Southern States undercollects, your recommendation is that SSU recover the undercollections without interest, correct?

A Yes.

Q Do you know whether or not the fuel adjustment clause mechanism in Florida includes an interest component?

A I believe it does.

Q How does that work?

A Interest is -- it works both ways. In other words, if they overcollect, they pay interest. If they undercollect, they earn interest.

Q Okay. Ms. Dismukes, we're in this hearing for approximately two weeks. We'll hear testimony under oath from perhaps 50 to 70 witnesses, many experts in their fields; would you agree?

A Yes.

Q When we're concluded, the Commission will determine SSU's revenue requirement and the return which SSU should be given an opportunity to earn; would you agree?

A Yes.

Q Why do you object to establishing rates so that SSU actually is permitted to earn the Commission determined revenue requirement and authorized return?

A Well, I think there are a lot of problems with that. I don't think that it gives the utility an incentive to operate efficiently. If the Commission were going to guarantee Southern States their overall rate of return, I think we would need to substantially reduce their overall rate of return. The Commission is supposed to act as a surrogate for competition. There are not many companies out there that I am aware of that are put in a position where their return on equity is guaranteed. I have several problems with the weather normalization clause outside the fact that it will allow the Company to collect the level of revenues that it is projecting in this case.

Q Ms. Dismukes, let me ask you to now move to your rate design discussion that begins somewhere close to Page 11 of your testimony.

A Yes.

Q On Page 11, Lines 17 through 19 of your testimony, you state that if the Commission approves your rate design proposal -- which is 25 percent to the base facility charge and 75 percent to the gallonage charge -- that SSU should be permitted to collect 75 percent of the changes in consumption through a revenue normalization clause. Is that correct?

A Well, it's taken out of context a little bit. That is what that says there, but that's an alternative recommendation. My primary recommendation is that the Commission not adopt the Company's weather normalization clause, revenue normalization clause. But, I felt like it was important, because I did not know whether or not the Commission would be interested in adopting such a procedure for Southern States, that I give them some alternatives that I felt corrected some of the problems I found with the weather normalization clause. And this is my third alternative, I believe, if the Commission adopts my rate design proposal.

Q Ms. Dismukes, I simply asked you if that's what your testimony stated.

A And I said that is what my testimony stated but it is out of context. It appears as if it's a recommendation with respect to my rate design proposal and it is not.

MR. HOFFMAN: Madam Chairman, I object.

Counsel will have an opportunity to do redirect. I'm simply trying to ask the witness a simple question, and I'm not asking for explanation on other parts of her testimony.

CHAIRMAN CLARK: Well, I thought she was responding to how she characterized your question in clarifying the context in which the previous answer was given, and to that extent I'm going to allow the answer.

Q (By Mr. Hoffman) Can you distinguish for us the difference between your revenue normalization clause proposal and Southern States' weather normalization clause?

A The first recommendation that I made with respect to the weather normalization clause would be that the Commission assure that the test year billing units that are chosen in this case are as accurate as possible. I -- as I've said, I don't -- I don't agree with what Southern States has projected, and I would recommend that the Commission adopt my proposal.

MR. HOFFMAN: Madam Chairman, I don't want to push the envelope on this. That's not what I asked her. I asked her if she could distinguish for us the difference between her revenue normalization clause proposal on Page 11 of her testimony and Southern

States' weather normalization clause. That's all I asked her.

CHAIRMAN CLARK: Ms. Dismukes, would you do that, please?

MR. McLEAN: Madam Chairman, may I respond?

CHAIRMAN CLARK: Go ahead.

MR. McLEAN: The intent of the question is to try to show that Ms. Dismukes has a weather normalization proposal. She opposes weather normalization. However, she says if you might want to give them one, you might consider this or that.

Now, Mr. Hoffman's questions, I think, are designed to try to get Ms. Dismukes to say that she supports weather normalization by some methodology when in fact she does not, as she has testified.

CHAIRMAN CLARK: He has asked for her to distinguish between the two, and as I understand the characterization of her direct testimony, she makes it clear --

MR. McLEAN: Yes, ma'am.

CHAIRMAN CLARK: -- what she is recommending. Ask your question again.

Q (By Mr. Hoffman) Ms. Dismukes, can you distinguish the difference between your revenue normalization clause that you refer to on Page 11, Line

19 of your direct testimony and Southern States' weather normalization clause?

A I'm not trying to be argumentative, but the difference, if you want to look at only this paragraph, which I think takes my entire recommendations out of context, is I am recommending that the Commission allow the Company to recover 75 percent of changes in consumption, whereas the Company's proposal is 100 percent.

MR. HOFFMAN: Madam Chairman, I understand. I think her testimony speaks for herself. I am trying to get an answer to a question.

CHAIRMAN CLARK: As I understood her answer, the difference is she recommends 75 percent as opposed to your 100 percent; is that what the difference is?

MR. HOFFMAN: That wasn't the question.

CHAIRMAN CLARK: Okay, maybe I've misunderstood the question.

MR. HOFFMAN: The question is, I am asking Ms. Dismukes to distinguish the difference, if any, between the "revenue" normalization clause that is spelled out in her testimony and Southern States' "weather" normalization clause.

CHAIRMAN CLARK: Would you explain to us the difference?

WITNESS DISMUKES: Perhaps I don't understand your question. Are you distinguishing between the words "weather" and "revenue," or what my recommendations are to improve Southern States' proposed weather normalization clause?

MR. HOFFMAN: Neither.

WITNESS DISMUKES: Okay.

Q (By Mr. Hoffman) I'm looking at a phrase in your testimony. And it's your testimony.

A Yes.

Q And it's a phrase "revenue normalization clause." It's a phrase that you have used.

A Oh, yes, that's correct.

Q And I'm asking you to distinguish between that -- if there is any distinction between that revenue normalization clause and Southern States' weather normalization clause?

A In terms of terminology, no, they are both, you know, designed to do the same thing. The Company characterizes it as a weather normalization clause, but it doesn't really just capture weather, it captures everything, and that's why I've kind of called it a revenue normalization clause and that's probably why Dr. Whitcomb called it a water normalization clause. I'm sorry, we just weren't communicating.

Q In other words, your use of words "revenue normalization clause" is intended to mean essentially the same thing as Southern States' weather normalization clause, in terms of how you understand Southern States' proposal?

A Yeah, they do the same thing. I just thought mine was a better characterization of what the proposal did.

Q I apologize, Ms. Dismukes. I'm sure I was talking past you on that.

A Must have been.

Q Now, the basis for your recommendation here is that with 75 percent of SSU's revenue requirements in a gallonage charge, there will be greater levels of conservation; is that correct?

A Yes, there should be.

Q And there will also be a greater level of elasticity in consumption; is that correct?

A I believe so, yes.

Q And there will be greater revenue instability?

A Yes.

Q You disagree with Southern States' proposal to go from a 33/67 base facility gallonage charge split to a 40/60 split; is that right?

A Yes.

Q And you disagree with what Southern States has proposed because you do not believe it is sufficiently aggressive in terms of conservation, correct?

A Well, I believe it's a move in the wrong direction.

Q Let me ask you to turn to Page 10 of your deposition, Line 15, and if you would read the question and the answer that are on Lines 15 through 17.

A "Is the effect on conservation the only reason you do not agree with the proposed 40/60 split? Yes."

Q Are you changing that answer today?

A No.

Q So if your proposed rate structure is adopted, you must agree that a larger elasticity adjustment must be made to future consumption than that proposed by Southern States, correct?

A Assuming that the Commission makes a price elasticity adjustment, yes, it would be a larger adjustment.

Q Now, at Pages 11, and I'm at Line 17, through Page 12, Line 2 of your testimony, you agree that a consumption adjustment must be made if your 25/75 split is adopted, but you suggest that only 75 percent of the elasticity adjustment be permitted; is that correct?

A No, I don't believe so.

Q Isn't it your position in that portion of your testimony, Ms. Dismukes, that if your 25/75 split is adopted that only 75 percent of the weather normalization clause amount should be recovered?

A Through the revenue normalization clause, yes.

Q On what basis could the Commission eliminate consideration of the other 25 percent?

A I'm not sure I follow your question. I think what the Commission would do is look at what the Company has projected in this particular case relative to what actually happens, and allow the Commission -- the Company to recover 75 percent of that difference as opposed to 100 percent of it.

Q And my question is, how would you justify excluding recovery of that other 25 percent? Why should that not also be recovered?

A Oh, well, in my testimony I explained that at least if the Commission is going to adopt a revenue normalization clause, that it shouldn't completely shift all of the risk from stockholders to ratepayers. So by only allowing Southern States to recover 75 percent of that variability, they have essentially ensured that not all risk is shifted from stockholders to ratepayers.

Q Well, this clause would work both ways, though, wouldn't it, Ms. Dismukes? In other words it can pay money back to customers or it can collect extra money from customers, correct?

A It can do both.

Q Have you taken that into account in your recommendation that that 25 percent of the weather normalization clause not be permitted?

A Yes.

Q You acknowledge that the rate design that the Company has proposed satisfies the Brown & Caldwell criteria as a conservation rate structure?

A It's at the low end of the scale. It's the lowest you can be.

Q Was that a no or a yes?

A Yes.

Q Your position, as I understand it, is that if you lower the percentage of revenue collected through the base facility charge, there will be less risk for the customers?

A Well, I don't know that I looked at it from a risk perspective necessarily. I was looking at it from a conservation perspective. Well, there are actually -- I guess you could look at it that way, there would be less risk to the customers because of the fact that they're not required to pay Southern States regardless of what their consumption is. I think it's -- I've been at a lot of service hearings and customer hearings, and they always get very confused about the base facility charge and the fact that they have to pay for something when they don't actually receive service.

Q Well, there could also be greater risk to the customers as well, couldn't there, when you put a lower amount of revenue recovery into the base facility charge because, for example, if you have a real dry year, the customers' bills, assuming they choose to water their lawn, are just going to be higher, correct?

A Yes, but customers also have the ability to control that. I personally like the ability to know that when it rains a lot I don't have to water my lawn. And I don't particularly want to be put in a position where the Company is going to control that for me in terms of their billing procedures.

Q Wouldn't you agree that customers would be subject to significantly greater risk of higher bills if the Commission approved a zero base facility charge?

A No. I mean it could happen like in one particular month where it was very dry, and so if you're going to look at it from that perspective. But over time it should be equal. And moreover, if 100 percent of their revenues were collected from the gallonage charge, customers would have total control.

Q Do you have any empirical data or evidence to support that conclusion, or is that just your speculation?

A In terms of whether or not customers would have complete control over their bill, in other words that -- I mean it's pretty intuitive that if all of the money is collected from the gallonage charge, that if the customer doesn't use any water in one particular month, they don't have to pay anything. And I believe the Brown & Caldwell Study also refers to situations where a large percentage of the -- and I think it goes up to 100 percent, a large percentage of the revenue requirement is collected entirely from a gallonage charge.

Q Wouldn't it also be intuitive that if 100 percent of the revenue requirements were loaded into a usage charge, that customers face a greater risk of higher bills?

A In particular months, but on average it should work out to be roughly the same.

Q You believe that a base facility charge, a gallonage charge rate structure with a zero base facility charge, is reasonable; do you not?

A Yes.

Q Dr. Whitcomb has testified in this proceeding that Florida lies in the region of the United States with the highest variability in consumption due to weather. Do you have any basis to disagree with his statement?

A No.

Q Would you consider it reasonable to impose the most extreme riskiest rate structure of a zero base facility charge on SSU's customers who reside in the area of the United States that has the most extreme variability in consumption?

A That's not my recommendation.

Q I know, ma'am, but would you consider it reasonable?

A Well, you have to look at it. It's a matter of degree. If you want to look at it from Southern States' perspective and you're trying to balance the interests of Southern States' stockholders versus the interest of customers, given the circumstances where there is a lot of variability, I can see some argument to a base facility charge.

Q So you would consider it reasonable?

A What reasonable?

Q Well, that's kind of the problem. I'm not sure that you answered my question. Let me ask it again. Would you consider it reasonable to impose the most extreme riskiest rate structure on customers of Southern States who reside in the area of the United States that has the most extreme variability in consumption?

A No.

Q Let me now ask you a couple of questions about the testimony pertaining to conservation. You admit that your proposed disallowance of approximately half of Southern States' conservation expenses is nothing more than a judgment call, correct?

A No.

Q Let me ask you to turn to Page 15 of your deposition.

A Yes.

Q Let me withdraw that question. You agree that there are going to be some positive public relations aspects associated with a conservation program, even though it is designed purely for conservation reasons, correct?

A Yes.

Q And would you also acknowledge, conversely, that Southern States is going to have some positive conservation impacts for programs that are designed solely for public relations efforts but that also discuss conservation?

A Yes.

Q Okay, I would like to just move to gain on sale. On Page 35 of your testimony, if you could turn to that, you refer to certain assets where Southern States has recognized a gain on sale, and you conclude that these gains should not be amortized above the line for rate making purposes because the assets were not included in rate base; is that correct?

A Yes.

Q And your rationale is that the remaining customers of Southern States never provided any kind of return on or return of that investment; is that correct?

A Well, not remaining, but just Southern States' customers in total did not provide any return on or return of.

Q And this is the rationale that the Commission has employed in the past when determining whether or not a gain on sale should be placed above the line or below the line for rate making purposes, correct?

A Generally, yes, that's correct.

Q In your opinion, if assets are not included in rate base, then the customers are not bearing the risk associated with those assets and should not be impacted by any gain or loss on the sale of such assets, correct?

A Yes.

Q On Page 35, Line 4 of your testimony.

A Yes.

Q You refer to -- and I'm -- let me just tell you, Ms. Dismukes, I'm talking here about the Spring Hill properties.

A Yes.

Q You refer to Interrogatories 207 and 55 as your source for including certain gains that should be shared by all customers on the ground that these interrogatories said that the assets were 100 percent used and useful, correct?

A Yes.

Q And you're including here three sales of property from the Spring Hill service area?

A Yes.

MR. HOFFMAN: Madam Chairman, I would like to have an exhibit marked for identification and give Ms. Dismukes a minute or so, as long as she needs, to review it.

CHAIRMAN CLARK: The next exhibit number I have is 178.

MR. HOFFMAN: 178.

(Exhibit No. 178 marked for identification.)

CHAIRMAN CLARK: And that exhibit number is for SSU's Responses to OPC Interrogatories 108, 205 and

199.

WITNESS DISMUKES: Okay, I'm with you.

Q (By Mr. Hoffman) First, Ms. Dismukes, with respect to the responses to OPC Interrogatories 108, 205 and 199 that are included in Exhibit 178, did you have an opportunity to review these responses before you filed your testimony?

A I believe so, yes. 199 doesn't look real familiar. 108 looks familiar, as well as 205.

Q You didn't mention the Company's response to OPC Interrogatory 108 in your testimony. And the response to Interrogatory 108 refers to an appendix provided in response to Interrogatory 55. Doesn't the response to Interrogatory 108 contradict the response to Interrogatory 55 and say that only one of the seven parcels was actually 100 percent used and useful?

A Yes, I believe you're correct on that.

Q And that is a parcel located in Seminole County at Plant 332, Apple Valley; is that correct? I'm on Page 1 of this exhibit.

A Thank you. I know where you are. I'm just trying to make sure we're all together. Do you want me to compare these to my schedule or do you want me to agree that your response to your interrogatory says what you say it says?

Q Well, I want to you to agree with me that these assets should not be shared with the ratepayers for rate making purposes because they're nonused and useful, or otherwise not in rate base, based on the Company's responses to these interrogatories.

A The Company has provided some contradictory responses to its interrogatories. In one instance they said that the properties were included in rate base as 100 percent used and useful. In this response they are suggesting otherwise. Right before I left Baton Rouge to come to Tallahassee, the Company filed a revised response to Interrogatory 55, which is the original interrogatory that I used, and I believe they did correct and show that several of the parcels were not included in rate base. To the extent that that information is correct, and I have no reason to disbelieve it, I would, you know, accordingly, consistent with my recommendations with respect to the other property that was not included in rate base, likewise recommend that these gains also go below the line.

Q Okay, thank you. And just real quickly Ms. Dismukes, if you turn to Page 5 of this exhibit, 178, which is Page 1 of 1 of Appendix 205-B, you see there that the three parcels -- excuse me, the four parcels of Spring Hill property that are referenced on that page are shown to be nonutility property; is that correct?

A Yes.

Q Ms. Dismukes, on Page 37 now, moving on to Page 37, Lines 7 through 13 of your testimony, you recommend an adjustment arising out of the sale of the Venice Gardens plant based on the fact that the A&G costs of the Venice Gardens customers are now being borne by SSU's remaining customer base; is that correct?

A Yes.

Q Isn't it also true, however, that with the acquisition of the Buenaventura Lakes facility, SSU has essentially added a few more customers than it lost through the Venice Gardens sale?

A I would accept that subject to check.

Q Now, your alternative recommendation for the treatment of the gain on sale from the Venice Gardens plant is essentially the same type of adjustment that you recommended for the St. Augustine Shores condemnation in Docket No. 920199; correct?

A Yes.

Q And your recommendation in Docket No. 920199 for St. Augustine Shores was rejected by the Commission, correct?

A Yes.

Q Let me now ask you a few questions about your weather normalization adjustment to revenue. First let me ask you, have you reviewed Mr. Bencini's rebuttal testimony?

A Yes, I have.

Q So you're familiar with the passage in that testimony where he quotes a statement made by Public Counsel witness Steven Stewart in the Marco Island rate case?

A Yes.

Q Where Mr. Stewart indicates that if SSU had used the average of five years of consumption data, that five years of data would have been sufficient to account for weather normalization and there would have been no need for him to submit testimony proposing a weather normalization adjustment?

A I am aware that that is what is in the testimony of Mr. Bencini. I thought it was three years, but if you say five years, I'm sure you're right. I think that -- I know Mr. Stewart very well, and that if he was of the opinion or knew that the level of rainfall during that five-year period was abnormally high or abnormally low that he would not use those years to project billing units.

Q Now, in the Marco Island rate case, you adopt and relied on Mr. Stewart's testimony in support of a proposed increase to SSU's projections of consumption in revenue; is that correct?

A Yes. I mean I calculated the rate impact of it.

Q Based on Mr. Stewart's analysis?

A That's correct.

Q Here SSU has projected its consumption in revenue based on an average of four years worth of data projected up by a compound growth factor; is that correct?

A Yes.

Q In Mr. Bencini's rebuttal testimony, now that actuals are in for 1995, Mr. Bencini has offered consumption projections based on an average of five years worth of data for illustrative purposes, hasn't he?

A Perhaps he has. I didn't get that specific with respect to his testimony. I know he did show what 1995 was relative to Southern States' projections.

Q Are you aware that the 1995 actual consumption data shown in Mr. Bencini's rebuttal testimony reflects that Southern States actually overprojected consumption for 1995 in its MFRs?

A Yes, I am aware of that, but I think it's important to point out that 19 --

MR. HOFFMAN: Madam Chairman, if I could, all I asked her if she was aware of that.

CHAIRMAN CLARK: Ms. Dismukes, I'm sure your counsel will elicit further information on redirect.

Q (By Mr. Hoffman) Ms. Dismukes, on Page 46, Line 22 of your testimony, you state that SSU's method of projecting water gallonage is a relatively simplistic and inaccurate assumption, correct?

A Yes.

Q Your statement is a characterization of the Company's use of a four-year average consumption by plant to project future test year gallonage, correct?

A Yes.

Q Yet you offer the Commission a two-year average as a more sophisticated approach, don't you?

A Well, it's my alternative recommendation; it's not my primary recommendation.

Q That's a yes, correct?

A No, it's not a yes. That is my alternative recommendation. It is not my primary recommendation, and I think it's important that there is a significant distinction between my two years and Southern States' four years. My two years consider more normal levels of rainfall than Southern States four years. When I was talking about it being inaccurate, I was referring to the level of rainfall.

Q You eliminated the two lowest consumption years, correct?

A I eliminated the two years where rainfall was significantly above average. If that happened to also result in two years where consumption was low, that would be intuitive.

Q Ms. Dismukes, let's be clear. You eliminated the two lowest consumption years; is that correct? Yes or no?

A With the explanation I gave, yes.

Q Now by eliminating the two lowest consumption years, you produced a lower gallonage charge; is that correct?

A A lower gallonage charge?

Q A lower rate.

A I didn't change the rate at all. I changed the consumption of the billing units. Maybe we're miscommunicating.

Q By eliminating the two lowest consumption years, you reduce projected consumption?

A That's correct.

Q Now one of the years you pulled was 1994, correct?

A One of the years I eliminated was 1994, that's correct.

Q Are you aware that Dr. Whitcomb has testified under oath that the net irrigation requirement in 1994 was the most normal year of the years 1991 through 1994?

A Yes. I'm aware that he testified to that. I asked him --

Q And you don't dispute that, do you?

A To be honest with you, Mr. Hoffman, I asked for the backup data for that information in a POD and he gave it to me on a weighted consolidated average basis because that was the basis of his testimony, and I did not have the opportunity to evaluate the data as I would have liked to. I don't dispute that he does say that.

Q In our interrogatory to you, Ms. Dismukes, I think your statement was that OPC has not performed an analysis of the net irrigation requirement study performed by Dr. Whitcomb. Is that your answer?

A That was my answer, and I think it's important to clear up that I asked for the information and didn't get what I asked for.

Q Let me ask you a question or two, Ms. Dismukes, concerning your adjustment on your Schedule 28, which I think is discussed on Page 67 of your testimony.

A Yes.

Q Let me just ask you this. Do you believe that it is proper rate making for a regulator to disallow expenses without a determination that the expense is unreasonable in amount or not prudently incurred?

A Could you repeat the question, please.

Q Sure. Do you believe that it is proper rate making for a regulator to disallow expenses without a determination that the expense is unreasonable in amount or not prudently incurred?

A Generally speaking, no. There could be situations where the Company hasn't sufficiently justified a proposed cost increase, or that expenses have gone through the roof and the Company hasn't borne -- you know, they haven't properly justified that where the Commission, I believe, could reasonably disallow it.

Q Ms. Dismukes, let me turn to your positions on the expenses for the uniform rate proceeding.

A Okay.

Q Would you like to take a break?

A No, I'm fine.

Q That starts, I think, on Page 70 of your testimony, right around in there.

A Okay.
Q You acknowledge that in Docket No. 930880, the Commission made it clear that rates could change as a result of that proceeding, correct?
A Pardon me?
Q Do you acknowledge --
A Could you refer me to my testimony so I can -- I mean if you can. I thought you said Page 70.
Q I think that discussion, the discussion of that subject, is in the area of Page 70. I was not referring to any certain page or line with my question. My question was a general question concerning that subject. Let me repeat it.
A Okay.
Q Do you agree that in Docket No. 930880-WS, the Commission made it clear that rates could change as a result of that proceeding?
A I would accept that subject to check. The revenue requirement wouldn't change, but the rates could change.
MR. HOFFMAN: Madam Chairman, I would like to have another exhibit marked for identification.
CHAIRMAN CLARK: The next exhibit number I have is 179.
(Exhibit No. 179 marked for identification.)

CHAIRMAN CLARK: Exhibit 179 is Order Setting Issues and Revising Dates For Filing Testimony and Exhibits in Docket 930880.

MR. HOFFMAN: Thank you, Madam Chairman.

CHAIRMAN CLARK: The date of that order is December 16th, 1993.

Q (By Mr. Hoffman) Ms. Dismukes, if you could, I'll just be very brief with this exhibit. If you could read what was identified as Policy Issue 4 in that order into the record.

A Could you tell me what page it's on so I can get it to it quicker?

Q Page 2 of the order. I'm sorry. Right on the front page there.

A Policy Issue 4: "What are the appropriate rates on a going-forward basis?"

Q And are you aware that rates were in fact changed in Docket No. 930880 as a result of that proceeding?

A I believe the only rate that was changed was a rate associated with the Hernando County bulk water system.

Q Wastewater?

A Wastewater, if you say so.

Q Are you aware that residential wastewater rates also increased as a result of the reduction of the Hernando County bulk wastewater rate?

A No.

Q Would you accept that subject to check?

A Yes.

Q Ms. Dismukes, were you here for Dr. Beecher's testimony?

A I heard quite a bit of it over the phone. I dialed up direct. I wasn't actually in the hearing room. I heard a lot of her testimony.

Q Dr. Beecher testified that rate structure could affect Southern States' capital costs. In other words, a certain rate structure could require Southern States to incur costs which Southern States might not otherwise incur under a different rate structure. In view of that testimony, why shouldn't Southern States support a rate structure that reduces costs to customers?

A Well, first of all, I didn't hear that part of her testimony, but assuming that she did say it, I'm not at all opposed to Southern States supporting uniform rates. My recommendation with respect to the rate case expense has to do with the Company's advocacy efforts to persuade its customers that uniform rates is the most efficient thing or the best thing for them. That's primarily my bone of contention. I did not think it was necessary for the Company to hire a telemarketer, to bus people, and I don't want to belabor the point. They're laid out in my testimony, but that's it, I'm not against Southern States wanting uniform rates.

Q Thank, Ms. Dismukes. Let me ask you to turn to Page 76 of your testimony, Lines 6 through 10, where you propose to reduce test year chemical purchased power and purchased water expenses for all plants with unaccounted for water above 10 percent. Are you with me there?

A Yes.

Q Isn't it true that purchased power is not a pure variable cost since there is a demand charge associated with the purchase of electricity which remains constant, notwithstanding the level of usage?

A Yes.

Q Did you take that into account in making your recommended adjustment?

A No, I did not. Neither did the Commission in Docket 920199. The Commission assumed a direct proportional relationship between those expenses and unaccounted for water.

Q Would it be appropriate to take that into account in this proceeding?

A You could do that.

Q Okay, let me turn to your supplemental testimony. Do you have that in front of you, Ms. Dismukes?

A Yes, I do.

Q Now in your supplemental testimony you're proposing a reduction of $769,000 to rate base to impute CIAC on the facilities constructed by Lehigh Corporation through the use of the escrow funds, correct?

A Yes.

Q Now in the Docket No. 911188-WS, Lehigh Utilities rate case, the Commission determined that no adjustment to rate base should be made as a result of these escrow monies; is that correct?

A That's correct, but circumstances have changed considerably since that case.

MR. HOFFMAN: Madam Chairman, if I could have another exhibit identified.

CHAIRMAN CLARK: The next number I have is 180.

MR. HOFFMAN: I don't have enough copies, Madam Chairman.

CHAIRMAN CLARK: We'll then take a break and allow you to get copies, and Ms. Dismukes, we will interrupt your testimony temporarily to take the ones on the teleconference and then we'll bring you back. But we will be through with you today.

WITNESS DISMUKES: Okay, great.

CHAIRMAN CLARK: Just so it's clear, we are going to take a break until 4:25, when we will reconvene to prepare for the teleconference witness.

(Recess from 4:10 p.m. until 4:30 p.m.)

CHAIRMAN CLARK: Are the mikes on? We're ready to reconvene the hearing again. Just so the record is complete, we were unable to do the teleconferencing portion. At this point we were having trouble with the sound, and it also appears that the witnesses were not given the correct location to be at.

So what we need to do is go back to the cross-examination of Ms. Dismukes by Mr. Hoffman. Do we have enough copies of 180?

MR. HOFFMAN: Madam Chairman, I'm not going to enter that document into the record as an exhibit. I would like to hand Ms. Dismukes a copy of the document and I'll hand copies to counsel.

CHAIRMAN CLARK: So we have no Exhibit 180 at this point?

MR. HOFFMAN: No, ma'am. (Pause)

Madam Chairman, just for the record, I've handed Ms. Dismukes and counsel copies of the Lehigh

Utilities rate case order and the order on reconsideration. Both of those orders have been officially recognized by the Commission per our request.

CHAIRMAN CLARK: Okay.

MR. HOFFMAN: Thank you.

Q (By Mr. Hoffman) Ms. Dismukes, I believe my last question and your last answer was that in the Lehigh Utilities rate case the Commission did not make an adjustment to rate base as a result of these escrow monies; is that correct?

A Yes.

Q Public Counsel did not seek reconsideration of that determination by the Commission, nor did it appeal the issue to the first DCA, did it?

A No, it did not.

Q Lehigh Corporation uses the escrow funds to construct utility facilities and transfers title to the facilities to Southern States; is that correct?

A I believe so, yes.

Q There is no initial rate base effect since the amount of transferred plant is offset by refundable advances until they are placed in service, correct?

A Yes, theoretically, that is supposed to -- is how it is supposed to work. With respect to this issue, I do take issue with the methodology that the Company used to make that specific calculation. It's in a different section of my testimony. So theoretically you're correct. In actuality it did not work that way. The Company's calculations were not correct.

Q So there's no initial rate base effect since the amount of transferred plant is offset by refundable advances until the plant is placed in service, correct?

A Only from a theoretical standpoint. From an application standpoint, the Company did not perform the calculations correctly.

Q When one of the lot owners connects, refundable advances are reduced and CIAC is increased for the same or similar amount. So again, there is no rate base impact when a lot owner connects; is that correct?

A I'm not precisely sure how the CIAC is going to be recorded on the books of Southern States. To the extent that the CIAC is recorded on Southern States' books as the customer connects, that is correct.

Q Okay. Thank you. Now, if one of these new customers was one of those, let's say, for example, one of those Michigan customers that had contributed to the escrow fund.

A Yes.

Q The CIAC paid by that lot owner is reduced by the amount of the lot owner paid into the escrow account. So the lot owner gets credit for that payment, correct?

A That's correct. That's my understanding.

Q Okay, now on Page 2, Line 4 of your supplemental testimony you refer to the escrow and trust agreements. Is SSU a party to either the Michigan or New York escrow agreements?

A No, it is not.

Q And you would agree that there are no circumstances under which Southern States could apply to the escrow agent, in this case Barnett Bank, for a withdrawal of those funds and expect disbursement; is that correct?

A No, its affiliate does that.

Q Southern States can't, correct?

A I answered no, but an affiliate does that.

Q I just want to make sure the record is clear, Southern States cannot do that; is that correct?

A Southern States does not do that, but it's affiliate does.

CHAIRMAN CLARK: I'm sorry. There's a qualitative difference to me. You have say they do not. Can they?

WITNESS DISMUKES: No, I don't believe they can either. Only the affiliate can.

Q (By Mr. Hoffman) Would you agree that Southern States cannot withdraw these funds?

A Yes.

Q Okay. On Page 8, Line 21, you state that much of the plant being constructed by Lehigh is nonused and useful. If that were true and some of those facilities were being funded with escrow monies, would the impact on rate base be neutral in view of the refundable advance arrangement?

A Assuming the Company calculated it correctly, yes.

Q Now on Page 10, Line 16, you refer to an equity return of 56 percent produced by Lehigh Acquisition Corporation. Do you recall that?

A Yes.

Q What portion of the equity return referenced in your testimony is associated with the sale of lots in the areas subject to the New York and Michigan escrow agreements, as opposed to earnings generated from finance charges on receivables, bulk property sales, recognition of deferred tax benefits, golf course and resort sales, lot sales elsewhere in Lehigh, rental income and other sources?

A I don't know.

Q If the Commission were to impute CIAC on facilities which have already been funded by either customer CIAC, developer CIAC or developer refundable advances, wouldn't the utility's rate base be understated?

A No, not necessarily. The Commission could not collect the CIAC -- or not the Commission, but the Commission could order the Company not to collect the CIAC from customers as they connect such that there is no double recovery. To the extent that the developer in a normal situation would contribute the property, then the Commission could evaluate the service availability fees and ensure that whatever is collected from future customers recognizes the imputed CIAC associated with the developer's contributions.

Q Ms. Dismukes, let me back up. Suppose, for example, we've got a situation where a customer contributes -- where a customer pays service availability fee. Let's just assume that much for the moment, okay?

A Okay.

Q If the Commission were to impute CIAC on the facilities constructed through that service availability fee, wouldn't there be a double counting of CIAC and the utility's rate base understated?

A Well, it's all a matter of degree. I am aware that that's the argument that Southern States is making. In the normal course of events where the developer would contribute the property, the CIAC levels contributed by the customers would be reduced. So to the extent that if you're doing both, you would potentially double collect the contribution, but to the extent that the Commission imputes the CIAC that I am recommending, then we would look to the development of the CIAC charges to take care of that situation.

Q Let me try again, Ms. Dismukes. I'm looking for a simple direct answer. If, for example, a customer pays a service availability charge and the Commission imputes CIAC on the facilities constructed with that service availability charge, wouldn't there be a double counting of CIAC resulting in an understatement of the utility's rate base? Yes or no?

A I think I already answered that question.

Q Is that a yes or no?

A It's neither.

MR. HOFFMAN: Madam Chairman, could I ask you to instruct the witness to answer this question, please.

CHAIRMAN CLARK: Ms. Dismukes, if you have answered it, I don't understand it. You need to answer yes or no and then explain your answer.

WITNESS DISMUKES: Okay. Yes, however, the Commission can take care of any double counting, okay, or double collection of CIAC by imputing the CIAC associated with those lines that were constructed by Lehigh Corporation in the development of the service availability charges such that in the future on a going-forward basis the amount of CIAC collected from customers would recognize the fact that the imputed CIAC has been taken into consideration in those calculations. (Pause)

Q (By Mr. Hoffman) Ms. Dismukes, I would like to now turn to your second supplemental testimony.

A Okay.

Q Now here you are asking the Commission to impose a negative acquisition adjustment; is that correct?

A Yes.

Q That was yes?

A Yes.

Q Ms. Dismukes, if you could refer to the Lehigh Utilities rate case order that I handed you a copy of, and I've provided a copy to counsel. Official recognition has been taken of that order in this docket, Madam Chairman, and I'm referring to Order No. PSC 93-0301-FOF-WS. If you could turn to Page 14 of that order and read the portion of the order under the title Acquisition Adjustment into the record.

A "By Order No. 25391, issued November 25th, 1991, as amended by in Order No. 25391A, issued February 24th, 1992, we approved a transfer of majority organizational control of this utility from LRC to Seminole. Because this was a stock transfer, there was no change in rate base. Therefore, no acquisition adjustment resulted. Based upon the foregoing, we have made no acquisition adjustment to rate base."

Q Thank you. Now, I've also handed you a copy, and I've handed a copy to counsel, of the order on reconsideration in this -- in the Lehigh Utilities rate case. Now this acquisition adjustment issue was an issue that the Office of Public Counsel pursued on reconsideration in that case, correct?

A Yes.

Q I would ask you to turn to Page 3 of that order, of the order on reconsideration, and if you could read the first paragraph on Page 3 into the record.

MR. McLEAN: Chairman Clark, I want to object. If the document has had official notice, it's already in the record. My objection is that the evidence to be provided by Ms. Dismukes would be cumulative, in effect.

MR. HOFFMAN: I'll move on, Madam Chairman.

Q (By Mr. Hoffman) If you look there at the first paragraph of that order, Ms. Dismukes, you'll see that it says, "We find that our decision on the acquisition adjustment issue was based on the evidence in the record that the purchase of Lehigh was by a transfer of stock which had no effect on the value of the utility's rate base." Now, wouldn't you agree, Ms. Dismukes, that there is nothing in the final order in the Lehigh Utilities rate case, nor in the order on reconsideration, that addresses the acquisition adjustment issue, other than the fact that this -- that the transaction was a stock transfer; is that correct?

A That's correct, but that doesn't necessarily mean that the Commission did not rely upon other information when it came to its decision. And as you well know, as you argued in your brief on reconsideration, Chairman Clark was the one that indicated that one of the reasons that it would not be appropriate to make a negative acquisition adjustment in this case, in particular, was because of the fact that the Southern States argued that the difference between the book value associated with the nonregulated assets was entirely the result of the devaluation of those assets that had occurred, and that's why it was appropriate to assign the discount from the purchase price to those assets. So the -- it is reflected in the record that the Commission did rely upon that information. And I agree with you, it's not in the order.

Q Let's just be clear then. There is nothing in the order, in either one of these orders, concerning anything other than the fact that this was a stock transfer that is relied upon by the Commission to reject the Public Counsel's request for a negative acquisition adjustment; is that correct?

A What was relied upon by the Commission in terms of our request for reconsideration was whatever was in our request for reconsideration. What I am doing in this particular proceeding is bringing new evidence before the Commission and asking them to reconsider the issue of the negative acquisition adjustment. I believe the Company -- the information that the Commission relied upon was inaccurate and that what actually happened was completely different than what Southern States told the Commission was going to happen.

Now, I don't disagree with you that the Commission has in the past consistently said that if it's a stock transfer there is no need for a negative acquisition adjustment. I would, however, like to point out that the Deltona was also a stock transfer, and on the books of Topeka Group a negative acquisition adjustment was recorded.

Q Ms. Dismukes, you're not disagreeing with me --

A No.

Q -- that the only -- you're not disagreeing with me that the only grounds cited by the Public Service Commission in either of the Lehigh orders is that this involved -- is that the transaction involved a stock transfer and that that was the reason why Public Counsel's request for a negative acquisition adjustment was rejected? Are you disagreeing with that?

A I'm not disagreeing with you, Mr. Hoffman, in terms of that is what is in the Commission's order. The Commission considers a variety of things. I have been -- when we have asked for reconsideration on issues and we will say that it wasn't cited in the Commission's order, the Commission would come back and say it was considered, it was part of the evidence, and therefore our order stands as it was. So the Commission relies upon a lot of things, not just what they actually put in their order to come to the conclusion that they draw.

Q So you're taking the position in this case that the Commission relied on things, for example the acquisition adjustment issue, that are not reflected in their order; is that correct?

MR. McLEAN: Objection. Chairman Clark, the order speaks eloquently for itself. Lawyers can argue about whether the Commission relied on something outside the four corners of that order. I'm not sure this witness is qualified to make that argument. But the point remains that what that order says is a matter of which the Commission has taken official notice at the instance of the Company, and the recurring questions to Ms. Dismukes as to what is within the four corners of that order don't seem particularly useful to me.

CHAIRMAN CLARK: Are you moving to strike her answer, Mr. McLean?

MR. McLEAN: No, ma'am, I'm moving to prevent this question which is on the floor.

CHAIRMAN CLARK: Mr. McLean is suggesting she's not competent to answer the question as to what the Commission relied on.

MR. HOFFMAN: I think I probably agree with that, Madam Chairman.

CHAIRMAN CLARK: Okay.

MR. HOFFMAN: But I'm not asking her that. I'm asking her a factual question. I'm asking her if her -- I'm essentially asking her if her testimony is based on a ground for an acquisition adjustment that is not reflected in the Lehigh order.

CHAIRMAN CLARK: I think you can ask that, but I'm not sure you have asked that.

MR. HOFFMAN: Then I ask that.

WITNESS DISMUKES: Could you repeat the question, please?

Q (By Mr. Hoffman) Ms. Dismukes, concerning your second supplemental testimony, are you requesting the Commission to impose a negative acquisition adjustment on a basis or a ground that is not reflected in the Lehigh Utilities rate case order or order on reconsideration?

A Yes, I believe so.

Q On Page 2 of your second supplemental, Line 11, you state that Lehigh Acquisition Corporation's reasons for the decisions on the allocation of the purchase price were unclear. If I could ask you to turn also to Page 3 of 17.

A I'm sorry, I didn't see where I said unclear. What page?

Q I'm sorry, Line 11 of Page 2.

A Okay. Thank you.

Q You see that?

A Uh-huh.

Q You say, "The reason for this allocation is unclear."

A Right. I'm with you.

Q Now if you could turn to Page 3 of 17 of the attached Raymond James' exhibit. You see there that it says in the next to last paragraph, and I'm starting in -- at the second sentence where it starts, "In order." You see that Ms. Dismukes?

A The last paragraph?

Q Next to last.

A "In order to determine," okay.

Q It says, "In order to determine LUI's, Lehigh Utility, Inc.'s, fair market value, we reviewed recent comparable utility purchases, relevant comparable evaluations, or other publicly traded companies and other traditional utility Company valuation benchmarks. A detailed review of LUI's historical operating results, current status, commitments and contingencies was performed and the results considered in determining our estimate of LUI's fair market value."

Now my question for you is, what did you find unclear or missing in the approach used by Raymond James in determining the purchase price allocation?

A Well, my understanding from reading the entire document was that the agreement actually set forth that the purchase price would be allocated such that 6 million would go to Lehigh Utilities and 34 million would go to the unregulated operations.

In terms of -- I guess "unclear" is not perhaps the best use of the word there. The Raymond James did recommend, consistent with the Company, that 100 percent of the discount go to the nonregulated operations and zero of the discount go to the regulated operations. I think it's important to note that the Raymond James' report drew a conclusion with respect to the nonregulated operations which did not occur. And you could likewise conclude from that that their conclusions with respect to the regulated operations also should be reconsidered.

Q Is your answer that you couldn't find anything unclear concerning the purchase price allocation?

A Let me read my testimony in context. (Pause)

Oh, okay. At the time of the purchase, Lehigh Acquisition Corporation apparently decided that the entire discount associated with the acquisition should be attributed to the nonregulated operations of Lehigh Acquisition Corporation, and not Lehigh Utilities, Inc. The reason for this allocation is unclear, and I then went on to subsequently state that TGI then hired

Raymond James & Associates to check the reasonableness of the allocation. So the unclear reference was to why or how Lehigh Acquisition Corporation came up with their distribution, not with respect to how Raymond James & Associates came up with theirs.

Q And what was unclear about it?

A There was no information. My understanding from reading the documents was that it was 100 percent to the nonregulated operations, the discount went 100 percent, and zero percent to the regulated operations, with no explanation whatsoever in terms of how that was developed. So that's why I would say it was unclear as to the reasons for it. (Pause)

Q Ms. Dismukes, you are aware that the books and records of Lehigh Acquisition Corporation and Lehigh Utilities, Topeka Group and Minnesota Power were all audited by the independent outside auditing firm of Price, Waterhouse for the year ending 1991, the year of that acquisition, correct?

MR. McLEAN: Objection. That appears to be a representation of counsel that that's the case.

MR. HOFFMAN: I asked her if she was aware.

MR. McLEAN: That something was true. You may want to ask her if she's aware.

CHAIRMAN CLARK: I think it's a fair

question.

MR. McLEAN: Commissioner Clark, may I illuminate my objection a bit? There is a representation in the record by Mr. Hoffman that that took place. Now irrespective of whether the witness says yes or no whether she's aware, it still remains the case, according to Mr. Hoffman, that it did take place.

CHAIRMAN CLARK: Mr. Hoffman.

MR. HOFFMAN: So she can agree or disagree or say she doesn't know.

MR. McLEAN: Irrespective of whether she agrees or disagrees, there remains an assertion that it is the case.

CHAIRMAN CLARK: Ask her if she's aware of it.

MR. HOFFMAN: I'm sorry, Madam Chairman, you said ask her if?

CHAIRMAN CLARK: Uh-huh.

MR. HOFFMAN: Okay. (Pause) May I have a moment? (Pause)

Q (By Mr. Hoffman) Ms. Dismukes, are you aware if the books and records of Lehigh Acquisition Corporation, Lehigh Utilities, Topeka Group and Minnesota Power were all audited by the independent outside auditing firm of Price, Waterhouse for the year ending 1991?

A With the specifics that you have in that question, no. It wouldn't surprise me if they were.

Q Are you aware if the audit that was performed included a review of the Lehigh purchase price allocation, and that review and allocation is utilized for shareholder and SEC disclosures regarding the purchase?

A No, I am not aware of that.

Q Are you aware of any -- are you aware if there are any Florida plants that serve in excess of 10,000 customers that have been sold for 40 percent or less than their net book value during the last ten years?

A Any Florida plants? What kind of plants?

Q Florida water and/or wastewater utilities.

A That have been sold for --

Q Forty percent or less than their net book value over the last ten years.

A Lakeside Golf was pretty close to that. And -- you're putting me in a period of ten years. I do know that Southern States purchased one system for like $10 at one point, and I would assume its net book value was much more than that.

Q Are you familiar with Southern States' recent sale under threat of condemnation of its Venice Gardens facilities to Sarasota County?

A Yes.

Q To your knowledge were those assets sold for an amount in excess of their net book value?

A Yes.

Q Do you know how many customers Lakeside Golf service area has?

A Not off the top of my head. It was a small system.

Q Certainly was not 10,000 or more customers?

A No, it was not.

Q On Page 5 of your second supplemental, Line 22, you state that, "the fair market value of the non-utility assets was determined to be substantially more than the purchase price."

A Yes.

Q Are you saying there that the Resolution Trust Corporation sold real estate assets to Minnesota Power that it could have sold to others at the same time for $60 million more?

A Perhaps. I don't know the particular circumstances of the actual transaction. It was a distress sale, I believe.

The most important point of this whole issue is the fact that the Company argued in the last Southern

States' case that there was a substantial devaluation in the assets of Lehigh Acquisition Corporation when we obtained additional information in this case that devaluation in fact did not take place, and in fact the Company's financial statements noted at the time of the Lehigh rate case that no devaluation had in fact occurred.

Q Are you aware of any investments made by Lehigh Acquisition Corporation in the service area that would have tended to increase the value of the property?

A What property?

Q The nonutility property.

A Subsequent to the actual acquisition?

Q Yes.

A No. If you read the notes of the financial statements, they talk about the fact that the -- the net assets acquired by Lehigh exceeded the purchase price by $62 million. That was almost done simultaneous with the acquisition. So I'm not sure that even if there were improvements, that that has anything to do with the actual value of the assets that were acquired at the time of the purchase.

Q Do you know if Lehigh Acquisition Corporation was able to bring in international investors?

A I do not know.

Q Ms. Dismukes, let me ask you to turn to the due diligence study, the Lakeside due diligence study that you attached as Schedule 3.

A Yes. (Pause)

Q Let me just simply ask you with respect to that document, is that document executed as recommended or approved?

A I'm sorry, I don't understand the question.

Q I think the last page of that document.

A Oh, yes, this is a draft document. This was not the final. In fact you took out the Lehigh reference in the final document that was produced.

Q The document is -- okay, thank you. If I may just have a moment, Madam Chairman.

MR. HOFFMAN: Thank you. I have no further questions.

CHAIRMAN CLARK: Staff?

MR. JAEGER: Chairman Clark, I'm passing out one exhibit and a couple of documents from the MFRs that we'd like to refer to.

I would like to have that exhibit. It's the first two pages of actually the exhibit from the Terrero's Rebuttal Testimony, Exhibit RAT-11. I would like to have that identified.

CHAIRMAN CLARK: We'll go ahead and identify that as Exhibit 180.

(Exhibit No. 180 marked for identification.)

CROSS EXAMINATION

BY MR. JAEGER:

Q Ms. Dismukes, on Page 63, Lines 13 and 14 of your testimony, you recommend removing test year salaries and overhead for Tracy Smith; is that correct?

A Yes.

Q Now, in its rate case expense request, the utility has included travel expenses for Tracy Smith. Should those expenses also be removed?

A Yes.

Q Are you aware that the Commission initially voted at the October 10th, 1995 agenda conference to deny SSU's request for interim rates?

A I am generally aware of that, yes.

Q And were you also aware that SSU appealed that vote?

A Yes.

Q Now, are you also aware that that appeal was dismissed and that SSU did not reappeal?

A I am aware of that from the fact of sitting here and listening to these hearings, yes.

Q Since this appeal was denied by the courts and SSU did not reappeal the decision, do you believe it's appropriate to include those costs in rate case expense?

MR. HOFFMAN: I'm going to object. I think that's outside the scope of her testimony.

MR. JAEGER: On Schedule 30, Page 69, she goes into rate case expense in great detail, and since she had testified to rate case expense, I'm just asking if this is another rate case expense item that should be --

CHAIRMAN CLARK: I'll allow the question.

COMMISSIONER GARCIA: Could you repeat the question?

Q (By Mr. Jaeger) I'm saying that since this appeal was denied by the courts and SSU did not reappeal the decision, do you believe it's appropriate to include those costs in rate case expense, the appeal costs?

A No.

Q Would you agree that it would be inappropriate for a utility to hold on to costs associated with abandoned projects for a year or more before they begin amortizing those costs?

A Yes.

Q In your testimony, you propose to make an adjustment to test year amortization expense for the Keystone Heights aquifer performance test. Would you agree that an adjustment to working capital for the unamortized balance would also be appropriate?

A Yes.

Q Now that adjustment that you proposed is based on a revised cost estimate from the Company's budget variance comparison as of June, 1995; is that correct?

A I believe that's correct.

Q If a more recent update were available, would you agree that an adjustment should be made based on that revised cost estimate?

A Yes.

Q On Page 43 of your testimony, Lines 11 through 18, you recommend that the Commission reduce common equity by 4.8 million. This is based on the refund that the Commission ordered the Company to make; is it not?

A Yes.

Q If that refund is not ultimately required, would you agree that the adjustment should not be made?

A Yes.

Q On Page 42 of your testimony regarding the Venice Gardens Utility, you say, if the gain on the sale of Venice Gardens utility is not recognized above the line, then as an alternative, you are recommending that the gain on sale of Venice Gardens be removed from equity in reconciling capital structure to rate base; is that correct?

A Yes.

Q Was Venice Gardens a regulated utility?

A Yes.

Q Please turn to Page 44 of your testimony. That's -- I'm sorry, but regarding the $203,924 in general plant, isn't it true that the general plant is an allocated amount?

A Yes.

Q Would you agree that the Commission's practice of removing nonutility investment from equity is based on the presumption that nonutility investment is more risky than utility investment?

A Yes.

Q So is a general plant more risky than the water utility then?

A We discussed this in my deposition. If you're looking at it from that standpoint, just because the general plant is associated with or allocated to the gas operations, it's kind of hard to draw the conclusion that it's more risky. I think perhaps the more appropriate way to look at it is that if the gas operations were on a standalone basis and they had their own general plant, it would also be removed from the capital structure.

Q So was that a yes or no? I'm sorry, I heard an explanation, but I didn't hear the answer.

A I think that the answer is no with an explanation.

Q Okay. Thank you. Now, on Page 5 of your appendix to your testimony, you give quite a list of who you've testified before. Can you tell me how many of those were water and wastewater cases? Or give me just a rough estimate of how many water and wastewater cases you've testified in.

A Ten.

Q Are you aware of any water utilities that have weather normalization clauses?

A No.

Q Going to your testimony on Pages 9 through 12 regarding weather normalization.

A Okay.

Q In your opinion, is there any mutual benefits that utilities -- that the utility and its ratepayers can gain through some sort of weather normalization clause, or revenue normalization clause I think you say?

A Is it a mutual benefit? Is that the question?

Q Yes.

A To the extent that there is a decline in the utility's cost of capital, I think that would be a mutual benefit.

Q Now, if the Commission implemented -- still on weather normalization. If the Commission implemented a mechanism which would permit a utility, or almost guarantee the utility a level of earnings equal to Commission authorized rate of return, then is it your opinion that this would essentially reduce the utility's incentives to act efficiently and could affect the quality of service which could harm the customers?

A Yes.

Q If it would reduce inefficiency?

A That it would reduce inefficiencies?

Q It would reduce the utility's incentives to act efficiently, I'm sorry.

A Yes.

Q And could affect the quality of service?

A Yes.

Q Is this quality of service issue the only disadvantage of having such a mechanism, disadvantage to the customers?

A No. I think there are a lot of disadvantages to the customers. In terms of -- perhaps disadvantage is not a particularly good word, but I think it's going to create a lot of customer confusion. I think it's going to be difficult for the customers to understand what is happening. You've got somewhat conflicting information or signals being sent to the customers in terms of if their usage goes down, the charge goes up. I think it could be an administrative headache for the Commission. You've got some real complexities in terms of: What do you do if Southern States sells another system? What do you do if Southern States acquires another system? So I think there are a lot of disadvantages to it.

Q Given these disadvantages, including the quality of service and inefficiency, in your opinion should the water and wastewater industry ever approve some sort of a weather normalization clause?

A Well, I think I would be a whole lot less opposed to Southern States' proposal if they could just perhaps isolate the effects of weather and be compensated for that variability. I do think that they are fairly significant, and if they could fine tune it to that degree, I would be a lot more favorable towards it.

Q The next questions I have go to billing determinants basically. On Page 50, Lines 15 through 17 of your direct testimony, you state that you used the number of bills for residential customers projected by SSU for 1996 and applied the weather normalized consumption per bill to arrive at the 1996 projected billing units; is that correct?

A Yes.

Q So you agree with SSU's growth calculations to determine the 1996 projected number of bills?

A I looked at it. I did not see any particular problem with it.

Q On Page 47, Lines 15 through 18 of your direct testimony, in Schedules 10 and 11, you refer to rainfall data obtained by SSU from each NOAA, National Oceanic and Atmospheric Administration weather station.

A Yes.

Q And your schedules refer to the average annual rainfall for the period 1960 to 1990; is that correct?

A 1960 to 1990, and then individually '91 through '94, yes.

Q Where -- you had individual figures for '91 through '94? I'm sorry.

A I believe so.

Q But the 30-year average, what, is that -- they do the 30-year average changes every ten years; is that how they operate for the NOAA?

A I don't understand your question.

Q Okay, I'll withdraw that. Just go on.

On Page 50, Lines 1 through 4 of your direct testimony, you refer to a study prepared by Dr. Whitcomb entitled "Financial Risk and Water Conserving Rate Structures" in which he uses average annual weather normalized water consumption for SSU's residential customers of 9,476 gallons per bill per month to project 1996 consumption; is that correct?

A Yes.

Q Isn't it true that this number of gallons per bill per month can only be applicable if the Commission approves a uniform rate structure?

A Could you repeat the question, please?

Q Isn't it true that this number of 9,476 gallons per bill per month would only be applicable if the Commission approves a uniform rate structure?

A Well, I think the Commission -- it would be more applicable under uniform rate structure, to answer your question directly. But the Commission, I still think, can apply those billing units, as I've done in my schedule, on a system-wide basis and then break out the consumption for each one of the individual systems so that it can apply the individual standalone or modified standalone rates. In the schedule that I prepared, that's what I did. You would have to prorate, basically, the total consumption to the individual systems in order to price it out.

Q I'm sorry, I'm going to go back to this -- the questions I had on the NOAA rainfall.

A Okay.

Q Let me be clear. Do you know if the 30-year average that is collected by NOAA changes every ten years?

A I don't know what you mean. I don't know why a 30-year average would change. I mean to the extent that you're moving forward in time, it's going to change.

Q If a standalone rate structure, or a modified standalone rate structure is approved -- I think you were starting to get into that -- in your opinion how should 1996 consumption be determined for each individual plant?

A Essentially, what you would have to do is you would take the total consumption for all systems, okay, and then prorate the difference between the normalized consumption that basically I've come up with on my Schedule 18 to the various systems based upon the -- either you could do it -- let me look at my schedule if you don't mind.

CHAIRMAN CLARK: Mr. Jaeger, how much more do you have?

MR. JAEGER: Just a little bit, not very much.

CHAIRMAN CLARK: The reason I ask, I've been informed that we do now have the capability to go back to the teleconference, and it looks like the witnesses are there, and one of them has a scheduling conflict for the time we would reschedule him to. So we would like to go to those witnesses now.

Why don't we do this -- that will give you time to look over your questions. We'll go ahead and take a -- how long do you need, Carol?

MS. PURVIS: Five, ten minutes.

CHAIRMAN CLARK: We'll go ahead and take a break until 25 till 6 and then we will go with the teleconferencing and then we will come back to Ms. Dismukes after that. Okay? Go ahead and take a break.

(Recess at 5:20 p.m.)

(Transcript continues in sequence in Volume 26.)

NOTE: Page 2889 was reserved for use but was not needed.

DOCKET 950495-WS
EXHIBIT NO. 175
CASE NO. 96-04227

APPENDIX

OF

KIMBERLY H. DISMUKES

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950495-WS EXHIBIT NO 175
COMPANY/
WITNESS: OPC / K. DISMUKES
DATE: 4/29/96

APPENDIX I

QUALIFICATIONS

Q. What is your educational background?

A. I graduated from Florida State University with a Bachelor of Science degree in Finance in March, 1979. I received an M.B.A. degree with a specialization in Finance from Florida State University in April, 1984.

Q. Would you please describe your employment history in the field of Public Utility Regulation?

A. In March of 1979 I joined Ben Johnson Associates, Inc., a consulting firm specializing in the field of public utility regulation. While at Ben Johnson Associates, I held the following positions: Research Analyst from March 1979 until May 1980; Senior Research Analyst from June 1980 until May 1981; Research Consultant from June 1981 until May 1983; Senior Research Consultant from June 1983 until May 1985; and Vice President from June 1985 until April 1992. In May 1992, I joined the Florida Public Counsel's Office, as a Legislative Analyst III. In July 1994 I was promoted to a Senior Legislative Analyst. In July 1995 I started my own consulting practice in the field of public utility regulation.

Q. Would you please describe the types of work that you have performed in the field of Public Utility Regulation?

A. Yes. My duties have ranged from analyzing specific issues in a rate proceeding to managing the work effort of a large staff in rate proceedings. I have prepared testimony, interrogatories and production of documents, assisted with the preparation of cross-examination, and assisted counsel with the preparation of briefs. Since 1979, I have been actively involved in more than 160 regulatory proceedings throughout the United States.

I have analyzed cost of capital and rate of return issues, revenue requirement issues, public policy issues, market restructuring issues, and rate design issues, involving telephone, electric, gas, water and wastewater, and railroad companies.

In the area of cost of capital, I have analyzed the following parent companies: American Electric Power Company, American Telephone and Telegraph Company, American Water Works, Inc., Ameritech, Inc., CMS Energy, Inc., Columbia Gas System, Inc., Continental Telecom, Inc., GTE Corporation, Northeast Utilities, Pacific Telecom, Inc., Southwestern Bell Corporation, United Telecom, Inc., and U.S. West. I have also analyzed individual companies like Connecticut Natural Gas Corporation, Duke Power Company, Idaho Power Company, Kentucky Utilities Company, Southern New England Telephone Company, and Washington Water Power Company.

Q. Have you previously assisted in the preparation of testimony concerning

revenue requirements?

A. Yes. I have assisted on numerous occasions in the preparation of testimony on a wide range of subjects related to the determination of utilities' revenue requirements and related issues.

I have assisted in the preparation of testimony and exhibits concerning the following issues: abandoned project costs, accounting adjustments, affiliate transactions, allowance for funds used during construction, attrition, cash flow analysis, construction monitoring, construction work in progress, contingent capacity sales, cost allocations, decoupling revenues from profits, cross-subsidization, demand-side management, depreciation methods, divestiture, excess capacity, feasibility studies, financial integrity, financial planning, incentive regulation, jurisdictional allocations, non-utility investments, fuel projections, mergers and acquisitions, pro forma adjustments, projected test years, prudence, tax effects of interest, working capital, off-system sales, reserve margin, royalty fees, separations, settlements, and resource planning.

Companies that I have analyzed include: Alascom, Inc. (Alaska), Arizona Public Service Company, Arvig Telephone Company, AT&T Communications of the Southwest (Texas), Blue Earth Valley Telephone Company (Minnesota), Bridgewater Telephone Company (Minnesota), Carolina Power and Light Company, Central

Maine Power Company, Central Power and Light Company (Texas), Central Telephone Company (Missouri and Nevada), Consumers Power Company (Michigan), C&P Telephone Company of Virginia, Continental Telephone Company (Nevada), C&P Telephone of West Virginia, Connecticut Light and Power Company, Danube Telephone Company (Minnesota), Duke Power Company, East Otter Tail Telephone Company (Minnesota), Easton Telephone Company (Minnesota), Eckles Telephone Company (Minnesota), El Paso Electric Company (Texas), Florida Cities Water Company, General Telephone Company of Florida, Georgia Power Company, Jasmine Lakes Utilities, Inc. (Florida), Kentucky Power Company, Kentucky Utilities Company, KMP Telephone Company (Minnesota), Idaho Power Company, Oklahoma Gas and Electric Company (Arkansas), Kansas Gas & Electric Company (Missouri), Kansas Power and Light Company (Missouri), Lehigh Utilities, Inc. (Florida), Mad Hatter Utilities, Inc. (Florida), Mankato Citizens Telephone Company (Minnesota), Michigan Bell Telephone Company, Mid-Communications Telephone Company (Minnesota), Mid-State Telephone Company (Minnesota), Mountain States Telephone and Telegraph Company (Arizona and Utah), North Fort Myers Utilities, Inc., Northwestern Bell Telephone Company (Minnesota), Potomac Electric Power Company, Public Service Company of Colorado, Puget Sound Power & Light Company (Washington), Sanlando Utilities Corporation (Florida), Sierra Pacific Power Company (Nevada), South Central Bell Telephone Company (Kentucky), Southern Union Gas Company (Texas), Southern Bell Telephone & Telegraph

Company (Florida, Georgia, and North Carolina), Southern States Utilities, Inc. (Florida), Southern Union Gas Company (Texas), Southwestern Bell Telephone Company (Oklahoma, Missouri, and Texas), St. George Island Utility, Ltd., Tampa Electric Company, Texas-New Mexico Power Company, Tucson Electric Power Company, Twin Valley-Ulen Telephone Company (Minnesota), United Telephone Company of Florida, Virginia Electric and Power Company, Washington Water Power Company, and Wisconsin Electric Power Company.

Q. **What experience do you have in rate design issues?**

A. My work in this area has primarily focused on issues related to costing. For example, I have assisted in the preparation of class cost-of-service studies concerning Arkansas Energy Resources, Cascade Natural Gas Corporation, El Paso Electric Company, Potomac Electric Power Company, Texas-New Mexico Power Company, and Southern Union Gas Company. I have also examined the issue of avoided costs, both as it applies to electric utilities and as it applies to telephone utilities. I have also evaluated the issue of service availability fees, capacity charges, and conservation rates as they apply to water and wastewater utilities.

Q. **Have you testified before regulatory agencies?**

A. Yes. I have testified before the Arizona Corporation Commission, the Connecticut Department of Public Utility Control, the Florida Public Service Commission, the Georgia Public Service Commission, the Missouri Public Service Commission, the Public Utility Commission of Texas, and the Washington Utilities and Transportation

Commission. My testimony dealt with revenue requirement, financial, and class cost-of-service issues concerning AT&T Communications of Southwest (Texas), Cascade Natural Gas Corporation (Washington), Central Power and Light Company (Texas), Connecticut Light and Power Company, El Paso Electric Company (Texas), Florida Cities Water Company, Kansas Gas & Electric Company (Missouri), Kansas Power and Light Company (Missouri), Houston Lighting & Power Company (Texas), Lake Arrowhead Village, Inc. (Florida), Lehigh Utilities, Inc. (Florida) Jasmine Lakes Utilities Corporation (Florida), Mad Hatter Utilities, Inc. (Florida), Marco Island Utilities, Inc. (Florida), Mountain States Telephone and Telegraph Company (Arizona), North Fort Myers Utilities, Inc. (Florida), Southern Bell Telephone and Telegraph Company (Florida and Georgia), Southern States Utilities, Inc. (Florida), St. George Island Utilities Company, Ltd. (Florida), Puget Sound Power & Light Company (Washington), and Texas Utilities Electric Company.

I have also testified before the Public Utility Regulation Board of El Paso, concerning the development of class cost-of-service studies and the recovery and allocation of the corporate overhead costs of Southern Union Gas Company and before the National Association of Securities Dealers concerning the market value of utility bonds purchased in the wholesale market.

Q. **Have you been accepted as an expert in these jurisdictions?**

A. Yes.

Q. Have you published any articles in the field of public utility regulation?

A. Yes, I have published two articles: "Affiliate Transactions: What the Rules Don't Say", Public Utilities Fortnightly, August 1, 1994 and "Electric M&A: A Regulator's Guide" Public Utilities Fortnightly, January 1, 1996.

Q. Do you belong to any professional organizations?

A. Yes. I am a member of the Eastern Finance Association, the Financial Management Association, the Southern Finance Association, the Southwestern Finance Association, the Florida and American Water Association, and the National Society of Rate of Return Analysts.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 1

Southern States Utilities, Inc.
Rate Design Score

	Weighting Factor Percent	Score	Total
Rate Structure Form	20.00%	2.5	0.5
Allocation of Costs to Fixed/Variable Charge	40.00%	2.0	0.8
Sources of Utility Revenue	30.00%	5.0	1.5
Communication on Bill	10.00%	4.0	0.4
Total	100.00%		3.2

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 2

Southern States Utilities, Inc.
Cover Page for Brown & Caldwell Weighting System

CHAPTER 7

WEIGHTING SYSTEM FOR CRITERIA

The previous chapter (Chapter 6) summarizes the guidelines developed in Chapters 2 through 5. As specified in Chapter 6, the utilities have to initially satisfy those guidelines which are the most effective in promoting water conservation (unless they qualify for the stated exemptions) and within 2 years satisfy all the guidelines. That is, the guidelines are presented in a Go/No Go format. The short coming of this Go/No Go format is that a water utility may satisfy 3 of the 4 criteria (by a wide margin in the cases of Criterion 1 and 2) but still not have rates that are defined as a water conservation promoting because of not meeting one of the criterion.

For example, a utility may meet the two relatively qualitative criteria (Criterion 1 and 4) and recover 100 percent of the utilities total revenue requirements via rates (as compared to the 75 percent requirement set forth in Criterion 3), but only recover 70 percent of the net revenue requirements via the quantity charge (as compared to the 75 percent required by Criterion 2). Clearly this utility (which fails via the requirement that all four criteria be satisfied) actually collects more of its total annual revenue requirements via the quantity charge (70 percent [1.0 x 0.70]) than does the utility which passes all four criteria (56.2 percent [0.75 x 0.75]). In an attempt to avoid these types of anomalies, we have also developed a weighting system for determining whether or not a utility has adopted a water conservation promoting rate structure. This weighting system can be used by the District as an alternative to the Go/No Go system summarized in Chapter 6.

Weighting System

In order to develop a weighting system, it is first necessary to establish a rank (via weighting factor) for each of the four criteria. These weighting factors are presented in the table below.

Southern States Utilities, Inc.
Summary of Adjustments

Description	Adjustment	Net Operating Income	Revenue Requirement	Source Schedule
Conservation Expense Adjustment				
Cost Share Funds	($26,972)	$16,567	($28,242)	7
Disallowed Expenses	($241,562)	$148,379	($252,942)	7
Conservation Revenue Related Adjustments				
Six Pilot Project Revenue Adjustment	$70,710	$41,479	($70,710)	3
Conservation: Variable Expense Adjustment	($33,372)	$20,499	($34,944)	3
Gain on Sale	$3,363,412	$3,363,412	($5,733,608)	8
Reduce Equity Component of Capital Structure	$4,800,000	$83,975	($143,153)	9
Weather Normalization				
Increase Water Revenue	$1,937,947	$1,136,817	($1,937,931)	16
Increase Variable Expenses	$515,332	($316,543)	$539,611	19
Marco Reuse Project				
Increase Water Revenue	$183,668	$107,741	($183,667)	20
Decrease Wastewater Revenue	($13,688)	($8,029)	$13,687	20
Inefficiency Adjustment	($243,773)	$149,737	($255,257)	23
Acquisitions Expenses				
Reduce Salaries	($175,928)	$108,064	($184,216)	24
Reduce Expenses	($10,742)	$6,599	($11,248)	25
PR/Governmental Relations				
Reduce Salaries	($65,661)	$40,332	($68,754)	26
Reduce Expenses	($15,626)	$9,598	($16,362)	27
Budget Adjustments				
KRA Goals	($191,002)	$117,323	($200,000)	28
Budget True-Up	($305,033)	$187,366	($319,403)	28
Shareholder Expenses	($79,272)	$48,693	($83,007)	29
Rate Case Expense	($96,673)	$59,381	($101,227)	30
Excess Unaccounted for Water	($67,121)	$41,229	($70,284)	32
OAP Projects: Decrease Expenses	($93,452)	$57,403	($97,855)	33
Keystone Heights: Decrease Expenses	($3,214)	$1,974	($3,366)	34
Miscellaneous Adjustments				
Decrease Expenses	($163,245)	$100,273	($170,935)	35
Increase Income	$8,474	$8,474	($14,446)	35
Increase Revenue	$57,595	$33,786	($57,595)	35
Decrease Rate Base	($225,100)	$21,227	($36,186)	35
Repression Variable Expense Adjustment	$287,585	($176,649)	$301,134	36
Lehigh Land				
Reduce Water Rate Base	($122,035)	$11,508	($19,618)	37
Reduce Wastewater Rate Base	($272,123)	$25,661	($43,745)	37
Lehigh Non-Used and Useful Adjustments				
Reduce Plant in Service	($1,839,110)	$173,428	($295,643)	38
Reduce Accumulated Depreciation	$475,850	($44,873)	$76,494	38
Reduce CIAC	$70,778	($6,674)	$11,378	38
Reduce Accumulated Amortization of CIAC	($4,771)	$450	($767)	38
Reduce Depreciation Expense	($40,706)	$25,004	($42,623)	38
Buenaventura: Commission Adjustments				
Reduce Water Rate Base	($298,190)	$28,119	($47,935)	39
Reduce Wastewater Rate Base	($930,770)	$87,772	($149,624)	39
Reduce Depreciation Expense: Water	($2,261)	$1,389	($2,368)	39
Reduce Depreciation Expense: Wastewater	($22,173)	$13,619	($23,217)	39
Buenaventura: Wetlands Adjustment				
Reduce Wastewater Rate Base	($1,219,380)	$114,988	($196,019)	40
Increase Accumulated Depreciation	$200,261	($18,885)	$32,193	40
Reduce Depreciation Expense	($15,707)	$9,648	($16,447)	40
Total			($9,938,848)	

EXHIBIT

Table of Contents

Table 7-1 Weighting Factors

Criteria	Weighting Factor, percent
1. Rate Structure Form	20
2. Allocation of Costs to Fixed/Variable Charges	40
3. Sources of Utility Revenues	30
4. Communication on Bill	10
Total	100

Obviously the weighting factors shown above are subjective. This is the way Brown and Caldwell weights the four criteria. Others might weight these criteria differently.

Having established overall weighting factors for each of the four criteria it is necessary to develop a scoring system for each criteria. The scoring system is presented in the following sections.

Rate Structure Form (Criterion 1). For the reasons indicated in Chapter 2, seasonal quantity charges are the most equitable and efficient in recovering the cost of service and in promoting conservation for service areas that exhibit seasonal use. In our weighting system (see Table 7-2), the seasonal rate quantity charge received a higher score than either the nonseasonal uniform quantity charge or the inclining block quantity charge, the peak-season charge must exceed the off-peak season charge by 25 percent. Inclining block quantity charges, although difficult to design based on sound economic principles, can also be effective in promoting conservation. Depending on the ratio of the price of the tail block to the price of the first block, the block thresholds, and the size of the blocks, this type of structure maybe more conservation promoting than a nonseasonal uniform quantity charge. As we indicated in Chapter 2, the size of the first block should not exceed 125 percent of average monthly usage. Declining block and flat rate structures are never conservation promoting and thus have been assigned the lowest score. The weighting factors for Criterion 1 are presented below.

Table 7-2 Weighting Factors for Criterion 1

Quantity Charge Form	Score
Seasonal	
1. Ratio of peak season to off-peak season charge is greater than 1.5.	5
2. Ratio of peak season to off-peak season charge is less than or equal to 1.5, but greater than 1.25.	4
3. Ratio of peak season to off-peak season charge is less than or equal to 1.25.	2.5
Inclining Blocks	
1. Ratio of tail block charge to first block charge > 1.5 and the first block threshold is less than or equal to 125 percent of average monthly use for class.	3.5
2. Ratio of tail block charge to first block charge is less than or equal to 1.5 and/or first block threshold is greater than 125 percent of average monthly use for class.	2
Nonseasonal Uniform Quantity Charge	2.5
Declining Blocks	1
Flat Rates	0

Allocation of Costs to Fixed and Variable Charges (Criterion 2). Obviously the more costs (net revenue requirements) that are allocated to and thus recovered from the quantity charge portion of the rate structure, the more conservation promoting. A subjective scoring system for this criterion is set forth below.

Table 7-3 Weighting Factors for Criterion 2

Percentage of Net Revenue Requirements Recovered via the Quantity Charge	Score
90 - 100	5
80 - 89	4
70 - 79	3
60 - 69	2
50 - 59	1

Sources of Utility Revenues (Criterion 3). As indicated in Chapter 4, the greater the amount of total revenues recovered via rates (as opposed to taxes, transfers from the general fund, or other subventions) the more effective the pricing signal. The proposed scoring system for this criterion is presented below.

Table 7-4 Weighting Factors for Criterion 3

The Percentage of Total Utility Revenue Collected via Rates	Score
90 - 100	5
80 - 89	4
70 - 79	3
60 - 69	2
50 - 59	1

Rate Structure and Water Use Communication (Criterion 4). As indicated in Chapter 5, the more information a customer is given about the rates and their water usage, the more likely they are to respond to a pricing signal. A scoring system for this criterion is presented below.

Table 7-5 Weighting Factors for Criterion 4

Communication on Bill	Score
Rates, water use in current billing period, and water use in similar period of prior year and/or average from prior year	5
Rates and water use in current billing period	4
Rates only	3
Water use in current billing period	3
Monthly or bimonthly billing	2
No information on rates or usage	1

Given the weighting of the criteria and the individual scoring of each criterion, the highest score possible is a 5. In order for utility water rates to be defined as conservation promoting using the weighting and scoring system it must have a score of at least 3.2.

Example

To illustrate the use of the weighting system, we have provided a sample calculation for a water utility with a nonseasonal uniform quantity charge, 70 to 79 percent of its net revenue requirements recovered from quantity charges, 80 to 89 percent of its total revenues collected via rates, and only the water rates (not usage) are communicated on the bill. The results calculation are presented in Table 7-6 below:

Table 7-6 Example Utility Scoring

Criteria		Weighting factor, percent	Score	Total[a]
1.	Rate structure form	20	2.5	0.5
2.	Allocation of costs to fixed/variable charges	40	3	1.2
3.	Sources of utility revenues	30	4	1.2
4.	Communication on bill	10	3	0.3
Total		100	--	3.2

[a]Weighting factor times score.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 3

Southern States Utilities, Inc.
Water Conservation Program Adjustments

System	1996 Projected Consumption	Conservation Program Savings	1996 Adjusted Consumption	Conservation Percent	Rate	Conservation Revenue Effect
Dol Ray Manor	9,924,535	949,000	8,975,535	9.6%	$1.23	$1,167
Palisades Country Club	15,229,292	474,500	14,754,792	3.1%	$1.23	584
Quail Ridge	2,284,980	292,000	1,992,980	12.8%	$1.23	359
Silver Lake Estates	265,110,836	21,425,500	243,685,336	8.1%	$1.23	26,353
Sugarmill Woods	401,708,711	35,040,000	366,668,711	8.7%	$1.23	43,099
Valrico Hills	38,774,520	5,584,500	33,190,020	14.4%	$0.60	3,351
Marco Island	2,239,368,221	79,022,500	2,160,345,721	3.5%	$2.96	233,907
Total	2,972,401,095	142,788,000	2,829,613,095	4.8%		$308,820
Cost of Conservation Program:		$524,425				
Adjustment to Revenue						
Six Targeted Systems	733,032,874	3,417,130	729,615,744		$1.23	$4,203
Marco Island	2,239,368,221	79,022,500	2,160,345,721		$2.96	$233,907
Total						$238,110
Increase Test Year Revenue						$70,710

Adjustment for Variable Expenses Recommended	Cost/1,000	Recommended Conservation	Expense Reduction
Marco Island Variable Expenses	$0.56	3,417,130	$1,906
Six Communities Varibale Expenses	$0.40	79,022,500	$31,465
Adjust Variable Expenses			($33,372)
Company			
Marco Island Variable Expenses	$0.56	79,022,500	$44,083
Six Communities Varibale Expenses	$0.40	63,765,500	$25,390
Adjust Variable Expenses			($69,473)

Source: Southern States Utilities, Inc., MFR E Schedules; Exhibit CHK-3, p. 74.

11/16/95 3:30 PM CONSER.XLS

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 4

Southern States Utilities, Inc.
Comparison of Conservation Costs

Account Description	Account Number	CEC	1995 Budget	Budgeted 1996	Proforma 1996 Adjustment	Total 1996	1993 Actual	1994 Actual	Percent Increase	1995 Budget	Percent Increase	1996 Budget	Percent Increase
M&S-Office Printing	6208	135	$ 34,150	$ 34,816	$ 19,991	$ 54,807	$ 30,140	$ 44,608	48.0%	$ 34,150	-23.44%	$ 54,807	60.5%
M&S-Office Supplies	6208	140	$ 2,350	$ 2,396	$ 4,880	$ 7,276	$ 757	$ 7,972	953.1%	$ 2,350	-70.52%	$ 7,276	209.6%
Contract Services-Other	6358	150	$ 16,200	$ 16,516	$ 83,550	$ 100,066	$ 19,747	$ 26,519	34.3%	$ 16,200	-38.91%	$ 100,066	517.7%
Rental Equipment	6428	155	$ 1,000	$ 1,020	$ 640	$ 1,660	$ 25	$ 145	480.0%	$ 1,000	589.66%	$ 1,660	66.0%
Transportation	6508	160	$ 600	$ 612	$ -	$ 612	$ 216	$ 799	269.9%	$ 600	-24.91%	$ 612	2.0%
Advertising	6608	166	$ 14,500	$ 14,783	$ 24,600	$ 39,383	$ 7,092	$ 23,285	228.3%	$ 14,500	-37.73%	$ 39,383	171.6%
Misc Exp-Telephone	6758	175	$ 1,500	$ 1,529	$ 1,512	$ 3,041	$ 456	$ 1,486	225.9%	$ 1,500	0.94%	$ 3,041	102.7%
Misc Exp-Postage	6758	185	$ 3,500	$ 3,568	$ 7,349	$ 10,917	$ 1,221	$ 3,630	197.3%	$ 3,500	-3.58%	$ 10,917	211.9%
Misc Exp-Dues & Subscription	6758	190	$ 800	$ 816	$ -	$ 816	$ 100	$ 1,023	923.0%	$ 800	-21.80%	$ 816	2.0%
Misc Exp-Travel	6758	195	$ 400	$ 408	$ 2,736	$ 3,144	$ 988	$ 1,272	28.7%	$ 400	-68.55%	$ 3,144	686.0%
Misc Exp-Food	6758	200	$ 1,800	$ 1,835	$ 3,300	$ 5,135	$ 1,229	$ 1,484	20.7%	$ 1,800	21.29%	$ 5,135	185.3%
Misc Exp-Employee Training	6758	205	$ 200	$ 204	$ -	$ 204	$ 299	$ 189	-36.8%	$ 200	5.82%	$ 204	2.0%
Misc Exp-Office Cleaning	6758	210	$ 150	$ 153	$ -	$ 153	$ -	$ -	-	$ 150	-	$ 153	2.0%
Misc Exp-Employee Recognition	6758	235	$ 6,600	$ 6,729	$ -	$ 6,729	$ -	$ -	-	$ 6,600	-	$ 6,729	2.0%
Misc Exp-Temporary Help	6758	245	$ 3,000	$ 3,059	$ -	$ 3,059	$ -	$ 1,314	-	$ 3,000	128.31%	$ 3,059	2.0%
Misc Exp-Other	6758	250	$ 112,500	$ 114,694	$ 77,163	$ 191,857	$ 8,510	$ 36,017	323.2%	$ 112,500	212.35%	$ 191,857	70.5%
Labor			$ -	$ -	$ 76,461	$ 76,461	$ -	$ -	-	$ -	-	$ 76,461	-
Fringe Benefits*			$ -	$ -	$ 19,108	$ 19,108	$ -	$ -	-	$ -	-	$ 19,108	-
Total			$ 199,250	$ 203,138	$ 321,290	$ 524,428	$ 70,780	$ 149,743	111.6%	$ 199,250	33.06%	$ 524,428	163.2%

*1996 fringe benefit rate @ 24.99%

Source: Southern States Utilities, Inc., Response to OPC Interrogatory 224.

11/14/95 9:25 PM CONSTUM.XLS

Southern States Utilities, Inc.
Detail Conservation Expenses

Account Description	Account Number	CEC	1995 Budget	Escalation Factor	1996 Budget	Proforma 1996 Adjustment	1996 Total
M&S-Office Printing	6208	135					
State-Wide Communications			$34,150	1.95%	$34,816	$0	$34,816
Marco Program			$0	1.95%	$0	$8,000	$8,000
Six Pilot Programs			$0	1.95%	$0	$11,991	$11,991
Total			$34,150		$34,816	$19,991	$54,807
M&S-Office Supplies	6208	140					
State-wide Communications			$2,350	1.95%	$2,396	$0	$2,396
Marco Program			$0	1.95%	$0	$2,000	$2,000
Six Pilot Programs			$0	1.95%	$0	$2,880	$2,880
Total			$2,350		$2,396	$4,880	$7,276
Contract Services-Other	6358	150					
Statewide Communications							
clippings			$100	1.95%	$102	$0	$102
PR News			$100	1.95%	$102	$0	$102
FL Bus. Net			$1,000	1.95%	$1,020	$0	$1,020
surveys			$5,000	1.95%	$5,098	$0	$5,098
PR counsel & research			$10,000	1.95%	$10,195	$0	$10,195
Marco Program							
public relations			$0	1.95%	$0	$12,000	$12,000
water audits			$0	1.95%	$0	$20,000	$20,000
surveys			$0	1.95%	$0	$10,000	$10,000
Six Pilot Programs							
literature search			$0	1.95%	$0	$12,000	$12,000
outside services			$0	1.95%	$0	$19,500	$19,500
surveys of control group			$0	1.95%	$0	$10,050	$10,050
Total			$16,200		$16,517	$83,550	$100,067
Rental Equipment	6428	155					
State-wide Communications			$1,000	1.95%	$1,020	$0	$1,020
Marco Program			$0	1.95%	$0	$0	$0
Six Pilot Programs			$0	1.95%	$0	$640	$640
Total			$1,000		$1,020	$640	$1,660
Transportation	6508	160					
Statewide Communications			$600	1.95%	$612	$0	$612
Advertising	6608	166					
State-wide Communications			$14,500	1.95%	$14,783	$0	$14,783
Marco Program			$0	1.95%	$0	$17,000	$17,000
Six Pilot Programs			$0	1.95%	$0	$7,600	$7,600
Total			$14,500		$14,783	$24,600	$39,383
Misc Exp-Telephone	6758	175					
State-wide Communications			$1,500	1.95%	$1,529	$0	$1,529
Marco Program			$0	1.95%	$0	$252	$252
Six Pilot Programs			$0	1.95%	$0	$1,260	$1,260
Total			$1,500		$1,529	$1,512	$3,041
Misc Exp-Postage	6758	185					
State-wide Communications			$3,500	1.95%	$3,568	$0	$3,568

Southern States Utilities, Inc.
Detail Conservation Expenses

Account Description	Account Number	CEC	1995 Budget	Escalation Factor	1996 Budget	Proforma 1996 Adjustment	1996 Total
Marco Program			$0	1.95%	$0	$3,500	$3,500
Six Pilot Programs			$0	1.95%	$0	$3,849	$3,849
Total			$3,500		$3,568	$7,349	$10,917
Misc Exp-Dues & Subscription	6758	190					
Statewide Communications			$800	1.95%	$816	$0	$816
Misc Exp-Travel	6758	195					
State-wide Communications			$400	1.95%	$408	$0	$408
Marco Program			$0	1.95%	$0	$1,728	$1,728
Six Pilot Programs			$0	1.95%	$0	$1,008	$1,008
Total			$400		$408	$2,736	$3,144
Misc Exp-Food	6758	200					
State-wide Communications			$1,800	1.95%	$1,835	$0	$1,835
Marco Program			$0	1.95%	$0	$980	$980
Six Pilot Programs			$0	1.95%	$0	$2,320	$2,320
Total			$1,800		$1,835	$3,300	$5,135
Misc Exp-Employee Training	6758	205					
Statewide Communications			$200	1.95%	$204	$0	$204
Misc Exp-Office Cleaning	6758	210					
Statewide Communications			$150	1.95%	$153	$0	$153
Misc Exp-Employee Recognition	6758	235					
Statewide Communications			$6,600	1.95%	$6,729	$0	$6,729
Misc Exp-Temporary Help	6758	245					
Statewide Communications			$3,000	1.95%	$3,059	$0	$3,059
Misc Exp-Other	6758	250					
Statewide Communications							
regulatory meetings			$1,000	1.95%	$1,020	$0	$1,020
environmental organizations			$8,000	1.95%	$8,156	$0	$8,156
conserve education/Cons. 96 sponsor			$18,000	1.95%	$18,351	$20,000	$38,351
Marco Program							
public education			$42,000	1.95%	$42,819	($42,819)	$0
contract services			$35,000	1.95%	$35,683	($35,683)	$0
toilet rebates			$5,000	1.95%	$5,098	$4,903	$10,001
gift certificates			$2,500	1.95%	$2,549	($49)	$2,500
special events			$1,000	1.95%	$1,020	$981	$2,001
Six Pilot Programs							
retrofit kits			$0	1.95%	$0	$60,180	$60,180
toilet rebates			$0	1.95%	$0	$40,300	$40,300
moisture rebates			$0	1.95%	$0	$18,350	$18,350
special events/sponsorships			$0	1.95%	$0	$11,000	$11,000
Total			$112,500		$114,696	$77,163	$191,859
Labor						$76,461	$76,461
Fringe Benefits						$19,108	$19,108
Total			$199,250		$203,141	$321,290	$524,431

Source: Southern States Utilities, Inc., Response to OPC Document Request 181.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 6

Southern States Utilities, Inc.
1996 Conservation Expenses

	Estimated 1996 Conservation Costs							
Description	**Palisades Country Club**	**Silver Lakes/Western Shores**	**Dol Ray Manor**	**Quail Ridge**	**Sugar Mill Woods**	**Valrico Hills**	**Marco Island**	**Total**
Public Education								
a) Public Workshops (2)	$ 500	$ 3,000	$ 500	$ 500	$ 3,000	$ 500	$ 2,500	$ 10,500
b) Mailers (3)	$ 90	$ 4,040	$ 180	$ 50	$ 6,620	$ 1,060	$ 11,500	$ 23,540
c) Special Mailings	$ 60	$ -	$ 120	$ 30	$ -	$ 710	$ -	$ 920
d) Advertising and Promotion	$ -	$ 3,600	$ -	$ -	$ 4,000	$ -	$ 17,000	$ 24,600
e) Special Events/Sponsorships	$ 1,000	$ 3,500	$ 1,000	$ 500	$ 4,000	$ 1,000	$ 2,000	$ 13,000
f) Outside Services	$ 1,000	$ 8,000	$ 1,000	$ 500	$ 8,000	$ 1,000	$ 12,000	$ 31,500
Subtotal	$ 2,650	$ 22,140	$ 2,800	$ 1,580	$ 25,620	$ 4,270	$ 45,000	$ 104,060
Free Retrofit Kit Offer (50% kits @ $30 each)	$ 450	$ 20,190	$ 900	$ 240	$ 33,090	$ 5,310	$ -	$ 60,180
Toilet Rebate Program (10% rebates @ $100 each)	$ 300	$ 13,500	$ 600	$ 200	$ 22,100	$ 3,600	$ 10,000	$ 50,300
Irrigation Shutoff Device Rebates (10% rebates @ $50 each)	$ 150	$ 6,750	$ 300	$ 100	$ 11,050	$ -	$ 2,500	$ 20,850
Surveys of Control Group (5% of Community @ $50/Person)	$ 100	$ 3,350	$ 150	$ 50	$ 5,500	$ 900	$ 10,000	$ 20,050
Residential Water Audits	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,000	$ 20,000
Total Community	$ 3,650	$ 65,930	$ 4,750	$ 2,170	$ 97,360	$ 14,080	$ 87,500	$ 275,440

Source: Southern States Utilities, Inc., Exhibit CHK-3.

11/14/95 9:26 PM 96CONSER.XLS

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 7

Southern States Utilities, Inc.
Detail Conservation Expenses: By Project

Account Description	1995 State-Wide Communication	1996 State-Wide Communication	1995 Marco Program	1996 Marco Program	1995 Six Pilot Programs	1996 Six Pilot Programs	1995 Total	1996 Total	1995/1996 Cost Share Funds	1996 Disallowance	Allowed 1996 Conservation Expense
M&S-Office Printing	$34,150	$34,816	$0	$8,000	$0	$11,991	$34,150	$[illegible],807		($11,991)	$42,816
M&S-Office Supplies	$2,350	$2,396	$0	$2,000	$0	$2,880	$2,350	$7,276		($2,880)	$4,396
Contract Services-Other							$0	$0			$0
Statewide Communications							$0	$0			$0
clippings	$100	$102					$100	$102			$102
PR News	$100	$102					$100	$102		($102)	$0
FL Bus. Net	$1,000	$1,020					$1,000	$1,020		($1,020)	$0
surveys	$5,000	$5,098					$5,000	$5,098			$5,098
PR counsel & research	$10,000	$10,195					$10,000	$10,195		($10,195)	$0
Marco Program											
public relations			$0	$12,000			$0	$12,000		($12,000)	$0
water audits			$0	$20,000			$0	$20,000		($20,000)	$0
surveys			$0	$10,000			$0	$10,000		($10,000)	$0
Six Pilot Programs											
literature search					$0	$12,000	$0	$12,000		($12,000)	$0
outside services					$0	$19,500	$0	$19,500		($19,500)	$0
surveys of control group					$0	$10,050	$0	$10,050		($10,050)	$0
Rental Equipment	$1,000	$1,020	$0	$0	$0	$640	$1,000	$1,660		($640)	$1,020
Transportation	$600	$612	$0	$0	$0	$0	$600	$612			$612
Advertising	$14,500	$14,783	$0	$17,000	$0	$7,600	$14,500	$39,383		($19,692)	$19,692
Misc Exp-Telephone	$1,500	$1,529	$0	$252	$0	$1,260	$1,500	$3,041		($1,260)	$1,781
Misc Exp-Postage	$3,500	$3,568	$0	$3,500	$0	$3,849	$3,500	$10,917		($3,849)	$7,068
Misc Exp-Dues & Subscription	$800	$816	$0	$0	$0	$0	$800	$816			$816
Misc Exp-Travel	$400	$408	$0	$1,728	$0	$1,008	$400	$3,144		($1,008)	$2,136
Misc Exp-Food	$1,800	$1,835	$0	$980	$0	$2,320	$1,800	$5,135		($2,320)	$2,815
Misc Exp-Employee Training	$200	$204	$0	$0	$0	$0	$200	$204			$204
Misc Exp-Office Cleaning	$150	$153	$0	$0	$0	$0	$150	$153			$153
Misc Exp-Employee Recognition	$6,600	$6,729	$0	$0	$0	$0	$6,600	$6,729			$6,729
Misc Exp-Temporary Help	$3,000	$3,059					$3,000	$3,059			$3,059
Misc Exp-Other											
Statewide Communications											
regulatory meetings	$1,000	$1,020					$1,000	$1,020			$1,020
environmental organizations	$8,000	$8,156					$8,000	$8,156			$8,156
conserve education/Cons. 96 s	$18,000	$38,351					$18,000	$38,351		($20,351)	$18,000
Marco Program											
public education			$42,000	$0			$42,000	$0			$0
contract services			$35,000	$0			$35,000	$0			$0
toilet rebates			$5,000	$10,001			$5,000	$10,001	($10,001)		$0

Southern States Utilities, Inc.
Detail Conservation Expenses: By Project

Account Description	1995 State-Wide Communication	1996 State-Wide Communication	1995 Marco Program	1996 Marco Program	1995 Six Pilot Programs	1996 Six Pilot Programs	1995 Total	1996 Total	1995/1996 Cost Share Funds	1996 Disallowance	Allowed 1996 Conservation Expense
gift certificates			$2,500	$2,500			$2,500	$2,500			$2,500
special events			$1,000	$2,001			$1,000	$2,001		($2,001)	$0
Six Pilot Programs											
retrofit kits					$0	$60,180	$0	$60,180		($60,180)	$0
toilet rebates					$0	$40,300	$0	$40,300	($25,000)	($15,300)	$0
moisture rebates					$0	$18,350	$0	$18,350		($18,350)	$0
special events/sponsorships					$0	$11,000	$0	$11,000		($11,000)	$0
Labor & Fringe Benefits		$30,300		$20,047		$45,221	$0	$95,568		($47,784)	$47,784
Total	$113,750	$166,272	$85,500	$110,009	$0	$248,149	$199,250	$524,430	$\boxed{(\$35,001)}$	$\boxed{(\$313,473)}$	$175,957
FPSC Allocation Factor									77.06%	77.06%	
FPSC Adjustment									($26,972)	($241,562)	

Source: Southern States Utilities, Inc., Response to OPC Document Request 181.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 8

Southern States Utilities, Inc.
Gain On Sale Adjustment

	Gross	Net	Amortization	Year Sold
Venice Garden Utility	$19,088,063	$19,088,063	$3,817,613	1994
St. Augustine Shores	$6,758,377	$4,200,000	$840,000	1991
Seminole County .11 acres	($187)	($115)	($23)	1994
Spring Hill 5.139 acres	$54,387	$33,394	$6,679	1995
Spring Hill 6.759 acres	$73,071	$44,866	$8,973	1995
River Park System	$54,928	$33,726	$6,745	Anticipated 1995
Spring Hill 6.11 acres	$328,908	$201,950	$40,390	Anticipated 1995
Total	$26,357,547	$23,601,883	$4,720,377	
Total Excluding VGU/SAS	$511,107	$313,820	$62,764	
Allocation to Stockholders (3.0%)	$15,333	$9,415	$1,883	
Amount to Ratepayers (97%)	$495,774	$304,405	$60,881	
VGU				
Total	$19,088,063	$19,088,063	$3,817,613	
Allocation to Stockholders (8.65%)	$1,651,117	$1,651,117	$330,223	
Amount to Ratepayers (91.35%)	$17,436,946	$17,436,946	$3,487,389	
St. Augustine Shores				
Total	$6,758,377	$4,200,000	$840,000	
Allocation to Stockholders (2.81%)	$189,910	$118,020	$23,604	
Amount to Ratepayers (97.19%)	$6,568,467	$4,081,980	$816,396	
Total Gain on Sale				
Allocation to Stockholders	$1,856,361	$1,778,552	$355,710	
Amount to Ratepayers	$24,501,186	$21,823,331	$4,364,666	
FPSC Jurisdiction Allocation (1)			77.06%	
Gain on Sale Adjustment			$\boxed{\$3,363,412}$	

(1) Allocation Percentage Removes Gas Plants.

Source: Southern States Utilities, Inc., MFR Allocation Schedules; Response to OPC Interrogatories 55, 109, 255, 204, and 217.

1/23/96 4:15 PM GAIN.XLS

Southern States Utilities, Inc.
Adjustments to Equity Component of Capital Structure

Company Cost of Equity

	Amount	Adjustment	Adjusted	Percent	Cost	Weighted Cost
Long-Term Debt	$118,535,363		$118,535,363	59.88%	9.06%	5.42%
Customer Deposits	$1,753,184		$1,753,184	0.89%	6.00%	0.05%
Deferred ITC	$1,335,813		$1,335,813	0.67%	9.63%	0.06%
Equity	$82,821,786	($4,800,000)	$78,021,786	39.41%	12.25%	4.83%
Adjustment for Gas	($1,481,000)	($203,924)	($1,684,924)	-0.85%	12.25%	-0.10%
	$202,965,146		$197,961,222	100.00%		10.27%

Requested Cost of Capital	10.32%
Change in Cost of Capital	0.05%
Rate Base	$158,023,064
NOI Impact	$83,975
Revenue Requirement	($143,153)

OPC Cost of Equity

	Amount	Adjustment	Adjusted	Percent	Cost	Weighted Cost
Long-Term Debt	$118,535,363		$118,535,363	59.88%	9.06%	5.42%
Customer Deposits	$1,753,184		$1,753,184	0.89%	6.00%	0.05%
Deferred ITC	$1,335,813		$1,335,813	0.67%	8.79%	0.06%
Equity	$82,821,786	($4,800,000)	$78,021,786	39.41%	10.10%	3.98%
Adjustment for Gas	($1,481,000)	($203,924)	($1,684,924)	-0.85%	10.10%	-0.09%
	$202,965,146		$197,961,222	100.00%		9.43%

Requested Cost of Capital	10.32%
Change in Cost of Capital	0.89%
Rate Base	$158,023,064
NOI Impact	$1,403,058
Revenue Requirement	($2,391,794)

Source: Southern States Utilities, Inc., MFR Schedule D-1.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 10

Southern States Utilities, Inc.
Rainfall Comparison: 1960-1994

Plants	Percentage of Residential Use	County	Average Annual Rainfall 1960-90	Average Annual Rainfall 1991	Average Annual Rainfall 1992	Average Annual Rainfall 1993	Average Annual Rainfall 1994
Amelia Island	1.50%	Nassau	46.29	60.09	63.22	50.26	53.41
Percent Deviation From Average				29.81%	36.57%	8.58%	15.38%
Geneva Lake, Keystone Club, Keystone Heights, Lakeview, Postmaster	1.31%	Alachua	47.13	M	54.28	43.65	47.64
Percent Deviation From Average					15.17%	-7.38%	1.08%
Apache Shores, Citrus Springs, Crystal River Highlands, Golden Terrace, Gospel Island Est., Oak Forest, Pine Ridge, Point O'Woods, Rosemont/Rolling Green, Sugarmill Woods	6.06%	Citrus	52.39	57.97	62.76	48.15	49.22
Percent Deviation From Average				10.65%	19.79%	-8.09%	-6.05%
Beacon Hills, Woodmere	5.71%	Duval	47.74	64.60	63.41	53.73	63.05
Percent Deviation From Average				35.32%	32.82%	12.55%	32.07%
Bay Lake Est., Fountains, Intercession City, Lake Ajay Est., Lake Conway Park, Pine Ridge Est., Tropical Park, Windson	1.02%	Osceola	44.59	52.22	54.06	37.90	73.01
Percent Deviation From Average				17.11%	21.24%	-15.00%	63.74%
Lehigh	3.23%	Hendry	48.68	66.14	49.34	M	M
Percent Deviation From Average				35.87%	1.36%		
Gibsonia Est., Lake Gibson Est., Orange Hill/Sugar Creek	1.01%	Polk	47.13	56.01	58.88	48.61	67.27
Percent Deviation From Average				18.84%	24.93%	3.14%	42.73%
Carlton Village, East Lake Harris Est., Fern Terr., Friendly Center, Grand Terr., Hobby Hills, Imperial Mobile Terr., Marion Oaks, Morningview, Pallisades Country Club, Palms Mobile Home Prk., Picciola Isl., Piney Woods, Quail Ridge, Silver Lake Est./Western Shores, Skycrest Stone Mountain, Sunshine Prkwy, Venetian Village	4.72%	Lake	44.62	66.29	55.87	44.31	66.88
Percent Deviation From Average				48.57%	25.21%	-0.69%	49.89%
Marco Island, Marco Shores	10.36%	Collier	49.50	66.78	47.94	58.11	55.50
Percent Deviation From Average				34.91%	-3.15%	17.39%	12.12%
Deetwyler Shores, Holiday Heights, University Shores	3.19%	Orange	46.51	60.90	52.96	44.53	67.82
Percent Deviation From Average				30.94%	13.87%	-4.26%	45.82%
Burnt Store, Deep Creek	1.90%	Charlotte	47.17	48.31	53.83	44.86	48.70
Percent Deviation From Average				2.42%	14.12%	-4.90%	3.24%
Apple Valley, Chuluota, Deltona, Druid Hills, Enterprise, Fern Park, Harmony Homes, Lake Brantley, Lake Harriet Est., Meredith Manor, Dol Ray Manor	27.59%	Seminole	47.26	69.28	59.88	34.49	71.09
Percent Deviation From Average				46.59%	26.70%	-27.02%	50.42%
Hershel Heights, Seaboard, Valrico Hills	2.63%	Hillsborough	42.75	43.16	34.98	37.53	47.14
Percent Deviation From Average				0.96%	-18.18%	-12.21%	10.27%
Spring Hill	26.35%	Hernando	49.76	57.98	M	M	M
Percent Deviation From Average				16.52%			
Total	96.58%						

"M" denotes missing data.

Source: Southern States Utilities, Inc., Response to Staff Interrogatory 14.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 11

Southern States Utilities, Inc.
Rainfall Comparison: 1960-1994 Adjusted for Missing Data: Assume Average Rainfall (1)

Plants	Percentage of Residential Use	County	Average Annual Rainfall 1960-90	Average Annual Rainfall 1991	Average Annual Rainfall 1992	Average Annual Rainfall 1993	Average Annual Rainfall 1994
Amelia Island	1.50%	Nassau	46.29	60.09	63.22	50.26	53.41
Percent Deviation From Average				29.81%	36.57%	8.58%	15.38%
Geneva Lake, Keystone Club, Keystone Heights, Lakeview, Postmaster	1.31%	Alachua	47.13	51.98	54.28	43.65	47.64
Percent Deviation From Average				10.29%	15.17%	-7.38%	1.08%
Apache Shores, Citrus Springs, Crystal River Highlands, Golden Terrace, Gospel Island Est., Oak Forest, Pine Ridge, Point O'Woods, Rosemont/Rolling Green, Sugarmill Woods	6.06%	Citrus	52.39	57.97	62.76	48.15	49.22
Percent Deviation From Average				10.65%	19.79%	-8.09%	-6.05%
Beacon Hills, Woodmere	5.71%	Duval	47.74	64.60	63.41	53.73	63.05
Percent Deviation From Average				35.32%	32.82%	12.55%	32.07%
Bay Lake Est., Fountains, Intercession City, Lake Ajay Est., Lake Conway Park, Pine Ridge Est., Tropical Park, Windsong	1.02%	Osceola	44.59	52.22	54.06	37.90	73.01
Percent Deviation From Average				17.11%	21.24%	-15.00%	63.74%
Lehigh	3.23%	Hendry	48.68	66.14	49.34	51.67	52.95
Percent Deviation From Average				35.87%	1.36%	6.14%	8.77%
Gibsonia Est., Lake Gibson Est., Orange Hill/Sugar Creek	1.01%	Polk	47.13	56.01	58.88	48.61	67.27
Percent Deviation From Average				18.84%	24.93%	3.14%	42.73%
Carlton Village, East Lake Harris Est., Fern Terr., Friendly Center, Grand Terr., Hobby Hills, Imperial Mobile Terr., Marion Oaks, Morningview, Pallisades Country Club, Palms Mobile Home Prk., Picciola Isl., Piney Woods, Quail Ridge, Silver Lake Est./Western Shores, Skycrest Stone Mountain, Sunshine Prkwy, Venetian Village	4.72%	Lake	44.62	66.29	55.87	44.31	66.88
Percent Deviation From Average				48.57%	25.21%	-0.69%	49.89%
Marco Island, Marco Shores	10.36%	Collier	49.50	66.78	47.94	58.11	55.50
Percent Deviation From Average				34.91%	-3.15%	17.39%	12.12%
Daetwyler Shores, Holiday Heights, University Shores	3.19%	Orange	46.51	60.90	52.96	44.53	67.82
Percent Deviation From Average				30.94%	13.87%	-4.26%	45.82%
Burnt Store, Deep Creek	1.90%	Charlotte	47.17	48.31	53.83	44.86	48.70
Percent Deviation From Average				2.42%	14.12%	-4.90%	3.24%
Apple Valley, Chuluota, Deltona, Druid Hills, Enterprise, Fern Park, Harmony Homes, Lake Brantley, Lake Harriet Est., Meredith Manor, Dol Ray Manor	27.59%	Seminole	47.26	69.28	59.88	34.49	71.09
Percent Deviation From Average				46.59%	26.70%	-27.02%	50.42%
Hershel Heights, Seaboard, Valrico Hills	2.63%	Hillsborough	42.75	43.16	34.98	37.53	47.14
Percent Deviation From Average				0.96%	-18.18%	-12.21%	10.27%
Spring Hill	26.35%	Hernando	49.76	57.98	47.61	37.63	51.26
Percent Deviation From Average				16.52%	-4.32%	-24.38%	3.01%
Total	96.58%		661.52	824.93	761.12	635.11	818.23
				24.70%	15.06%	-3.99%	23.69%

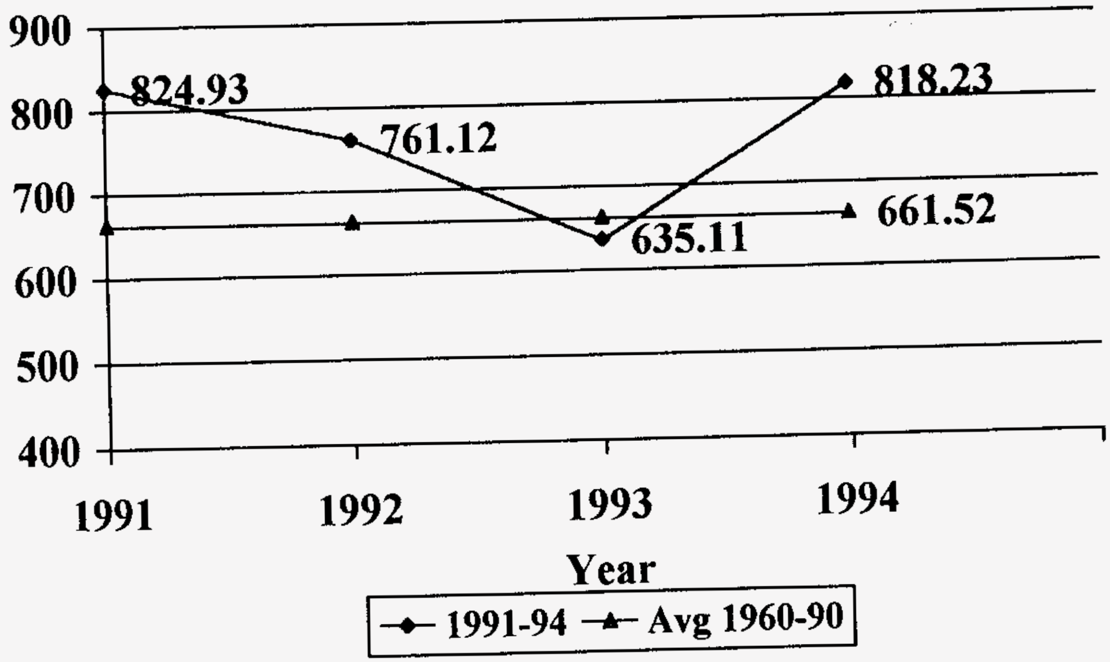
(1) It was assumed that for the months where there was missing data, rainfall was the average of the relevant period 1960-90.

Source: Southern States Utilities, Inc., Response to Staff Interrogatory 14.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. __(KHD-1)
Schedule 12

Southern States Utilities, Inc.

Inches of Rainfall



Southern States Utilities, Inc.
Rainfall: 1991-94 Missing Data Adjusted by Average Rainfall for the Month (1)

Plants		Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual
Amelia Island															
Percentage of Residential Use	1.50%	1991	9.38	1.18	7.44	5.82	5.74	10.62	9.30	2.57	2.30	4.44	0.79	0.51	60.09
County	Nassau	1992	5.39	2.10	4.39	3.51	6.13	9.85	3.16	7.57	7.15	11.52	1.92	0.53	63.22
		1993	5.74	3.50	5.94	1.04	1.80	2.51	4.39	4.54	5.94	11.24	2.90	0.72	50.26
		1994	7.95	1.22	2.73	1.40	2.16	5.16	3.43	2.17	4.49	13.19	4.40	5.11	53.41
Geneva Lake, Keystone Club, Keystone Heights, Lakeview, Postmaster															
Percentage of Residential Use	1.31%	1991	6.66	0.32	8.78	6.02	6.24	6.58	7.25	4.02	2.40	1.41	0.31	1.99 *	51.98
County	Alachua	1992	5.20	3.48	4.00	3.78	1.99	12.86	1.52	8.55	4.37	5.74	2.06	0.73	54.28
		1993	3.26	4.77	4.61	0.91	1.41	6.07	3.41	5.65	2.00	7.98	1.35	2.23	43.65
		1994	7.76	0.43	2.65	1.51	3.83	4.60	7.66	6.14	5.98	5.10	0.70	1.28	47.64
Apache Shores, Citrus Springs, Crystal River Highlands, Golden Terrace, Gospel Island Est., Oak Forest, Pine Ridge, Point O'Woods, Rosemont/Rolling Green, Sugarmill Woods															
Percentage of Residential Use	6.06%	1991	2.92	1.73	5.89	5.89	5.44	10.14	7.83	8.79	3.10	4.85	0.47	0.92	57.97
County	Citrus	1992	2.39	2.51	1.68	4.47	1.37	10.80	3.91	15.03	7.07	9.04	3.44	1.05	62.76
		1993	3.91	4.77	6.40	2.61	1.93	5.77	4.66	2.43	8.19	5.38	0.23	1.87	48.15
		1994	9.56	1.27	1.20	1.98	0.42	8.85	4.49	7.57	6.51	3.23	2.13	2.01	49.22
Beacon Hills, Woodmere															
Percentage of Residential Use	5.71%	1991	7.17	0.90	8.23	4.74	3.27	8.60	11.51	5.97	6.67	6.11	0.95	0.48	64.60
County	Duval	1992	7.26	1.19	4.41	1.80	2.48	14.12	3.99	6.56	11.08	7.54	2.81	0.17	63.41
		1993	7.22	3.55	5.13	1.37	0.58	1.70	2.31	2.54	8.43	15.59	2.79	2.52	53.73
		1994	9.79	1.08	2.01	0.93	2.97	6.70	6.81	5.17	6.11	11.26	5.51	4.71	63.05
Bay Lake Est., Fountains, Intercession City, Lake Ajay Est., Lake Conway Park, Pine Ridge Est., Tropical Park, Windsong															
Percentage of Residential Use	1.02%	1991	1.87	0.41	6.12	5.09	8.58	5.69	10.13	6.11	4.88	2.72	0.25	0.37	52.22
County	Osceola	1992	1.36	2.87	2.01	5.65	3.30	7.91	2.75	10.73	9.91	3.85	3.19	0.53	54.06
		1993	3.63	1.81	6.41	3.08	1.36	5.66	2.80	1.22	4.94	5.79	0.26	0.94	37.90
		1994	4.41	3.78	1.34	5.97	5.05	11.49	6.84	8.78	11.29	3.68	7.25	3.13	73.01
Lehigh															
Percentage of Residential Use	3.23%	1991	6.42	1.26	0.73	4.96	6.68	6.10	12.88	11.12	9.80	3.96	2.18	0.05	66.14
County	Hendry	1992	2.21	3.36	3.13	3.81	1.35	16.99	3.87	6.13	5.33	1.24	0.79	1.13	49.34
		1993	5.91	1.63	3.71	2.02	0.06	8.26	7.05 *	6.89 *	7.59	5.85	1.60	1.10	51.67
		1994	1.69 *	3.92	2.49	3.46	1.50	10.86	5.45	6.89 *	5.60 *	5.95	1.67 *	3.47	52.95

Southern States Utilities, Inc.
Rainfall: 1991-94 Missing Data Adjusted by Average Rainfall for the Month (1)

Plants		Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual
Gibsonia Est., Lake Gibson Est., Orange Hill/Sugar Creek															
Percentage of Residential Use	1.01%	1991	1.95	0.59	4.25	4.92	9.21	10.99	13.10	3.02	2.63	4.98	0.16	0.21	56.01
County	Polk	1992	1.14	3.42	1.15	6.80	2.43	11.67	5.06	11.50	7.90	3.24	4.01	0.56	58.88
		1993	4.72	1.44	4.47	3.80	2.85	1.66	9.27	6.00	9.09	3.85	0.19	1.27	48.61
		1994	7.59	2.03	2.12	1.43	1.44	12.76	8.35	8.54	12.46	2.82	3.48	4.25	67.27
Carlton Village, East Lake Harris Est., Fern Terr., Friendly Center, Grand Terr., Hobby Hills, Imperial Mobile Terr., Marion Oaks, Morningview, Pallisades Country Club, Palms Mobile Home Prk., Picciola Isl., Piney Woods, Quail Ridge, Silver Lake Est./Western Shores, Skycrest Stone Mountain, Sunshine Prkwy, Venetian Village															
Percentage of Residential Use	4.72%	1991	6.07	1.76	10.46	9.36	8.20	8.95	7.30	6.93	3.90	1.68	0.77	0.91	66.29
County	Lake	1992	1.83	2.22	3.50	1.57	3.21	8.44	5.58	12.05	6.45	4.81	5.49	0.72	55.87
		1993	4.63	3.71	6.85	1.53	2.07	2.22	3.55	6.64	5.76	4.32	1.36	1.67	44.31
		1994	6.61	0.89	2.30	0.98	3.99	9.98	7.73	9.68	10.49	6.23	5.12	2.88	66.88
Marco Island, Marco Shores															
Percentage of Residential Use	10.36%	1991	9.40	2.11	1.86	2.92	10.70	5.64	14.15	8.52	5.31	4.51	1.29	0.37	66.78
County	Collier	1992	0.49	3.69	2.65	2.55	0.91	10.94	7.90	9.22	8.27	0.69	0.57	0.06	47.94
		1993	7.66	3.93	2.13	2.25	2.97	6.71	9.19	11.72	3.57	6.87	0.52	0.59	58.11
		1994	1.56	1.67	1.11	1.21	0.93	10.86	11.30	7.49	9.46	3.79	2.54	3.58	55.50
Daetwyler Shores, Holiday Heights, University Shores															
Percentage of Residential Use	3.19%	1991	2.37	0.98	6.66	7.72	9.48	5.98	10.78	7.13	4.53	4.76	0.27	0.24	60.90
County	Orange	1992	1.35	2.42	3.67	9.10	1.19	8.68	2.60	8.03	7.13	5.17	2.74	0.88	52.96
		1993	4.89	1.48	6.26	1.78	2.32	4.47	6.49	5.95	5.35	4.61	0.17	0.76	44.53
		1994	3.97	3.58	1.21	3.03	2.87	10.28	13.27	6.23	7.84	5.18	7.32	3.04	67.82
Burnt Store, Deep Creek															
Percentage of Residential Use	1.90%	1991	5.84	1.87	3.03	1.66	9.45	8.30	7.47	4.19	3.36	1.11	1.75	0.28	48.31
County	Charlotte	1992	0.96	3.59	3.05	1.18	0.07	19.75	7.89	6.26	5.74	1.97	2.17	1.20	53.83
		1993	4.34	2.96	4.04	3.46	0.78	6.37	6.30	4.55	5.10	6.23	0.09	0.64	44.86
		1994	1.50	0.84	2.20	5.80	0.75	6.02	7.46	9.18	10.18	1.23	1.34	2.20	48.70

Southern States Utilities, Inc.
Rainfall: 1991-94 Missing Data Adjusted by Average Rainfall for the Month (1)

Plants		Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual
Apple Valley, Chuluota, Deltona, Druid Hills, Enterprise, Fern Park, Harmony Homes, Lake Brantley, Lake Harriet Est., Meredith Manor, Dol Ray Manor															
Percentage of Residential Use	27.59%	1991	1.65	1.34	9.04	7.26	7.69	11.41	16.60	3.56	4.61	4.83	0.43	0.86	69.28
County	Seminole	1992	1.93	7.19	2.17	3.54	3.46	7.04	4.49	15.30	6.50	4.58	3.00	0.68	59.88
		1993	5.26	3.31	3.40	1.72	3.88	2.66	2.56	1.95	3.91	3.82	0.47	1.55	34.49
		1994	6.32	2.38	3.48	0.84	2.20	10.25	8.70	10.41	8.87	3.10	9.07	5.47	71.09
Hershel Heights, Seaboard, Valrico Hills															
Percentage of Residential Use	2.63%	1991	2.41	0.41	4.73	1.54	6.88	3.78	9.92	7.35	3.43	0.78	1.26	0.67	43.16
County	llsborough	1992	1.47	3.67	0.95	2.17	0.10	7.03	2.80	8.22	2.95	2.20	2.43	0.99	34.98
		1993	3.60	2.32	3.93	2.45	1.74	3.18	2.92	5.06	6.60	4.23	0.22	1.28	37.53
		1994	3.59	0.43	0.66	3.43	0.07	5.98	11.31	8.37	8.20	3.29	0.24	1.57	47.14
Spring Hill															
Percentage of Residential Use	26.35%	1991	3.59	1.67	4.95	5.38	8.55	4.98	10.10	11.97	3.35	1.50	0.67	1.27	57.98
County	Hernando	1992	1.34	4.15	0.48	3.96	0.50	7.37	7.62	7.12 *	6.22 *	3.50	5.10	0.25	47.61
		1993	3.09 *	1.85	1.71	1.55	1.24	5.59	6.70	7.68	2.55	3.60	0.15	1.92	37.63
		1994	11.27	1.50 *	4.08	3.00	1.80	2.62	10.80	7.82	5.51	1.66	0.00	1.20	51.26

* Denotes where missing data has been substituted with average data.

(1) *It was assumed that for the months where there was missing data,* rainfall was the average for the same month from the period 1960-90.

Source: Southern States Utilities, Inc., Response to Staff Interrogatory 14.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 14

Southern States Utilities, Inc.
Rainfall Comparison: 1960-1994 Adjusted for Missing Data: Assume Zero Rainfall (1)

Plants	Percentage of Residential Use	County	Average Annual Rainfall 1960-90	Average Annual Rainfall 1991	Average Annual Rainfall 1992	Average Annual Rainfall 1993	Average Annual Rainfall 1994
Amelia Island	1.50%	Nassau	46.29	60.09	63.22	50.26	53.41
Percent Deviation From Average				29.81%	36.57%	8.58%	15.38%
Geneva Lake, Keystone Club, Keystone Heights, Lakeview, Postmaster	1.31%	Alachua	47.13	49.99	54.28	43.65	47.64
Percent Deviation From Average				6.07%	15.17%	-7.38%	1.08%
Apache Shores, Citrus Springs, Crystal River Highlands, Golden Terrace, Gospel Island Est., Oak Forest, Pine Ridge, Point O'Woods, Rosemont/Rolling Green, Sugarmill Woods	6.06%	Citrus	52.39	57.97	62.76	48.15	49.22
Percent Deviation From Average				10.65%	19.79%	-8.09%	-6.05%
Beacon Hills, Woodmere	5.71%	Duval	47.74	64.60	63.41	53.73	63.05
Percent Deviation From Average				35.32%	32.82%	12.55%	32.07%
Bay Lake Est., Fountains, Intercession City, Lake Ajay Est., Lake Conway Park, Pine Ridge Est., Tropical Park, Windsong	1.02%	Osceola	44.59	52.22	54.06	37.90	73.01
Percent Deviation From Average				17.11%	21.24%	-15.00%	63.74%
Lehigh	3.23%	Hendry	48.68	66.14	49.34	37.73	37.10
Percent Deviation From Average				35.87%	1.36%	-22.49%	-23.79%
Gibsonia Est., Lake Gibson Est., Orange Hill/Sugar Creek	1.01%	Polk	47.13	56.01	58.88	48.61	67.27
Percent Deviation From Average				18.84%	24.93%	3.14%	42.73%
Carlton Village, East Lake Harris Est., Fern Terr., Friendly Center, Grand Terr., Hobby Hills, Imperial Mobile Terr., Marion Oaks, Morningview, Pallisades Country Club, Palms Mobile Home Prk., Picciola Isl., Piney Woods, Quail Ridge, Silver Lake Est./Western Shores, Skycrest Stone Mountain, Sunshine Prkwy, Venetian Village	4.72%	Lake	44.62	66.29	55.87	44.31	66.88
Percent Deviation From Average				48.57%	25.21%	-0.69%	49.89%
Marco Island, Marco Shores	10.36%	Collier	49.50	66.78	47.94	58.11	55.50
Percent Deviation From Average				34.91%	-3.15%	17.39%	12.12%
Daetwyler Shores, Holiday Heights, University Shores	3.19%	Orange	46.51	60.90	52.96	44.53	67.82
Percent Deviation From Average				30.94%	13.87%	-4.26%	45.82%
Burnt Store, Deep Creek	1.90%	Charlotte	47.17	48.31	53.83	44.86	48.70
Percent Deviation From Average				2.42%	14.12%	-4.90%	3.24%
Apple Valley, Chuluota, Deltona, Druid Hills, Enterprise, Fern Park, Harmony Homes, Lake Brantley, Lake Harriet Est., Meredith Manor, Dol Ray Manor	27.59%	Seminole	47.26	69.28	59.88	34.49	71.09
Percent Deviation From Average				46.59%	26.70%	-27.02%	50.42%
Hershel Heights, Seaboard, Valrico Hills	2.63%	Hillsborough	42.75	43.16	34.98	37.53	47.14
Percent Deviation From Average				0.96%	-18.18%	-12.21%	10.27%
Spring Hill	26.35%	Hernando	49.76	57.98	34.27	34.54	49.76
Percent Deviation From Average				16.52%	-31.13%	-30.59%	0.00%
Total	96.58%		661.52	822.90	747.78	617.80	800.56
				24.40%	13.04%	-6.61%	21.02%

(1) It was assumed that for the months where there was missing data, rainfall was zero in that month.

Source: Southern States Utilities, Inc., Response to Staff Interrogatory 14.

1/22/96 4:53 PM ADJRAIN1.XLS

Southern States Utilities, Inc.

Rainfall: 1991-1994 Missing Data Adjusted by Assuming Zero Rainfall for the Month (1)

Plants		Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual
Amelia Island															
Percentage of Residential Use	1.50%	1991	9.38	1.18	7.44	5.82	5.74	10.62	9.30	2.57	2.30	4.44	0.79	0.51	60.09
County	Nassau	1992	5.39	2.10	4.39	3.51	6.13	9.85	3.16	7.57	7.15	11.52	1.92	0.53	63.22
		1993	5.74	3.50	5.94	1.04	1.80	2.51	4.39	4.54	5.94	11.24	2.90	0.72	50.26
		1994	7.95	1.22	2.73	1.40	2.16	5.16	3.43	2.17	4.49	13.19	4.40	5.11	53.41
Geneva Lake, Keystone Club, Keystone Heights, Lakeview, Postmaster															
Percentage of Residential Use	1.31%	1991	6.66	0.32	8.78	6.02	6.24	6.58	7.25	4.02	2.40	1.41	0.31	0.00	49.99
County	Alachua	1992	5.20	3.48	4.00	3.78	1.99	12.86	1.52	8.55	4.37	5.74	2.06	0.73	54.28
		1993	3.26	4.77	4.61	0.91	1.41	6.07	3.41	5.65	2.00	7.98	1.35	2.23	43.65
		1994	7.76	0.43	2.65	1.51	3.83	4.60	7.66	6.14	5.98	5.10	0.70	1.28	47.64
Apache Shores, Citrus Springs, Crystal River Highlands, Golden Terrace, Gospel Island Est., Oak Forest, Pine Ridge, Point O'Woods, Rosemont/Rolling Green, Sugarmill Woods															
Percentage of Residential Use	6.06%	1991	2.92	1.73	5.89	5.89	5.44	10.14	7.83	8.79	3.10	4.85	0.47	0.92	57.97
County	Citrus	1992	2.39	2.51	1.68	4.47	1.37	10.80	3.91	15.03	7.07	9.04	3.44	1.05	62.76
		1993	3.91	4.77	6.40	2.61	1.93	5.77	4.66	2.43	8.19	5.38	0.23	1.87	48.15
		1994	9.56	1.27	1.20	1.98	0.42	8.85	4.49	7.57	6.51	3.23	2.13	2.01	49.22
Beacon Hills, Woodmere															
Percentage of Residential Use	5.71%	1991	7.17	0.90	8.23	4.74	3.27	8.60	11.51	5.97	6.67	6.11	0.95	0.48	64.60
County	Duval	1992	7.26	1.19	4.41	1.80	2.48	14.12	3.99	6.56	11.08	7.54	2.81	0.17	63.41
		1993	7.22	3.55	5.13	1.37	0.58	1.70	2.31	2.54	8.43	15.59	2.79	2.52	53.73
		1994	9.79	1.08	2.01	0.93	2.97	6.70	6.81	5.17	6.11	11.26	5.51	4.71	63.05
Bay Lake Est., Fountains, Intercession City, Lake Ajay Est., Lake Conway Park, Pine Ridge Est., Tropical Park, Windsong															
Percentage of Residential Use	1.02%	1991	1.87	0.41	6.12	5.09	8.58	5.69	10.13	6.11	4.88	2.72	0.25	0.37	52.22
County	Osceola	1992	1.36	2.87	2.01	5.65	3.30	7.91	2.75	10.73	9.91	3.85	3.19	0.53	54.06
		1993	3.63	1.81	6.41	3.08	1.36	5.66	2.80	1.22	4.94	5.79	0.26	0.94	37.90
		1994	4.41	3.78	1.34	5.97	5.05	11.49	6.84	8.78	11.29	3.68	7.25	3.13	73.01
Lehigh															
Percentage of Residential Use	3.23%	1991	6.42	1.26	0.73	4.96	6.68	6.10	12.88	11.12	9.80	3.96	2.18	0.05	66.14
County	Hendry	1992	2.21	3.36	3.13	3.81	1.35	16.99	3.87	6.13	5.33	1.24	0.79	1.13	49.34
		1993	5.91	1.63	3.71	2.02	0.06	8.26	0.00	0.00	7.59	5.85	1.60	1.10	37.73
		1994	0.00	3.92	2.49	3.46	1.50	10.86	5.45	0.00	0.00	5.95	0.00	3.47	37.10

Southern States Utilities, Inc.

Rainfall: 1991-1994 Missing Data Adjusted by Assuming Zero Rainfall for the Month (1)

Plants		Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual
Gibsonia Est., Lake Gibson Est., Orange Hill/Sugar Creek															
Percentage of Residential Use	1.01%	1991	1.95	0.59	4.25	4.92	9.21	10.99	13.10	3.02	2.63	4.98	0.16	0.21	56.01
County	Polk	1992	1.14	3.42	1.15	6.80	2.43	11.67	5.06	11.50	7.90	3.24	4.01	0.56	58.88
		1993	4.72	1.44	4.47	3.80	2.85	1.66	9.27	6.00	9.09	3.85	0.19	1.27	48.61
		1994	7.59	2.03	2.12	1.43	1.44	12.76	8.35	8.54	12.46	2.82	3.48	4.25	67.27
Carlton Village, East Lake Harris Est., Fern Terr., Friendly Center, Grand Terr., Hobby Hills, Imperial Mobile Terr., Marion Oaks, Morningview, Pallisades Country Club, Palms Mobile Home Prk., Picciola Isl., Piney Woods, Quail Ridge, Silver Lake Est./Western Shores, Skycrest Stone Mountain, Sunshine Prkwy, Venetian Village															
Percentage of Residential Use	4.72%	1991	6.07	1.76	10.46	9.36	8.20	8.95	7.30	6.93	3.90	1.68	0.77	0.91	66.29
County	Lake	1992	1.83	2.22	3.50	1.57	3.21	8.44	5.58	12.05	6.45	4.81	5.49	0.72	55.87
		1993	4.63	3.71	6.85	1.53	2.07	2.22	3.55	6.64	5.76	4.32	1.36	1.67	44.31
		1994	6.61	0.89	2.30	0.98	3.99	9.98	7.73	9.68	10.49	6.23	5.12	2.88	66.88
Marco Island, Marco Shores															
Percentage of Residential Use	10.36%	1991	9.40	2.11	1.86	2.92	10.70	5.64	14.15	8.52	5.31	4.51	1.29	0.37	66.78
County	Collier	1992	0.49	3.69	2.65	2.55	0.91	10.94	7.90	9.22	8.27	0.69	0.57	0.06	47.94
		1993	7.66	3.93	2.13	2.25	2.97	6.71	9.19	11.72	3.57	6.87	0.52	0.59	58.11
		1994	1.56	1.67	1.11	1.21	0.93	10.86	11.30	7.49	9.46	3.79	2.54	3.58	55.50
Daetwyler Shores, Holiday Heights, University Shores															
Percentage of Residential Use	3.19%	1991	2.37	0.98	6.66	7.72	9.48	5.98	10.78	7.13	4.53	4.76	0.27	0.24	60.90
County	Orange	1992	1.35	2.42	3.67	9.10	1.19	8.68	2.60	8.03	7.13	5.17	2.74	0.88	52.96
		1993	4.89	1.48	6.26	1.78	2.32	4.47	6.49	5.95	5.35	4.61	0.17	0.76	44.53
		1994	3.97	3.58	1.21	3.03	2.87	10.28	13.27	6.23	7.84	5.18	7.32	3.04	67.82
Burnt Store, Deep Creek															
Percentage of Residential Use	1.90%	1991	5.84	1.87	3.03	1.66	9.45	8.30	7.47	4.19	3.36	1.11	1.75	0.28	48.31
County	Charlotte	1992	0.96	3.59	3.05	1.18	0.07	19.75	7.89	6.26	5.74	1.97	2.17	1.20	53.83
		1993	4.34	2.96	4.04	3.46	0.78	6.37	6.30	4.55	5.10	6.23	0.09	0.64	44.86
		1994	1.50	0.84	2.20	5.80	0.75	6.02	7.46	9.18	10.18	1.23	1.34	2.20	48.70

Southern States Utilities, Inc.
Rainfall: 1991-1994 Missing Data Adjusted by Assuming Zero Rainfall for the Month (1)

Plants		Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual
Apple Valley, Chuluota, Deltona, Druid Hills, Enterprise, Fern Park, Harmony Homes, Lake Brantley, Lake Harriet Est., Meredith Manor, Dol Ray Manor															
Percentage of Residential Use	27.59%	1991	1.65	1.34	9.04	7.26	7.69	11.41	16.60	3.56	4.61	4.83	0.43	0.86	69.28
County	Seminole	1992	1.93	7.19	2.17	3.54	3.46	7.04	4.49	15.30	6.50	4.58	3.00	0.68	59.88
		1993	5.26	3.31	3.40	1.72	3.88	2.66	2.56	1.95	3.91	3.82	0.47	1.55	34.49
		1994	6.32	2.38	3.48	0.84	2.20	10.25	8.70	10.41	8.87	3.10	9.07	5.47	71.09
Hershel Heights, Seaboard, Valrico Hills															
Percentage of Residential Use	2.63%	1991	2.41	0.41	4.73	1.54	6.88	3.78	9.92	7.35	3.43	0.78	1.26	0.67	43.16
County	Ilsborough	1992	1.47	3.67	0.95	2.17	0.10	7.03	2.80	8.22	2.95	2.20	2.43	0.99	34.98
		1993	3.60	2.32	3.93	2.45	1.74	3.18	2.92	5.06	6.60	4.23	0.22	1.28	37.53
		1994	3.59	0.43	0.66	3.43	0.07	5.98	11.31	8.37	8.20	3.29	0.24	1.57	47.14
Spring Hill															
Percentage of Residential Use	26.35%	1991	3.59	1.67	4.95	5.38	8.55	4.98	10.10	11.97	3.35	1.50	0.67	1.27	57.98
County	Hernando	1992	1.34	4.15	0.48	3.96	0.50	7.37	7.62	0.00	0.00	3.50	5.10	0.25	34.27
		1993	0.00	1.85	1.71	1.55	1.24	5.59	6.70	7.68	2.55	3.60	0.15	1.92	34.54
		1994	11.27	0.00	4.08	3.00	1.80	2.62	10.80	7.82	5.51	1.66	0.00	1.20	49.76

(1) It was assumed that for the months where there was missing data, rainfall was zero.

Source: Southern States Utilities, Inc., Response to Staff Interrogatory 14.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 16

Southern States Utilities, Inc.
Weather Normalized Residential Consumption: Revenue Impact

	(000) Company 1996 Consumption	1996 Bills	(000) 1996 Consumption Per Bill	(000) 1996 Normalized Consumption Per Bill	(000) 1996 Normalized Consumption	(000) Difference	Rate	1996 Revenue Impact
FPSC Uniform								
All-Excluding Burnt Store (1)	6,039,577	688,332	8.774	10.076	6,935,927	896,350	$1.23	$1,102,511
Non-Uniform								
All Including Burnt Store (1)	2,233,810	314,334	7.106	8.161	2,565,336	331,526	$2.52	$835,436
Total	8,273,387	1,002,666	8.251	9.476	9,501,263	1,227,876	$1.58	1,189,444 $1,937,947
Non-Uniform Distribution								
Buenaventura Lakes	463,923	87,328	5.312	6.101	532,775	68,852	$1.24	$85,377
Burnt Store	26,605	6,912	3.849	4.420	30,554	3,949	$1.23	$4,857
Deep Creek	192,328	36,934	5.207	5.980	220,872	28,544	$4.12	$117,601
Enterprise	19,098	2,870	6.654	7.642	21,932	2,834	$2.21	$6,264
Geneva Lake Estates	8,189	1,065	7.689	8.830	9,404	1,215	$2.07	$2,516
Keystone Club Estates	9,462	1,944	4.867	5.590	10,866	1,404	$2.07	$2,907
Lakeside	7,398	1,035	7.148	8.209	8,496	1,098	$1.23	$1,350
Lehigh	333,271	104,386	3.193	3.667	382,733	49,462	$2.40	$118,708
Marco Island (1)	1,114,572	62,580	17.810	20.454	1,279,989	165,417	$2.96	$489,634
Palm Valley	19,814	2,434	8.141	9.349	22,755	2,941	$0.94	$2,764
Remington Forrest	7,868	1,044	7.536	8.655	9,036	1,168	$0.00	$0
Spring Gardens	6,522	1,565	4.167	4.786	7,490	968	$1.03	$997
Valencia Terrace	24,760	4,237	5.844	6.711	28,435	3,675	$0.67	$2,462
Total	2,233,810	314,334	7.106	8.161	2,565,336	331,526	$2.52	$835,436

(1) Excludes Impact of Conservation.

Source: Southern States Utilities, Inc., MFR E Schedules, Response to OPC Document Request 24.

Source: Southern States Utilities, Inc., MFR E Schedules.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 17

Southern States Utilities, Inc.
Projected Test Year Revenue Adjustment: Averaged 1992 and 1993 Gallons

Plant Name	Recommended 1996 Gallons (1)	Company 1996 Gallons (1)	Difference	Rate	Revenue Adjustment
Uniform Plants					
All	7,161,931,630	6,864,172,362	297,759,268	$1.23	$366,244
Non-Uniform Plants					
Deep Creek	236,995,265	234,586,892	2,408,373	$4.12	9,922
Enterprise	19,557,693	19,218,113	339,580	$2.21	750
Geneva Lake Estates	10,190,445	11,090,069	-899,624	$2.07	-1,862
Keystone Club	9,476,994	9,462,162	14,832	$2.07	31
Lehigh	397,689,909	402,453,341	-4,763,432	$2.40	-11,432
Marco Island	2,261,017,569	2,239,36[illegible],221	21,649,348	$2.96	64,082
Palm Valley (2)	16,005,160	15,299,560	705,600	$0.94	663
Remington Forest	9,169,452	7,867,584	1,301,868	$0.00	0
Total	2,960,102,487	2,939,345,942	20,756,545		$62,155
Total Uniform and Non-Uniform					$428,398

(1) Does not include conservation adjustments.

(2) Excludes usage of 6,002,000 associated with gallons not billed.

Source: Southern States Utilities, Inc., MFR E Schedules.

1/25/96 3:46 PM REV9293.XLS

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___ (KHD-1)
Schedule 18

Southern States Utilities, Inc.
Average Consumption Per Bill (1)

Line No.	Plant Name	Gallons – Historical 1991	1992	1993	1994	Average (1991-1994)	Adjusted 1995 and 1996 Gallons – Compound Adjusted Growth Rate Bills 1/ (1991-1994)	Projected 1995 Gallons C7*C6	Growth Rate over 1994 (C8-C5)/C5	Projected 1996 Gallons C7*C8	Growth Rate over 1995 (C10-C8)/C8
	FPSC Uniform:										
1	Amelia Island	264,056,749	306,514,750	319,189,709	326,887,107	304,162,079	8.80%	330,928,342	1.24%	360,050,036	8.80%
2	Apache Shores	3,147,665	2,958,825	3,011,842	3,450,738	3,142,268	0.00%	3,142,268	-8.94%	3,142,268	0.00%
3	Apple Valley	121,642,389	135,183,090	128,577,073	122,074,074	126,869,157	1.74%	129,076,680	5.74%	131,322,614	1.74%
4	Bay Lake Estates	6,743,450	7,766,020	7,394,850	6,380,090	7,071,103	2.96%	7,280,407	14.11%	7,495,907	2.96%
5	Beacon Hills	420,572,240	477,343,749	529,296,822	483,243,625	477,614,109	6.18%	499,543,464	3.37%	499,543,464	0.00%
6	Beecher's Point	4,282,560	5,044,540	4,567,779	6,372,870	5,066,937	4.30%	5,284,816	-17.07%	5,512,063	4.30%
7	Burnt Store	44,167,670	46,174,089	47,938,077	47,304,106	46,395,986	35.75%	62,982,550	33.14%	85,498,812	35.75%
8	Carlton Village	8,556,380	10,111,130	11,282,120	11,187,100	10,284,183	8.41%	11,149,082	-0.34%	12,086,720	8.41%
9	Chuluota	50,048,546	56,999,364	62,250,458	61,830,805	57,782,293	1.54%	58,672,141	-5.11%	59,575,692	1.54%
10	Citrus Park	24,629,870	25,048,687	26,083,447	25,786,711	25,387,179	2.02%	25,900,000	0.44%	26,423,180	2.02%
11	Citrus Springs	123,413,068	141,228,006	162,037,999	145,139,870	142,954,736	3.35%	147,743,719	1.79%	152,693,134	3.35%
12	Crystal River H.	4,514,050	5,226,070	6,162,950	6,023,990	5,481,765	4.44%	5,725,155	-4.96%	5,979,352	4.44%
13	Daetwyler Shores	14,311,202	16,958,524	16,552,678	15,803,222	15,906,407	0.00%	15,906,407	0.65%	15,906,407	0.00%
14	Deltona	2,655,963,799	2,832,942,892	2,966,616,534	2,621,442,428	2,769,241,413	2.31%	2,833,210,890	8.08%	2,898,658,061	2.31%
15	Dol Ray Manor	11,000,124	13,713,410	13,555,124	13,395,172	12,915,958	1.17%	13,067,074	-2.45%	13,219,959	1.17%
16	Druid Hills	40,110,570	43,420,710	41,765,551	38,571,842	40,967,168	0.00%	40,967,168	6.21%	40,967,168	0.00%
17	East Lake Harris Est.	5,227,820	5,546,739	5,653,850	5,531,314	5,489,931	0.87%	5,537,693	0.12%	5,585,871	0.87%
18	Fern Park	14,972,700	17,852,430	17,433,280	16,917,582	16,793,998	0.29%	16,842,701	-0.44%	16,891,544	0.29%
19	Fern Terrace	11,150,250	11,995,400	11,657,115	12,720,817	11,880,896	0.87%	11,984,259	-5.79%	12,088,522	0.87%
20	Fisherman's Haven	9,304,470	9,665,629	9,195,621	9,428,216	9,398,484	2.00%	9,586,454	1.68%	9,718,272	1.38%
21	Fountains	-	453,870	1,323,770	2,697,160	1,118,700	7.91%	1,207,189	-55.24%	1,302,678	7.91%
22	Fox Run	9,726,560	10,693,842	11,243,512	10,437,456	10,525,343	3.47%	10,890,572	4.34%	11,268,475	3.47%
23	Friendly Center	1,417,610	1,536,750	1,599,830	1,390,680	1,486,218	1.09%	1,502,417	8.03%	1,518,794	1.09%
24	Golden Terrace	4,293,500	4,711,160	4,801,449	4,674,600	4,620,177	0.71%	4,652,981	-0.46%	4,686,017	0.71%
25	Gospel Island Est.	573,460	903,800	864,720	651,590	748,393	0.00%	748,393	14.86%	748,393	0.00%
26	Grand Terrace	4,523,920	7,937,030	11,866,410	11,995,010	9,080,593	1.34%	9,184,140	-23.43%	9,184,140	0.00%
27	Harmony Homes	8,065,200	7,991,550	7,758,412	6,591,166	7,601,582	0.17%	7,614,505	15.53%	7,627,449	0.17%
28	Hermits Cove	6,087,220	6,062,400	5,733,265	6,317,476	6,050,090	0.00%	6,050,090	-4.23%	6,050,090	0.00%
29	Hobby Hills	5,497,313	5,292,607	5,806,316	6,547,531	5,785,942	0.00%	5,785,942	-11.63%	5,785,942	0.00%
30	Holiday Haven	4,035,009	4,209,100	4,260,990	4,527,697	4,258,199	0.00%	4,258,199	-5.95%	4,258,199	0.00%
31	Holiday Heights	6,020,900	6,365,610	5,264,090	5,474,720	5,781,330	0.32%	5,799,830	5.94%	5,818,390	0.32%
32	Imperial Mobil Terr.	15,882,990	15,121,230	15,751,806	13,408,360	15,041,097	0.00%	15,029,724	12.09%	15,029,724	0.00%
33	Intercession City	13,229,181	14,314,189	14,403,777	15,795,903	14,435,763	0.93%	14,570,015	-7.76%	14,705,516	0.93%
34	Interlachen Lake Est. / Park	11,107,881	12,414,415	12,267,010	12,515,418	12,076,181	0.71%	12,161,922	-2.82%	12,248,272	0.71%
35	Jungle Den	2,952,260	3,044,962	2,597,377	2,630,149	2,806,187	0.00%	2,806,187	6.69%	2,806,187	0.00%
36	Keystone Heights	100,236,193	108,170,790	113,998,498	103,618,115	106,505,899	0.88%	107,443,151	3.69%	108,388,651	0.88%
37	Kingswood	3,417,020	3,530,830	3,544,790	3,635,429	3,532,017	0.22%	3,539,788	-2.63%	3,547,575	0.22%
38	Lake Ajay Estates	4,163,050	4,638,190	11,821,022	13,774,807	8,599,267	9.19%	9,389,540	-31.84%	10,156,800	8.17%
39	Lake Brantley	7,056,290	8,117,270	6,773,090	6,117,610	7,016,065	0.83%	7,074,298	15.64%	7,133,015	0.83%
40	Lake Conway Park	8,374,470	9,324,709	8,815,615	7,644,995	8,539,947	0.36%	8,570,691	12.11%	8,601,546	0.36%
41	Lake Harriet Est.	29,441,861	27,736,043	25,265,030	25,206,831	26,912,441	0.35%	27,006,635	7.14%	27,101,158	0.35%
42	Lakeview Villas	367,910	535,650	716,469	795,840	603,967	0.00%	603,967	-24.11%	603,967	0.00%
43	Leilani Heights	46,790,937	46,227,914	43,546,333	43,012,488	44,894,418	0.63%	45,177,253	5.03%	45,461,870	0.63%
44	Leisure Lakes	8,538,493	8,648,476	7,317,723	7,289,947	7,948,660	0.01%	7,949,455	9.05%	7,950,250	0.01%
45	Marco Shores	36,838,996	30,600,760	24,340,661	24,039,880	28,955,074	3.07%	29,843,995	24.14%	30,760,206	3.07%
46	Marion Oaks	131,409,215	143,205,248	165,746,329	169,967,298	152,582,023	5.48%	160,943,517	-5.31%	169,763,222	5.48%
47	Meredith Manor	71,736,776	73,785,468	78,337,221	72,587,146	74,111,653	0.00%	74,111,653	2.10%	74,111,653	0.00%
48	Morningview	3,520,620	3,491,580	3,429,350	3,946,035	3,596,896	1.27%	3,642,577	-7.69%	3,688,838	1.27%
49	Oak Forest	12,803,513	14,456,300	12,324,132	12,024,279	12,902,056	1.49%	13,094,297	8.90%	13,289,402	1.49%
50	Oakwood	9,557,117	9,699,209	9,354,382	10,144,167	9,688,719	2.27%	9,908,653	-2.32%	9,954,252	0.46%
51	Palisades Ctry Club	-	3,619,270	9,016,160	11,910,150	6,136,395	53.98%	9,448,821	-20.67%	14,549,295	53.98%
52	Palm Port	4,158,890	4,834,134	5,334,833	5,097,894	4,856,438	3.49%	5,025,927	-1.41%	5,201,332	3.49%
53	Palm Terrace	68,975,704	73,591,177	70,056,258	63,697,734	69,080,218	0.31%	69,294,367	8.79%	69,509,179	0.31%
54	Palms Mobile Home Pk	2,107,010	1,828,170	1,573,400	1,615,690	1,781,068	0.00%	1,781,068	10.24%	1,781,068	0.00%
55	Picciola Island	11,888,170	11,971,780	11,545,090	10,965,372	11,592,603	0.78%	11,683,025	6.54%	11,774,153	0.78%
56	Pine Ridge	63,152,195	79,167,912	101,911,969	109,749,683	88,495,440	18.73%	105,070,636	-4.26%	124,750,366	18.73%
57	Pine Ridge Est	13,096,370	13,645,668	16,200,710	20,039,011	15,745,440	8.32%	16,172,112	-19.30%	16,172,112	0.00%
58	Piney Woods	16,701,760	17,378,660	17,112,612	17,204,003	17,099,259	0.30%	17,150,557	-0.31%	17,202,008	0.30%
59	Point O' Woods	17,141,028	19,169,550	21,844,306	19,036,383	19,297,817	2.43%	19,766,754	3.84%	20,247,086	2.43%
60	Pomona Park	7,260,561	7,303,361	9,285,796	10,876,944	8,681,666	1.89%	8,845,749	-18.67%	9,012,934	1.89%
61	Postmaster Village	14,638,100	15,368,060	15,416,090	14,297,321	14,929,893	1.30%	15,123,981	5.78%	15,320,593	1.30%

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___ (KHD-1)
Schedule 18

Southern States Utilities, Inc.
Average Consumption Per Bill (1)

Line No.	Plant Name	Gallons Historical 1991	1992	1993	1994	Average (1991-1994)	Adjusted 1995 and 1996 Gallons: Compound Adjusted Growth Rate Bills 1/ (1991-1994)	Projected 1995 Gallons C7*C6	Growth Rate over 1994 (C8-C5)/C5	Projected 1996 Gallons C7*C8	Growth Rate over 1995 (C10-C8)/C8
62	Quail Ridge	-	2,353,380	1,596,080	1,768,680	1,429,535	9.49%	1,565,198	-11.50%	1,713,735	9.49%
63	River Grove	5,564,991	6,944,077	7,413,291	7,790,550	6,928,227	0.00%	6,928,227	-11.07%	6,928,227	0.00%
64	River Park	9,689,077	9,223,950	10,347,992	10,883,154	10,036,043	1.01%	10,137,407	-6.85%	10,239,795	1.01%
65	Rosemont / Rolling Green	15,707,670	16,944,460	18,790,600	17,984,709	17,356,860	4.08%	18,065,020	0.45%	18,802,072	4.08%
66	Salt Springs	5,653,870	21,593,740	22,915,018	32,005,749	20,542,094	1.57%	20,864,605	-34.81%	21,192,179	1.57%
67	Samira Villas	1,151,220	1,176,570	1,111,560	921,520	1,090,218	0.00%	1,090,218	18.31%	1,090,218	0.00%
68	Silver Lake Est / W. Shores	260,970,263	263,915,126	273,734,953	210,268,338	252,222,170	3.78%	261,756,168	24.49%	271,650,551	3.78%
69	Silver Lake Oaks	1,169,580	1,540,890	1,349,070	1,797,250	1,464,198	4.69%	1,532,868	-14.71%	1,604,760	4.69%
70	Skycrest	5,330,050	6,681,211	6,774,514	6,925,847	6,427,906	0.51%	6,460,688	-6.72%	6,493,637	0.51%
71	St. John's H.	3,156,240	2,662,920	2,649,300	2,805,770	2,818,558	1.45%	2,859,427	1.91%	2,900,888	1.45%
72	Stone Mountain	1,269,150	1,275,240	1,088,020	1,173,690	1,201,525	4.32%	1,253,431	6.79%	1,307,579	4.32%
73	Sugar Mill	25,102,853	25,717,615	26,533,305	25,510,194	25,715,992	1.37%	26,068,301	2.19%	26,425,437	1.37%
74	Sugar Mill Woods	336,802,604	391,838,329	385,242,965	325,769,936	359,913,459	8.05%	388,886,492	19.37%	420,191,855	8.05%
75	Sunny Hills	30,075,392	29,727,398	31,643,689	28,317,131	29,940,903	1.32%	30,336,122	7.13%	30,736,559	1.32%
76	Sunshine Parkway	13,023,880	17,855,860	25,936,959	24,436,401	20,313,275	12.93%	22,939,781	-6.12%	25,905,895	12.93%
77	Tropical Park	30,801,748	30,281,145	31,135,842	32,016,184	31,058,730	0.51%	31,217,129	-2.50%	31,376,337	0.51%
78	University Shores	335,849,580	366,359,018	423,270,479	410,754,298	384,058,344	7.25%	411,902,574	0.28%	441,765,510	7.25%
79	Venetian Village	8,333,404	8,527,966	8,738,779	8,557,382	8,539,383	1.63%	8,678,575	1.42%	8,820,035	1.63%
80	Welaka / Saratoga Harbour	4,642,938	5,265,522	4,895,271	5,402,272	5,051,501	1.60%	5,132,325	-5.00%	5,214,442	1.60%
81	Westmont	11,382,900	12,309,320	11,870,490	12,178,260	11,935,243	3.04%	12,298,074	0.98%	12,671,935	3.04%
82	Windsong	7,559,440	7,723,289	8,124,445	8,072,990	7,870,041	0.00%	7,870,041	-2.51%	7,870,041	0.00%
83	Woodmere	180,564,507	196,169,866	201,461,563	183,004,449	190,300,096	3.16%	$\boxed{193,987,728}$	6.00%	$\boxed{193,987,728}$	0.00%
84	Wootens	413,480	527,090	699,069	747,320	596,740	7.51%	641,555	-14.15%	689,736	7.51%
85	Zephyr Shores	21,714,145	21,189,759	15,039,018	11,289,621	17,308,136	0.00%	17,308,136	53.31%	17,308,136	0.00%
86	**Sub-total FPSC Uniform**	**5,940,529,807**	**6,460,596,489**	**6,812,755,754**	**6,243,823,342**	**6,364,426,348**	**3.93%**	**6,614,235,928**	**5.93%**	**6,858,317,126**	**3.69%**
	Bills	**617,927**	**640,593**	**652,135**	**683,678**	**648,583**		**693,598**		**722,182**	
	Consumption Per Bill	**9,614**	**10,085**	**10,447**	**9,133**	**9,813**		**9,536**		**9,497**	
	FPSC Non-Uniform:										
87	Deep Creek	211,400,559	221,029,355	218,807,161	219,496,620	217,683,424	3.81%	225,977,162	2.95%	234,586,892	3.81%
88	Enterprise	14,962,985	16,495,768	18,567,734	18,882,905	17,227,348	5.62%	18,195,525	-3.64%	19,218,113	5.62%
89	Geneva Lake Est.	11,533,060	9,010,978	10,125,576	10,982,289	10,412,976	3.20%	10,746,191	-2.15%	11,090,069	3.20%
90	Keystone Club Est.	6,275,950	8,152,045	9,672,349	11,492,655	8,898,250	3.12%	9,175,875	-20.16%	9,462,162	3.12%
91	Lehigh	370,988,098	376,069,596	375,986,838	399,084,229	380,532,190	2.84%	391,339,304	-1.94%	402,453,341	2.84%
92	Marco Island	2,077,140,704	2,145,286,784	2,126,283,910	2,112,629,013	2,115,335,103	2.89%	2,176,468,287	3.02%	2,239,368,221	2.89%
93	Palm Valley	16,843,759	18,337,760	24,910,455	23,624,400	20,929,094	1.07%	21,153,035	-10.46%	$\boxed{21,301,560}$	0.70%
94	Remington Forest	375,460	4,809,031	8,716,109	9,309,950	5,802,638	23.04%	7,139,565	-23.31%	$\boxed{7,867,584}$	10.20%
95	**Sub-total FPSC Non-Uniform**	**2,709,520,575**	**2,799,191,317**	**2,793,070,132**	**2,805,502,061**	**2,776,821,021**	**3.00%**	**2,860,194,945**	**1.95%**	**2,945,347,942**	**2.98%**
	Bills	**204,694**	**206,208**	**211,384**	**219,815**	**210,525**		**223,825**		**231,187**	
	Consumption Per Bill	**13,237**	**13,575**	**13,213**	**12,763**	**13,190**		**12,779**		**12,740**	
96	**Total FPSC**	**8,650,050,382**	**9,259,787,806**	**9,605,825,886**	**9,049,325,403**	**9,141,247,369**	**3.64%**	**9,474,430,873**	**4.70%**	**9,803,665,068**	**3.47%**
	Bills	**822,621**	**846,801**	**863,519**	**903,493**	**859,108**		**917,423**		**953,369**	
	Consumption Per Bill	**10,515**	**10,935**	**11,124**	**10,016**	**10,640**		**10,327**		**10,283**	

(1) Before conservation and repression estimated by the Company in 1995 and 1996.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 19

Southern States Utilities, Inc.
Adjustment for Variable Expenses

Weather Normalization	Conventional Treatment	Reverse Osmosis	Total
1996 Variable Expenses	$3,201,573	$1,218,241	$4,419,814
Projected Consumption	8,040,449	2,183,794	10,224,243
Cost per 1000 Gallons	$0.40	$0.56	$0.43
Increased Consumption (000)	1,062,459	165,417	1,227,876
Increased Expenses	$423,053	$92,279	$515,332

Source: Southern States Utilities, Inc., MFR E Schedules.

1/25/96 4:07 PM VARIABLE.XLS

Source: Southern States Utilities, Inc., MFR E Schedules; Response to OPC Interrogatory 192.

1/25/96 4:36 PM REUSE.XLS

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 20

Southern States Utilities, Inc.
Marco Island Reuse Projects: Revenue Impact

	(000) Gallons	Water Rate	Increase Water Revenue	Reuse Rate	Decrease Wastewater Revenue
Hideaway Beach	54,750	$2.96	$162,060	$0.25	($13,688)
Tommy Barfield School	7,300	$2.96	$21,608	$0.00	$0
Total			$183,668		($13,688)

Source: Southern States Utilities, Inc., MFR E Schedules; Response to OPC Interrogatory 192.
1/25/96 4:36 PM REUSE.XLS

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 21

Southern States Utilities, Inc.
Impact of SSU on Buenaventura Lakes

Buenaventura Lakes	1996 Stand Alone Cost	1996 SSU Cost	Cost Increase	Percent Increase
Direct Water	$274,880	$274,879	($1)	0.00%
Direct Sewer	$1,022,200	$1,022,200	$0	0.00%
Customer Accounts	$257,189	$308,555	$51,366	19.97%
Administrative and General	$403,614	$898,146	$494,532	122.53%
Total	$1,957,883	$2,503,780	$545,897	27.88%

1/25/96 4:41 PM BUENA.XLS

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 22

Southern States Utilities, Inc.
Impact of SSU on Lehigh

	Water				Wastewater			
	1991 Stand Alone Cost	1991 SSU Cost	Cost Increase	Percent Increase	1991 Stand Alone Cost	1991 SSU Cost	Cost Increase	Percent Increase
Salaries and Wages	$214,546	$353,363	$138,817	64.70%	$212,938	$339,484	$126,546	59.43%
Pension and Benefits	34,605	94,292	59,687	172.48%	29,384	76,952	47,568	161.88%
Purchased Power	74,522	75,158	636	0.85%	118,229	118,764	535	0.45%
Chemicals	144,352	144,352	0	0.00%	5,912	5,912	0	0.00%
Materials and Supplies	28,250	35,370	7,120	25.20%	41,891	47,133	5,242	12.51%
Contractual Services - Eng.	395	26	-369	-93.42%		21	21	INF
Contractual Services - Acg.	111,981	9,465	-102,516	-91.55%	89,787	7,406	-82,381	-91.75%
Contractual Services - Legal	12,678	6,833	-5,845	-46.10%	26,188	5,346	-20,842	-79.59%
Contractual Services - Mgt.	24,675	0	-24,675	-100.00%	2,938	0	-2,938	-100.00%
Contractual Services - Other	22,830	26,831	4,001	17.53%	85,903	88,670	2,767	3.22%
Rental of Building	11,652	3,950	-7,702	-66.10%	8,940	3,090	-5,850	-65.44%
Rental of Equipment	3,415	191	-3,224	-94.41%	3,187	149	-3,038	-95.32%
Transportation	18,795	18,382	-413	-2.20%	9,988	8,872	-1,116	-11.17%
Insurance - Vehicle	0	10,523	10,523	INF		8,233	8,233	INF
Insurance General Liability	21,746	14,084	-7,662	-35.23%	17,725	11,020	-6,705	-37.83%
Insurance - Workman's Comp	7,722	8,284	562	7.28%	5,799	5,595	-204	-3.52%
Insurance - Other		6,931	6,931	INF	0	5,423	5,423	INF
Advertising		732	732	INF	0	572	572	INF
Bad Debt	54,487	14,549	-39,938	-73.30%	4,509	11,384	6,875	152.47%
Miscellaneous	16,590	85,590	69,000	415.91%	22,695	78,584	55,889	246.26%
Total	$803,241	$908,906	$105,665	13.15%	$686,013	$822,610	$136,597	19.91%

Southern States Utilities, Inc., Docket No. 911188 MFRs.

1/25/96 4:43 PM LEHIGO&M.XLS

Southern States Utilities, Inc.
Administrative And General and Customer Expenses: Diseconomies of Scale Adjustment

	1991	1994	1995	1996
Salaries and Wages	$4,639,425	$5,593,429	$5,811,637	$6,672,452
Pension and Benefits	1,040,224	1,340,745	1,443,203	1,594,180
Purchased Power	60,128	71,602	80,492	90,631
Sludge Removal	2,859			
Materials and Supplies	309,669	305,042	288,791	347,244
Contractual Services - Eng.	545	0	33,523	34,177
Contractual Services - Acg.	269,707	170,822	177,985	181,456
Contractual Services - Legal	97,235	135,423	107,248	109,339
Contractual Services - Other	88,020	471,695	276,594	412,236
Rental of Building	75,044	147,491	159,134	187,649
Rental of Equipment	2,038	9,406	7,283	11,834
Transportation	10,787	89,787	140,461	155,097
Insurance - Vehicle	178,503	112,131	122,008	124,387
Insurance General Liability	197,297	256,552	250,798	308,753
Insurance - Workman's Comp	4,716	99,563	103,970	107,778
Insurance - Other	108,340	22,284	24,899	25,385
Advertising	6,929	27,649	27,165	52,295
Bad Debt	267,959	124,864	217,899	246,165
Miscellaneous	1,233,298	1,426,410	1,781,259	1,991,707
Total	$8,592,723	$10,404,895	$11,054,349	$12,652,765
Customers	158,594	148,082	149,313	164,801
Cost Per Customer	$54.18	$70.26	$74.03	$76.78
1991 Cost Per Customer	$54.18			
1996 Customers	164,801			
A&G Expenses	$8,929,022			
Inflation (1991 - 1996)	1.149			
A&G Adjusted for Inflation	$10,257,661			
Inefficiency Adjustment	($2,395,104)			
FPSC Allocation Factor	75.94%			
FPSC Adjustment	($1,818,842)			
Less:				
5% Budget Reduction	($191,002)			
Budget True-Up	$8,300			
Conservation Adjustments				
Cost Share	($26,972)			
Excessive Expenses	($241,562)			
A&G Salary Adjustment	($495,143)			
Corporate Insurance	($96,458)			
PR Adjustments				
Salaries	($65,661)			
Expenses	($15,626)			
Acquisition Adjustments				
Salaries	($175,928)			
Expenses	($10,742)			
Shareholder Adjustment	($79,272)			
Bad Debt Expense	($46,955)			
Employee Recognition Expenses	($14,341)			
Salary Error	($16,764)			
Overtime Adjustment	($30,481)			
Price Waterhouse Audit	($76,463)			
Net Adjustment	($243,773)			

Source: Southern States Utilities, Inc., MFR Summary O&M Schedule.

Confidential

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 24

Southern States Utilities, Inc.
Allocation of Salaries to Acquisitions

Employee Name	1994 Base Salary	1994 Amount Charged to Acquisitions	1994 Percent Charged to Acquisitions	1995 Base Salary	1995/1996 Percent Charged to Acquisitions	1996 Base Salary (1)	Estimated 1996 Amount Charged to Acquisitions
Charles Bliss	$54,102	$2,795	5.17%	$56,158	5.17%	$59,387	$3,068
Charles Lewis	57,920	6,747	11.65%	57,920	11.65%	61,250	7,135
Charles Sweat	82,760	24,741	29.89%	85,450	90.00%	90,363	81,327
Deborah Pereira	20,675	235	1.14%				
Diane Litsey	24,960	132	0.53%	25,912	0.53%	27,402	145
Felix Montanez	21,590	158	0.73%				
Forrest Ludsen	89,010	602	0.68%	91,235	0.68%	96,481	653
Gail Moore	21,674	216	1.00%	22,501	1.00%	23,795	237
Gary Morse	54,095	4,607	8.52%	56,718	8.52%	59,979	5,108
James Ragsdale	48,305	174	0.36%		0.36%		
Jack Bush	62,282	60	0.10%	85,085	0.10%	89,977	87
Joseph Miller	19,573	142	0.73%				
Joyce Helcher	23,275	5,809	24.96%	24,928	90.00%	26,361	23,725
Judith Kimball	65,526	6,914	10.55%	69,447	10.55%	73,440	7,749
Karla Teasley	90,000	9,203	10.23%	91,800	10.23%	97,079	9,927
Kathleen Heath	19,947	54	0.27%	21,328	0.27%	22,554	61
Marilu Salmon	26,915	1,989	7.39%	27,992	7.39%	29,602	2,188
Matthew Feil	49,536	7,549	15.24%	51,418	15.24%	54,375	8,286
Michael Schweizer	51,029	534	1.05%				
Morris Bencini	62,896	21	0.03%	69,459	0.03%	73,453	25
Nelwyn Masterson	23,982	69	0.29%	24,715	0.29%	26,136	75
Rafael Terrero	82,265	401	0.49%	85,970	0.49%	90,913	443
Richard Foster	29,078	252	0.87%	30,236	0.87%	31,975	277
Sandra Blinco	19,968	1,101	5.51%	19,968	5.51%	21,116	1,164
Sandra Joiner	49,500	798	1.61%				
Scott Veriema	90,000	1,475	1.64%	93,000	1.64%	98,348	1,612
Terry Knowles	49,388	353	0.71%	51,364	0.71%	54,317	388
Virginia Clark	57,046	667	1.17%	60,184	1.17%	63,645	744
John Devore				42,311	90.00%	44,744	40,269
	$1,347,297	$77,798	5.77%	$1,245,099		$1,316,692	$194,693

Associated Pensions & Benefits (24.99%)	$48,654
Workmen's Compensation (1.71%)	$3,329
Payroll Taxes (8.0%)	$15,575
Total 1996 Estimated Charges	$262,252
1996 Amount Recorded Below the Line	$30,585
1996 Adjustment for Labor Charged to Acquisitions	($231,667)
FPSC Allocation Factor	75.94%
1996 Adjustment for Labor Charged to Acquisitions FPSC Amount	$\boxed{(\$175,928)}$

(1) 1996 Salaries determined by multiplying 1995 salaries by 5.75%.

Source: Southern States Utilities, Inc., MFR A& B Schedules; Response to OPC Interrogatories 26 and 112.

1/25/96 4:57 PM ACQSALRY.XLS

Southern States Utilities, Inc.
Acquisition Expense Adjustments

Corporate Development Expenses	
Materials and Supplies	($2,280)
Transportation	($1,842)
Miscellaneous	($11,295)
Total	($15,417)
1996 Attrition	101.95%
1996 Total	($15,718)
Possible Acquisition Percent	90.00%
Adjustment	($14,146)
FPSC Allocation Factor	75.94%
FPSC Adjustment	($10,742)

Source: Southern States Utilities, Inc., 1995 Budget.

Confidential

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 26

Southern States Utilities, Inc.
Public Relations/Governmental Relations Salary Adjustment

1996 Salary	$64,190
Associated Pensions & Benefits (24.99%)	$16,041
Workmen's Compensation (1.71%)	$1,098
Payroll Taxes (8.0%)	$5,135
Total Salary-Related Costs	$86,464
1996 Adjustment for Labor-Related to P/R	($86,464)
FPSC Allocation Factor	75.94%
1996 Adjustment for Labor-Related to P/R FPSC	($65,661)

Source: Southern States Utilities, Inc., Response to OPC Interrogatory 114.

1/25/96 5:04 PM PRADJ.XLS

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 27

Southern States Utilities, Inc.
Public Relations/Governmental Relations Expense Adjustments

	1995
PR Association Dues	($375)
Florida Leadership Training	($5,000)
Legal - Public Relations	($658)
Public Relations Memberships	($900)
Corporate Image	($13,250)
Total	($20,183)
1996 Attrition Factor	101.95%
1996 Expense	($20,576)
FPSC Allocation Factor	75.94%
FPSC Adjustment	$\boxed{(\$15,626)}$

Source: Southern States Utilities, Inc., 1995 Budget.

1/23/96 3:06 PM PRGRADJ.XLS

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 28

Southern States Utilities, Inc.
Budget Adjustments

KRA Goals

	1995 Amount	1996 Amount
Contractual Services - 5% Reduction	$135,000	$137,633
Miscellaneous - 5% Reduction	104,000	113,880
Total	$239,000	$251,513
FPSC Percentage	73.45%	75.94%
Total	($175,535)	($191,002)

Budget True-Up as of September 30, 1995

Sludge Removal Expense	($133,493)	($146,175)
Chemical Expense		
Marco Island	($26,791) (1)	($29,336)
Deltona Lakes	($80,064)	($87,670)
University Shores	($11,565)	($12,664)
Chuluota	($6,453)	($7,066)
Amelia Island	$8,052	$8,817
Beacon Hills and Woodmere	$17,388	$19,040
Unexplained Variance	($53,223)	($58,279)
	($152,656)	($167,158)
Contractual Services		
University Shores	$29,483	$32,284
Plant Audits	$54,075	$59,212
Marco Island	($20,719)	($22,687)
	$62,839	$68,809
FSPC Allocation Factor		75.94%
FPSC Travel		$52,253
Travel		
Technical Service Specialists	($4,167)	($4,563)
Customer Service	($5,152)	($5,641)
Unexplained Variance	($43,538)	($47,674)
	($52,857)	($57,878)
FSPC Allocation Factor		75.94%
FPSC Travel		($43,953)
Total	($276,167)	($305,033)

(1) Net of Delayed implementation of lead and copper corrosion control program.

Source: Southern States Utilities, Inc., Response to OPC Interrogatories 130, 131 and 303; MFR Allocation Schedules.

1/25/96 5:07 PM BUDGET.XLS

Southern States Utilities, Inc.
Shareholder Expense Adjustment

Shareholder Expenses	$208,776
50% Disallowance	50.00%
Adjustment	($104,388)
FPSC Allocation Factor	75.94%
FPSC Adjustment	($79,272)

Source: Southern States Utilities, Inc., MFR Allocation Schedules.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 30

Southern States Utilities, Inc.
Rate Case Expense Adjustment

Add Overtime Expenses	$30,481
Cost of Capital Witness - Morin	($21,500)
Joe Cresse Testimony - Rates	($20,000)
Cost of Capital - Gartzke	($30,000)
Uniform Rate Investigation	($345,671)
Total Adjustment	($386,690)
Four-Year Amortization	($96,673)

Source: Southern States Utilities, Inc., MFR Schedule B-10.

1/25/96 5:11 PM RATECASE.XLS

Southern States Utilities, Inc.
Unaccounted For Water

Plant Name	(000) Gallons Pumped/Purchased	(000) Unaccounted Gallons	UFW Percent	Allowed UFW Percent	Excess UFW Percent	(000) Excess Gallons
Uniform Plants						
Amelia Island	419,359	91,665	21.86%	10.00%	11.86%	49,729
Apache Shores	5,555	659	11.86%	10.00%	1.86%	104
Apple Valley	139,372	13,504	9.69%			
Bay Lake Estates	7,009	596	8.50%			
Beacon Hills	495,058	-1,265	-0.26%			
Beecher's Point	7,928	1,398	17.63%	10.00%	7.63%	605
Burnt Store	53,136	45	0.08%			
Carlton Village	14,102	2,807	19.90%	10.00%	9.90%	1,397
Chuluota	72,815	3,545	4.87%			
Citrus Park	32,721	3,253	9.94%			
Citrus Springs	203,865	36,447	17.88%	10.00%	7.88%	1[illegible]51
Crystal River Highlands	8,179	233	2.85%			
Daetwyler Shores	16,127	325	2.02%			
Deltona	3,038,671	351,264	11.56%	10.00%	1.56%	47,397
Dol Ray Manor	13,437	-6	-0.04%			
Druid Hills	45,456	6,457	14.20%	10.00%	4.20%	1,911
East Lake Harris Estates	6,468	641	9.91%			
Fern Park	18,934	1,493	7.89%			
Fern Terrace	13,382	590	4.41%			
Fisherman's Haven	9,764	-304	-3.11%			
Fountains	3,998	545	13.63%	10.00%	3.63%	145
Fox Run	11,140	171	1.54%			
Friendly Center	1,594	149	9.35%			
Golden Terrace	5,423	953	17.57%	10.00%	7.57%	411
Gospel Island Estates	737	72	9.77%			
Grand Terrace	12,736	543	4.26%			
Harmony Homes	8,514	648	7.61%			
Hermits Cove	7,317	715	9.77%			
Hobby Hills	7,442	875	11.76%	10.00%	1.76%	131
Holiday Haven	6,057	1,317	21.74%	10.00%	11.74%	711
Holiday Heights	6,018	436	7.24%			
Imperial Mobile Terrace	14,321	827	5.77%			
Intercession City	21,472	4,790	22.31%	10.00%	12.31%	2,643
Interlachen Lakes/Pk Manor	14,684	3,649	24.85%	10.00%	14.85%	2,181
Jungle Den	2,694	36	1.34%			
Keystone Heights	122,042	14,378	11.78%	10.00%	1.78%	2,174
Kingswood	3,610	-189	-5.24%			
Lake Ajay Estates	13,359	-1,209	-9.05%			
Lake Brantley	6,548	370	5.65%			
Lake Conway Park	8,148	465	5.71%			
Lake Harriet Estates	28,192	1,425	5.05%			
Lakeview Villas	822	5	0.61%			
Leilani Heights	51,602	5,053	9.79%			
Leisure Lakes	8,804	1,295	14.71%	10.00%	4.71%	415
Marco Shores	44,999	1,917	4.26%			
Marion Oaks	202,139	15,519	7.68%			
Meredith Manor	85,212	2,412	2.83%			
Morningview	4,450	355	7.98%			
Oak Forest	16,722	4,360	26.07%	10.00%	16.07%	2,688
Oakwood	10,811	451	4.17%			
Palisades Country Club	17,823	1,747	9.80%			
Palm Port	6,215	768	12.36%	10.00%	2.36%	147
Palm Terrace	78,533	9,394	11.96%	10.00%	1.96%	1,541
Palms Mobile Home Park	1,625	-39	-2.40%			
Picciola Island	13,454	2,338	17.38%	10.00%	7.38%	993
Pine Ridge	127,313	7,292	5.73%			
Pine Ridge Estates	18,000	-2,132	-11.84%			
Piney Woods	19,235	1,846	9.60%			
Point O'Woods	24,889	4,034	16.21%	10.00%	6.21%	1,545

Southern States Utilities, Inc.
Unaccounted For Water

Plant Name	(000) Gallons Pumped/Purchased	(000) Unaccounted Gallons	UFW Percent	Allowed UFW Percent	Excess UFW Percent	(000) Excess Gallons
Pomona Park	13,439	2,469	18.37%	10.00%	8.37%	1,125
Postmaster Village	16,067	1,605	9.99%			
Quail Ridge	1,911	45	2.35%			
River Grove	8,656	714	8.25%			
River Park	12,182	1,109	9.10%			
Rosemont/Rolling Green	19,827	1,737	8.76%			
Salt Springs	33,586	1,212	3.61%			
Samira Villas	903	-19	-2.10%			
Saratoga Harbour	2,462	250	10.15%	10.00%	0.15%	4
Silver Lake Est/W. Shores	269,418	19,601	7.28%			
Silver Lake Oaks	1,902	78	4.10%			
Skycrest	8,567	1,468	17.14%	10.00%	7.14%	611
St. Johns Highlands	4,921	1,929	39.20%	10.00%	29.20%	1,437
Stone Mountain	2,845	1,672	58.77%	10.00%	48.77%	1,388
Sugar Mill	38,870	2,976	7.66%			
Sugarmill Woods	363,667	21,852	6.01%			
Sunny Hills	58,332	2,357	4.04%			
Sunshine Parkway	27,317	1,474	5.40%			
Tropical Park	36,764	4,885	13.29%	10.00%	3.29%	1,209
University Shores	427,236	15,198	3.56%			
Venetian Village	9,040	266	2.94%			
Welaka	3,702	255	6.89%			
Westmont	13,854	1,660	11.98%	10.00%	1.98%	275
Windsong	8,261	164	1.99%			
Woodmere	309,614	119,385	38.56%	10.00%	28.56%	88,424
Wootens	1,002	69	6.89%			
Zephyr Shores	13,263	664	5.01%			
Uniform Totals	7,367,640	806,003	10.94%			227,397
Non-Uniform Plants						
Buenaventura Lakes	624,873	84,335	13.50%	10.00%	3.50%	21,848
Deep Creek	227,201	6,656	2.93%			
Enterprise (see Deltona)						
Geneva Lake Estates	13,585	2,339	17.22%	10.00%	7.22%	981
Keystone Club Estates	13,564	1,715	12.64%	10.00%	2.64%	359
Lakeside	7,710	7,710	100.00%	N/A		
Lehigh	482,637	65,763	13.63%	10.00%	3.63%	17,499
Marco Island	2,251,192	89,916	3.99%			
Palm Valley	25,936	2,292	8.84%			
Remington Forest	11,057	1,711	15.47%	10.00%	5.47%	605
Spring Gardens	8,415	1,665	19.79%	10.00%	9.79%	824
Valencia Terrace	32,492	16,160	49.74%	10.00%	39.74%	12,911
Non-Uniform Totals	3,698,662	280,262	7.58%		1.49%	55,026
FPSC Totals	11,066,302	1,086,265	9.82%			289,362

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 32

Southern States Utilities, Inc.
Unaccounted For Water: Adjustment for Variable Expenses

Plant Name	Gallons Pumped/Purchased	UFW Percent	Excess Gallons	Purchased Water	Purchased Power	1994 Chemicals	Total Variable	1994 Cost Per/1000	Excess Cost	Purchased Water	Purchased Power	1996 Chemicals	Total Variable	1996 Cost Per/1000	Excess Cost
Uniform Plants															
Amelia Island	419,359	11.86%	49,729	$0	$35,789	$12,137	$47,926	$0.11	$5,683	$0	$39,785	$14,094	$53,879	$0.13	$6,389
Apache Shores	5,555	1.86%	104	0	804	0	804	$0.14	15	0	860	563	1,423	$0.26	27
Beecher's Point	7,928	7.63%	605	16,560	683	154	17,397	$2.19	1,328	27,600	600	0	28,200	$3.56	2,153
Carlton Village	14,102	9.90%	1,397	0	2,885	329	3,214	$0.23	318	0	3,000	284	3,284	$0.23	325
Citrus Springs	203,865	7.88%	16,061	0	22,363	476	22,839	$0.11	1,799	0	22,898	1,594	24,492	$0.12	1,929
Deltona	3,038,671	1.56%	47,397	53	308,999	40,904	349,956	$0.12	5,459	0	417,300	148,506	565,806	$0.19	8,825
Druid Hills	45,456	4.20%	1,911	0	6,320	3,715	10,035	$0.22	422	0	6,960	4,423	11,383	$0.25	479
Fountains	3,998	3.63%	145	0	531	0	531	$0.13	19	0	1,200	318	1,518	$0.38	55
Golden Terrace	5,423	7.57%	411	0	1,238	217	1,455	$0.27	110	8,445	0	0	8,445	$1.56	640
Hobby Hills	7,442	1.76%	131	0	1,097	67	1,164	$0.16	20	0	1,080	106	1,186	$0.16	21
Holiday Haven	6,057	11.74%	711	18,693	0	0	18,693	$3.09	2,195	18,960	0	0	18,960	$3.13	2,227
Intercession City	21,472	12.31%	2,643	0	1,474	99	1,573	$0.07	194	0	1,500	636	2,136	$0.10	263
Interlachen Lakes/Pk Man	14,684	14.85%	2,181	0	2,485	77	2,562	$0.17	380	0	2,520	2,484	5,004	$0.34	743
Keystone Heights	122,042	1.78%	2,174	0	14,552	583	15,135	$0.12	270	0	20,935	3,246	24,181	$0.20	431
Leisure Lakes	8,804	4.71%	415	0	960	1,339	2,299	$0.26	108	0	1,200	1,733	2,933	$0.33	138
Oak Forest	16,722	16.07%	2,688	0	2,402	214	2,616	$0.16	420	0	2,076	312	2,388	$0.14	384
Palm Port	6,215	2.36%	147	0	800	115	915	$0.15	22	0	960	942	1,902	$0.31	45
Palm Terrace	78,533	1.96%	1,541	135,559	0	1	135,560	$1.73	2,659	101,400	3,840	159	105,399	$1.34	2,068
Picciola Island	13,454	7.38%	993	3,210	2,127	40	5,377	$0.40	397	0	2,400	106	2,506	$0.19	185
Point O'Woods	24,889	6.21%	1,545	0	3,322	260	3,582	$0.14	222	0	3,867	563	4,430	$0.18	275
Pomona Park	13,439	8.37%	1,125	0	2,413	77	2,490	$0.19	208	0	2,720	942	3,662	$0.27	307
Skycrest	8,567	7.14%	611	0	1,425	117	1,542	$0.18	110	0	1,620	106	1,726	$0.20	123
St. Johns Highlands	4,921	29.20%	1,437	0	819	77	896	$0.18	262	0	800	835	1,635	$0.33	477
Stone Mountain	2,845	48.77%	1,388	0	1,019	214	1,233	$0.43	601	0	1,080	95	1,175	$0.41	573
Tropical Park	36,764	3.29%	1,209	20,653	3,526	1,401	25,580	$0.70	841	2,660	5,040	3,112	10,812	$0.29	355
Westmont	13,854	1.98%	275	17,918	0	0	17,918	$1.29	355	20,000	0	0	20,000	$1.44	396
Woodmere	309,614	28.56%	88,424	0	30,171	6,132	36,303	$0.12	10,368	0	32,985	9,481	42,466	$0.14	12,128
Uniform Totals	4,454,675		227,397	$212,646	$448,204	$68,745	$729,595		$34,787	$179,065	$577,226	$194,640	$950,931		$41,960
Non-Uniform Plants															
Buenaventura Lakes (1)	624,873	3.50%	21,848	0	69,551	13,995	83,546	$0.13	$2,921	0	69,551	13,995	83,546	$0.13	$2,921
Geneva Lake Estates	13,585	7.22%	981	0	1,620	1,064	2,684	$0.20	194	0	1,800	1,315	3,115	$0.23	225
Keystone Club Estates	13,564	2.64%	359	0	1,871	38	1,909	$0.14	50	0	2,040	133	2,173	$0.16	57
Lehigh	482,637	3.63%	17,499	0	77,110	111,906	189,016	$0.39	6,853	0	79,915	103,865	183,780	$0.38	6,663
Remington Forest	11,057	5.47%	605	0	1,677	141	1,818	$0.16	100	0	1,680	153	1,833	$0.17	100
Spring Gardens (1)	8,415	9.79%	824	0	1,431	71	1,502	$0.18	147	0	1,431	71	1,502	$0.18	147
Valencia Terrace (1)	32,492	39.74%	12,911	0	5,665	324	5,989	$0.18	$10,265	0	5,665	324	5,989	$0.18	2,380
Non-Uniform Totals	1,186,623		55,026	$0	$158,925	$127,539	$286,464		$20,530	$0	$162,082	$119,856	$281,938		$12,494
FPSC Totals	5,641,298		289,362	$212,646	$607,129	$196,284	$1,016,059		$55,318	$179,065	$739,308	$314,496	$1,232,869		$54,454

Adjustment

Ratio 1994 Expenses to 1996 Expenses	1.2134
1994 Excess Expenses	$55,318
1996 Excess Expenses	($67,121)

Source: Southern States Utilities, Inc., MFR F Schedules.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 33

Southern States Utilities, Inc.
Operations and Administrative Project Adjustments

OAP Project	Amortization Period	Cost	Months	Cost Per Month	Test Year Months	1995 Adjustment	1996 Adjustment
Deltona Perc Lagoon Solid Removal	12/90 - 6/95	$53,050	55	$965	6	($2,652)	($2,698) (1)
Marco Island Perc Lagoon Solid Rem.	1/90 - 6/95	81,549	66	1,236	6	-7,414	-7,543
Ace Signs of Orlando	4/91 -4/96	12,739	60	212	12	-2,455	-2,498
Leilani Replacement Sand Effluent	? - 7/95	37,141	60	619	12	-945	-962 (1)
Meredith Pond Cleaning	1/92 - 12/96	8,635	60	144	12	-1,727	-1,757
Grit Removal Woodmere	1/94 - 12/96	9,900	36	275	12	-3,300	-3,358
Lehigh Plant Painting (Wastewater)	7/93 - 6/96	15,060	36	418	12	-5,020	-5,108
Lehigh Plant Painting (Water)	8/93 - 7/96	37,485	36	1,041	12	-12,495	-12,714
Computerized System Mapping	3/94 -3/95	290,000	12	24,167	3	-43,497	-44,348 (1)
1 MG Storage Tank & Building	8/94 - 12/96	29,609	28	1,057	12	-12,252	-12,466
Total						($91,757)	($93,452)

(1) Columns may not add to total. Amounts included are those in the Company's budget which differs from the OAP listing.

Source: Southern States Utilities, Inc., Response to OPC Document Request 176 and OPC Interrogatory 304.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 34

Southern States Utilities, Inc.
Keystone Heights Adjustment

	Original Estimate	Revised Cost	Adjustment
Total Cost	$75,000	$30,000	
Amortization Period	7	7	
Annual Amortization	$10,714	$4,286	
Monthly Amortization	$893	$357	
Months in Test Year	6	6	
Total	$5,357	$2,143	($3,214)

Source: Southern States Utilities, Inc., Budget Summary Reports.

Southern States Utilities, Inc.
Miscellaneous Adjustments

	Expense Adjustment	Income Adjustments	Revenue Adjustments	Rate Base Adjustments
Adjustment for Salary Expense Error	($16,764)			
Billings Greater than Cost			$7,000	
Enterprise Purchased Water Error	($22,753)			
Rate Case Overtime	($30,481)			
Excessive Employee Recognition Expenses	($14,341)			
Bad Debt	($46,955)			
Price Waterhouse 1994 Audit	($76,463)			
Non-Utility Income				
Administrative Fee - Payroll Deductions		$542		
Scrap Metal		$631		
Other		$3,494		
Pirates Harbor Mgt Fee		$6,330		
Subtotal		$10,997		
Revenue Not Billed				
Wastewater			$50,595	
Cost Share Funds				($225,100)
Total	($207,757)	$10,997	$57,595	($225,100)
FPSC Allocation	75.94%	77.06%	100.00%	100.00%
Total Adjustment	($163,245)	$8,474	$57,595	($225,100)

Source: Southern States Utilities, Inc., 1995 Budget; Response to OPC Interrogatories 189, 83, 202, 214, 222, 256, and 163; Response to OPC Document Requests 189, and 111; Budget Summary Variance Reports.

1/25/96 5:39 PM MISC.XLS

Southern States Utilities, Inc.
Repression Effect on Expenses

	Reverse Company Adjustment
Conventional Treatment	$254,717
Reverse Osmosis	$32,868
Total	$287,585

Source: Southern States Utilities, Inc., MFR E Schedules.

Southern States Utilities, Inc.
Lehigh Land Acquisition Adjustment

	Acres	Price/Acre	Cost
Mirror Lakes Parcel 1	46	$2,598	$119,118
Industrial Park Parcel 2	27	3,202	86,275
Wet Weather Storage Parcel 3	10	3,202	32,917
Lee Boulevard Parcel 4	7	2,691	19,268
Total			$257,577
Move to Plant Held for Future Use-Water			($122,035)
Move to Plant Held for Future Use-Sewer			($260,562)
Reduce Value of Land by 60% Parcel 4			($11,561)
Total Adjustment to Sewer			($272,123)

Source: Southern States Utilities, Inc., Response to OPC Document Request 127, Appendix D, p. 110 and Document Request 196.

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 38

Southern States Utilities, Inc.
Lehigh Rate Base Adjustments: Non-Used and Useful Plant

	Water	Wastewater	Total
1995 Additions to Plant-LAC	$1,602,000	$905,000	$2,507,000
Less Contractor Payments	($125,460)	($243,540)	($369,000)
1995 Non-Used and Useful	$1,476,540	$661,460	$2,138,000
1996 Average Additions-LAC	$110,000	$225,750	$335,750
Less Average Contractor Payments	($68,000)	($132,000)	($200,000)
1996 Non-Used and Useful	$42,000	$93,750	$135,750
Total 1995/96 Non-Used and Useful-LAC	$1,518,540	$755,210	$2,273,750
Total Transmission/Distribution/Collection	$8,093,122	$7,512,081	$15,605,203
Less LAC Non-Used and Useful	($1,518,540)	($755,210)	($2,273,750)
Total T/D/S Less LAC	$6,574,582	$6,756,871	$13,331,453
Non-Used and Useful Percent	22.83%	11.69%	17.18%
Adjusted NUU Plant-Non LAC	($1,500,977)	($789,878)	($2,290,855)
LAC Non-Used and Useful Plant	($1,518,540)	($755,210)	($2,273,750)
Total Non-Used and Useful Plant Recommended	($3,019,517)	($1,545,088)	($4,564,605)
Non-Used and Useful Percent	37.31%	20.57%	29.25%
Company Non-Used and Useful Plant	$56,568	$717,896	$774,464
Advances for Construction	($1,903,990)	($1,595,969)	($3,499,959)
Net Effective Non-Used and Useful Company	($1,847,422)	($878,073)	($2,725,495)
Adjustment for LAC Non-Used and Useful Plant	($1,172,095)	($667,015)	($1,839,110)
Depreciation Rate	2.33%	2.28%	
Reduce Depreciation Expense	($27,310)	($15,208)	($42,518)
Amortization of CIAC	856	956	$1,812
Reduce Depreciation Expense Net of CIAC	($26,454)	($14,252)	($40,706)
Reduce Accumulated Depreciation	$279,673	$196,177	$475,850
Reduce CIAC	$36,757	$34,021	$70,778
Accumulated Amortization of CIAC	($2,268)	($2,503)	($4,771)

Source: Southern States Utilities, Inc., MFR A and B Schedules; Response to OPC Document Request 196.

Southern States Utilities, Inc.
Buenaventura Rate Base Adjustments

	Water Adjustment		Wastewater Adjustment	
Utility Plant in Service	$31,494		($284,536)	
Land			($538)	
Accumulated Depreciation	($290,368)		($605,930)	
CIAC	($126,635)		($285,489)	
Accumulated CIAC Amortization	$87,319		$245,723	
	($298,190)		($930,770)	
Composite Depreciation Rate	4.36%		4.04%	
Reduce Depreciation Expense	$1,373		($11,495)	
Amortization of CIAC	($3,634)	(1)	($10,677)	(2)
Net Reduction to Depreciation Exp.	($2,261)		($22,173)	

(1) Composite CIAC Amortization Rate Used at 2.87%

(2) Composite CIAC Amortization Rate Used at 3.74%

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 40

Southern States Utilities, Inc.
Buenaventura Lakes: Wetlands Adjustment

Adjust Plant Accounts

Account	Description	1996 Balance	Adjustment	Adjusted 1996 Balance	Non-Used Useful
262.2	Special Collecting	$1,158,301	($628,270)	$530,031	54.24%
353.4	Land & Land Rights	$973,149	($591,110)	$382,039	60.74%
	Total Adjustment	$2,131,450	($1,219,380)	$912,070	57.21%

Adjust Accumulated Depreciation

		1996
262.2	Special Collecting	($628,270)
	Depreciation Rate	2.50%
	Depreciation '94	($15,707)
	Depreciation '95	($15,707)
	Depreciation '96	($15,707)
	1993 Accumulated	($153,141)
	Total Adjustment	$200,261

Adjust Depreciation Expense

	1996
Total Adjustment	($15,707)

Source: Southern States Utilities, Inc., MFR B Schedules; Response to OPC Document Request 168.

1/25/96 3:53 PM WETLAND.XLS

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 41

Southern States Utilities, Inc.
Summary of Adjustments

Description	Adjustment	Net Operating Income	Revenue Requirement	Source Schedule
Conservation Expense Adjustment				
Cost Share Funds	($26,972)	$16,567	($28,242)	7
Disallowed Expenses	($241,562)	$148,379	($252,942)	7
Conservation Revenue Related Adjustments				
Six Pilot Project Revenue Adjustment	$70,710	$41,479	($70,710)	3
Conservation: Variable Expense Adjustment	($33,372)	$20,499	($34,944)	3
Gain on Sale	$3,363,412	$3,363,412	($5,733,608)	8
Reduce Equity Component of Capital Structure	$4,800,000	$83,975	($143,153)	9
Weather Normalization				
Increase Water Revenue	$1,937,947	$1,136,817	($1,937,931)	16
Increase Variable Expenses	$515,332	($316,543)	$539,611	19
Marco Reuse Project				
Increase Water Revenue	$183,668	$107,741	(. 83,667)	20
Decrease Wastewater Revenue	($13,688)	($8,029)	$13,687	20
Inefficiency Adjustment	($243,773)	$149,737	($255,257)	23
Acquisitions Expenses				
Reduce Salaries	($175,928)	$108,064	($184,216)	24
Reduce Expenses	($10,742)	$6,599	($11,248)	25
PR/Governmental Relations				
Reduce Salaries	($65,661)	$40,332	($68,754)	26
Reduce Expenses	($15,626)	$9,598	($16,362)	27
udget Adjustments				
KRA Goals	($191,002)	$117,323	($200,000)	28
Budget True-Up	($305,033)	$187,366	($319,403)	28
Shareholder Expenses	($79,272)	$48,693	($83,007)	29
Rate Case Expense	($96,673)	$59,381	($101,227)	30
Excess Unaccounted for Water	($67,121)	$41,229	($70,284)	32
OAP Projects: Decrease Expenses	($93,452)	$57,403	($97,855)	33
Keystone Heights: Decrease Expenses	($3,214)	$1,974	($3,366)	34
Miscellaneous Adjustments				
Decrease Expenses	($163,245)	$100,273	($170,935)	35
Increase Income	$8,474	$8,474	($14,446)	35
Increase Revenue	$57,595	$33,786	($57,595)	35
Decrease Rate Base	($225,100)	$21,227	($36,186)	35
Repression Variable Expense Adjustment	$287,585	($176,649)	$301,134	36
Lehigh Land				
Reduce Water Rate Base	($122,035)	$11,508	($19,618)	37
Reduce Wastewater Rate Base	($272,123)	$25,661	($43,745)	37
Lehigh Non-Used and Useful Adjustments				
Reduce Plant in Service	($1,839,110)	$173,428	($295,643)	38
Reduce Accumulated Depreciation	$475,850	($44,873)	$76,494	38
Reduce CIAC	$70,778	($6,674)	$11,378	38
Reduce Accumulated Amortization of CIAC	($4,771)	$450	($767)	38
Reduce Depreciation Expense	($40,706)	$25,004	($42,623)	38
Buenaventura: Commission Adjustments				
Reduce Water Rate Base	($298,190)	$28,119	($47,935)	39
Reduce Wastewater Rate Base	($930,770)	$87,772	($149,624)	39
Reduce Depreciation Expense: Water	($2,261)	$1,389	($2,368)	39
Reduce Depreciation Expense: Wastewater	($22,173)	$13,619	($23,217)	39
enaventura: Wetlands Adjustment				
Reduce Wastewater Rate Base	($1,219,380)	$114,988	($196,019)	40
Increase Accumulated Depreciation	$200,261	($18,885)	$32,193	40
Reduce Depreciation Expense	($15,707)	$9,648	($16,447)	40
Total			($9,938,848)	

V9/96 9:31 AM SUMMARY.XLS

DOCKET 950495-WS
EXHIBIT NO. 176
CASE NO. 96-04227

EXHIBIT

OF

KIMBERLY H. DISMUKES

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950495-WS EXHIBIT NO 176
COMPANY/
WITNESS: OPC/K. DISMUKES
DATE: 4/29/96

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-2)
Schedule 1

Southern States Utilities, Inc.
Escrow Letter Cover Page

RUTLEDGE, ECENIA, UNDERWOOD, PURNELL & HOFFMAN
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

STEPHEN A. ECENIA
KENNETH A. HOFFMAN
THOMAS W. KONRAD
R. DAVID PRESCOTT
HAROLD F. X. PURNELL
GARY R. RUTLEDGE
R. MICHAEL UNDERWOOD
WILLIAM B. WILLINGHAM

POST OFFICE BOX 551, 32302-0551
215 SOUTH MONROE STREET, SUITE 420
TALLAHASSEE, FLORIDA 32301-1841

TELEPHONE (904) 681-6788
TELECOPIER (904) 681-6515

GOVERNMENTAL CONSULTANTS:
PATRICK R. MALOY
AMY J. YOUNG

February 23, 1996

NOTICE: CONFIDENTIAL DOCUMENTS ATTACHED

RECEIVED
FEB 23 1996
Office of
Public Counsel

HAND DELIVERY

Charles J. Beck, Esq.
Office of Public Counsel
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

Re: Docket No. 950495-WS

Dear Charlie:

As indicated in Southern States Utilities, Inc.'s ("SSU") Eleventh Motion for Temporary Protective Order filed and served in the above-styled docket on this date, I am providing to you the following document which SSU believes to have a colorable claim of confidentiality:

(1) Letter dated December 14, 1993 from Laura A. Holquist to Ronald Sorenson.

SSU requests that the Office of Public Counsel keep these materials confidential and exempt from disclosure under Florida's Public Records Act, pending a decision on the Company's Eleventh Motion for Temporary Protective Order and thereafter once a Temporary Protective Order has been issued.

Sincerely,

Kenneth A. Hoffman

KAH/rl
Enclosures
cc: Parties of Record (without enclosures)

Lehigh
CORPORATION

Attorney/Client Privileged

December 14, 1993

Mr. Ronald Sorenson
Briggs and Morgan
2200 First National Bank Building
St. Paul, MN 55101

Re: Accounting for the New York and Michigan Escrowed Cash Accounts

Dear Ron:

We have completed our analysis of the Lehigh Corporation accounting treatment for the New York and Michigan escrowed cash accounts. Details on the analysis and our conclusion are provided below.

Background

Lehigh Corporation currently has $5.2 million held in escrow under the terms of Escrow and Trust Agreements with Barnett Bank. The escrow accounts are required by the states of New York and Michigan in order for Lehigh to sell lots in those states. The purpose of the escrow accounts was to protect state residents in the event the developer (Lehigh) cannot fund water and sewer line installations when required under its Density Agreement with the Florida Department of Health and Rehabilitative Services (Density Agreement).

To provide monies for the escrow accounts, the states required Lehigh to charge New York and Michigan lot purchasers an additional amount, ranging from $1,070 to $1,470, as part of their lot purchase contracts. Lehigh then agreed, in the Escrow and Trust Agreements, to remit the monies collected to an escrow agent, currently Barnett Bank. Under the terms of the Escrow and Trust Agreements, monies remitted are released to Lehigh if the lot purchaser cancels the purchase contract or when water and sewer lines are installed.

The escrow accounts were established in 1973, and monies currently on deposit, including interest earned to date, total $4.6 million for New York and $.6 million for Michigan.

The Problem

The additional amounts charged and collected from the New York and Michigan customers and the cash held in escrow have never been reported in Lehigh's financial statements. Previously it was

201 E. Joel Blvd. • Lehigh, Florida 33936 • (813) 368-3141 • Fax (813) 369-2141

believed that the monies belonged to the lot purchasers from whom the monies had been collected and that Lehigh had no ownership interest in the funds. In addition, Lehigh had never included the funds in taxable income.

Last Spring, legal research performed by Briggs and Morgan (see letter at Exhibit 1) concluded that the escrowed monies actually belonged to Lehigh, not the lot purchaser. In addition, the Florida Public Service Commission (FPSC) ruled in their March 1993 Lehigh Utilities, Inc., (LUI) rate order that no liability or imputed CIAC was applicable for the escrowed funds since LUI had no access to the funds and was not a party to the escrow agreements. A copy of the related pages in the rate order are included at Exhibit 2.

Based on these events, it is prudent to reconsider the current accounting treatment for the monies.

Analysis

In July 1991, when Lehigh Acquisition Corporation acquired Lehigh, it was believed that the escrowed monies belonged to the lot purchasers. Based on review of FASB 5 "Contingencies," the monies would have been technically classified at acquisition as contingently impaired assets. The contingency would have been a form of customer deposit liability. As stated above, recently it has been determined that the escrowed monies actually belong to Lehigh and there is no imputed CIAC applicable to the monies. Therefore, there is no "customer deposit" liability, the asset is no longer contingently impaired, and the escrowed monies need to be reported on Lehigh's financial statements.

FASB 38 "Accounting for Preacquisition Contingencies of Purchased Enterprises" provides the promulgated accounting treatment for acquisition contingencies. According to FASB 38, "After the end of the allocation period, an adjustment that results from a preacquisition contingency other than a loss carryforward shall be included in the determination of net income in the period in which the adjustment is determined" (FASB 38 pars. 6). For the Lehigh acquisition, the allocation period ended on June 30, 1992, one year after the purchase.

Having defined the accounting treatment for the escrowed monies, the next step is to determine whether an adjustment has resulted from the preacquisition contingency. As the monies are in the form of cash on deposit with a bank, a recordable asset exists in the amount of $5.2 million. Is there a recordable liability? It is Lehigh management's opinion that no recordable future obligations or exposures exist regarding the escrowed monies. Management has developed this opinion based on the following:

(a) *Lehigh has no future obligations or exposures under the Escrow and Trust Agreements beyond the Density Agreement requirements.*

The Escrow and Trust Agreements control the use of the escrowed funds. Under the agreements, the only developer (Lehigh) obligation to the lot purchaser is to fund the extension of utilities in accordance with the Density Agreement. No credits or reimbursements of funds to lot purchasers are required in the agreements. If a lot purchase agreement is canceled or a purchaser trades a lot, the related escrowed monies, including interest earned, are returned to Lehigh. See a copy of the March 26, 1990, Escrow and Trust Agreement at Exhibit 3.

(b) *Lehigh has no future obligations or exposures related to the escrowed monies under the New York and Michigan agreements for deed and the incorporated offering statements except as relates to Clause C, and this exposure is minimal.*

Agreements for deed and the incorporated offering statements were used as the contracts in the sale of lots to New York and Michigan residents. Copies of the most recently used agreement for deed form and offering statement are included at Exhibit 4 for New York and Exhibit 5 for Michigan.

We have reviewed the forms of agreements for deed and offering statements used by Lehigh. Although the agreements and offering statements varied throughout the years, we found no obligations or exposures related to the escrowed funds, except under Clause C of the agreements for deed.

Clause C

If a lot purchaser should cancel an agreement for deed, Clause C of the agreement requires Lehigh to refund "the amount, if any, paid in by the buyer (exclusive of interest) that exceeds 15 percent of the purchase price (exclusive of interest) or the actual damages incurred by the Seller, whichever is greater." This wording is unclear as to whether escrow payments are to be included in the refund calculation. However, certain offering statements used over the years for New York residents specified that escrowed monies paid were to be included in the determination of the "amount, if any, paid by the buyer." Other New York offering statements and the Michigan statements did not include this wording.

Assuming that all active agreements for deed required escrow payments to be included in the Clause C refund calculation and that all the agreements canceled, $483,734 of the $5.2 million in escrow monies would be subject to refund. Based on cancellation history, however, we know that the probable future refund obligation is substantially less. As you know, we already have a $2.5 million Clause C refund liability established on the financial statements. The $2.5 million is reserved against $32 million in principal payments that could be subject to refund, i.e., we are approximately 7.8 percent reserved. Experience has shown that the reserve remains more than adequate, as actual contract delinquencies have been significantly less than we projected in the reserve calculation last December.

We have concluded then that, although there is some exposure to a Clause C refund obligation related to the escrowed monies, the exposure can be quantified at less than $40,000 (7.8 percent of $483,734). Due to this minor amount and the fact that the obligation best belongs as part of the existing Clause C refund liability, we have determined that a separate refund liability for the escrowed monies is unnecessary.

c. *Should the escrowed monies be construed as a form of prepaid fee, the potential Lehigh obligation to reimburse funds is minimal.*

The Water Supply and Sewer Disposal sections of the various New York and Michigan offering statements used since 1973 conveyed three basic ideas: i) that central water and sewer services would be extended to purchased lots as specific densities were reached, ii) that the escrowed monies would be used to defray the cost of installing the central services, and iii) that septic systems and wells would be permitted until central services were installed. Other than these basic ideas, the offering statement representations varied widely, particularly in their disclosure of the purchaser's further obligations to pay for central facilities, line extensions, and hookup/tap fees. In addition, the representations were generally inconsistent with current utility regulation and ratemaking. Copies of Water Supply and Sewer Disposal sections of select offering statements are provided at Exhibit 6.

Lehigh management believes that, beyond the Density Agreement requirements, no obligation to the lot purchasers exists as a result of the water and sewer representations made in the offering statements. However, using today's utility ratemaking philosophies and utility accounting treatments, the escrowed monies could be construed as a form of prepaid fee and the fees may be reimbursable to lot purchasers after they connect to central facilities and pay a connection charge. We analyzed any exposure that could result from this possible scenario as follows:

Potential Obligation Does Not Transfer in Sale of Property

First we determined that the deeds issued in transferring lots to New York and Michigan purchasers did not include mention of the water and sewer related escrowed monies nor did they provide for any obligations regarding the monies. Therefore, we know that any possible reimbursement obligation is not attached to the property and could only be construed from interpretation of the sales documents.

We then reviewed the language used in the agreements for deed and the water and sewer offering statement representations, and we found that the agreements and associated obligations survived the deeding of the property. However, according to Clause M, the agreements could not be assigned without Lehigh's written consent. While purchasers were still paying on their accounts, Lehigh provided this consent, although it was rarely requested. After lots were deeded, the consent to assign was not given. Thus we concluded that any obligations under the sales documents would terminate when the associated lot transferred owners. Note that of the 3,291 agreements under which current escrowed monies have been collected, deeds have been issued for 2,634, more than 80 percent.

Few New York and Michigan Purchasers Will Ever Connect to Central Services

Lehigh sales statistics show that over the last 20 years the average lot purchaser has been about 55 years old. We did an age analysis of the agreements for deed related to the escrowed monies and found that the agreements were entered into an average of 13 years ago. As a result, the average New York and Michigan purchaser is 68 years old today.

Our next step was to obtain a list of escrowed monies summarized by the land sections in which the associated purchased lots are located. The list is included as Attachment 1. We then compared the land sections on the list with i) a listing of current section densities prepared by Southern States Utilities (SSU) in June (see Attachment 2) and ii) an absorption table included in the Lehigh Acres Wastewater Master Plan showing expected buildouts through 2011 (see Attachment 3). The master plan was completed in July 1993 by Holes, Montes & Associates, Inc., for SSU. Based on these comparisons (see results at Attachment 4), we determined that the lots associated with the escrowed funds are located in sparsely populated land sections that are not expected to reach densities that would require water and sewer line extensions until after 2011. In other words, extensions would not be required within the next 18 years. Since the average New York and Michigan lot purchasers are 68 years old today, they would be, on average, 86 years old in 2011.

No Liability

In conclusion, we have determined that any significant water and sewer reimbursement obligation that might exist from sales representations would be binding only onto the original lot purchasers. We have further determined that the average age of these lot purchasers when the reimbursement obligation could potentially be incurred would be greater than 86 years. Thus it appears that due to natural life-span constraints, minimal reimbursements, if any, would actually be paid under our assumption that an obligation exists. We have concluded then that no liability should be recorded for this potential exposure.

The analysis at (a) through (c) above determined that Lehigh has no recordable liability associated with the escrowed funds. With this conclusion, it appears that a $5.2 million income adjustment has resulted from the preacquisition contingency. According to FASB 38, this amount should be included in 1993 net income. However, another factor must be considered:

Management's Intent Regarding the Escrowed Monies

Prior to the Lehigh acquisition, the due diligence team had identified the escrowed monies. Bill Livingston, a member of the team and the current president of Lehigh Corporation, had had prior experience dealing with such funds with Deltona Corporation. Bill had successfully amended Deltona's escrow agreements through discussions with the states of New York and Michigan and had obtained release of Deltona's funds from escrow. As part of the amended agreements, Deltona was allowed free use of the funds, that is, they were not required to use the escrowed funds for utility installation. However, Deltona did agree to provide those lot purchasers who had balances remaining on their lot purchase contracts credits against their final bills for their portion of the escrow account balance. At that time, many of the purchase contracts were paid in full, in which case no credit or refund was required.

Based on his experience, then, Bill knew that from the standpoint of both the customer and Lehigh it was prudent to negotiate access to Lehigh's funds. Installation of water and sewer lines toward New York and Michigan purchasers' lots would spur development and increase the value of the lots. On deposit, the funds were benefitting only the bank. As a result, Bill put together a plan to present to New York and Michigan regarding Lehigh's monies. Bill described his plan in an October 27, 1992 memo (see Attachment 5).

Generally, the memo provides that Lehigh plans to use the escrowed monies to install water and sewer infrastructure near sections of land where New York and Michigan purchased lots are located. It also states that Lehigh would assign a credit, based on monies in escrow today, to each New York and Michigan purchased lot. The credit would be recorded as part of the deeded land and would be given when the lot is connected to water and sewer service.

A subsequent change to the plan presented in the memo is that Lehigh currently intends to transfer completed water and sewer facilities to Lehigh Utilities (now SSU) under the existing developer's agreement, whereby SSU would reimburse Lehigh the cost of the facilities as customers connected. Lehigh would essentially "sell" the facilities to SSU. The developer's agreement allows improvements to become "contributed plant" to SSU if not "used and useful" within five years. Due to the long-term nature of the improvements intended with the escrowed monies, the developer's agreement will be modified to extend the "used and useful" period to ten years.

Based on Lehigh management's intent to offer a credit associated with the escrowed monies, it appears that, although no current obligation exists regarding the monies, an obligation may be created in the near future. This factor should be considered in recording the preacquisition contingency and needs to be quantified.

To quantify the future obligation, an analysis was performed to determine when New York and Michigan lots would be expected to connect to central utility services. This was done by obtaining the Wastewater Master Plan graphic depicting where transmission mains are planned to be installed through 2011. On the graphic, the land sections where New York and Michigan lots are located were identified (see Attachment 6, shaded areas). Using population data included in the master plan and the densities projected through 2011 (see Attachment 4), the average years until appropriate densities would be reached to install water and sewer services for New York and Michigan land sections were estimated. The densities are 25 percent for water and 50 percent for sewer. The estimate by land section of average years to connect is provided at Attachment 7.

Finally, the future obligation was calculated by discounting the escrowed monies by land section over the estimated average years to connect, using an 8 percent discounting factor. The result was an obligation of $662,000. The 8 percent factor is appropriate considering the fluctuations in the cost of money over time. The obligation would be reassessed annually and adjusted accordingly.

Income Taxes

The legal research performed by Briggs and Morgan that concluded that the escrowed monies belong to Lehigh also concluded that the monies should have been included in the determination of income taxes at the time the monies were collected. The conclusion was based on the fact that Lehigh "owned" the funds at the point of collection and the funds were not a form of refundable advance.

The 1991 purchase agreement between Lehigh Acquisition Corporation and the Resolution Trust Corporation for the purchase of Lehigh included an indemnity clause indemnifying LAC against preacquisition errors in reporting income taxes. Under this indemnity clause, LAC claimed that Lehigh had inappropriately reported preacquisition taxable income related to the New York and Michigan escrowed monies. The issue was resolved as part of the December 1992 Settlement Agreement with the RTC, whereby the RTC agreed to include the escrowed monies and related interest earned in taxable income for their 1991 short period tax return that was yet to be filed. We were informed by Arthur Andersen - Denver that they were working on the RTC's 1991 short period return and the return was to be filed by October 15.

Escrowed monies collected and interest earned on the accounts since the acquisition have been included in LAC's 1991 and 1992 income tax calculations.

Conclusion

Our research has determined that the New York and Michigan escrowed monies were preacquisition contingently impaired assets and the contingency no longer exists. As a result, the monies need to be recorded on Lehigh's financial statements.

In analyzing how to record the monies, it was determined that $5.2 million in restricted cash should be recorded, offset by a $.7 million contingent future obligation and a $4.5 million adjustment to net income. The future obligation could result from Lehigh management's plan to access the escrowed monies and would be reassessed annually.

We discussed the accounting treatment of the escrowed monies with our independent accountants (Price Waterhouse), and they agree with our conclusions except as relates to the "event" that relieved the contingent impairment of the asset. They believe that the reactions from the states of New York and Michigan to our plan to access the monies are significant events, and, to be conservative, Lehigh should defer recording the income adjustment until the states' reactions are known. As we intended to move forward immediately in approaching New York and Michigan regarding the funds, we decided to defer recording the adjustment until the reactions are received.

In late November and early December letters were sent to New York and Michigan requesting modifications to the Escrow and Trust Agreements that would allow access to the escrowed monies. Copies of the letters are included at Attachments 7 and 8. No reactions have been received as of the date of this letter.

Sincerely,

Laura Holquist

Laura A. Holquist

Enclosures

cc: Mark A. Schober
William I. Livingston
W. Don Whyte

DOCKET 950495-WS
EXHIBIT NO. 177
CASE NO. 96-04227

EXHIBIT

OF

KIMBERLY H. DISMUKES

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950495-WS EXHIBIT NO. 177
COMPANY/ WITNESS: OPC/ K. DISMUKES
DATE: 4/29/96

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-3)
Schedule 1
Cover Page

Southern States Utilities, Inc.
Raymond James Report

LEHIGH UTILITIES, INC.
RESPONSE TO INTERROGATORIES
DOCKET NO. 911188-WS

REQUESTED BY:	OPC
SET NO.:	1
INTERROGATORY NO.:	11
ISSUE DATE:	Jun 02, 1992
PREPARED BY:	Forrest Ludsen

INTERROGATORY: 11

Provide any study or appraisal prepared by or on behalf of Topeka which addressed the advantages to Topeka of the Lehigh purchase.

RESPONSE: 11

Topeka hired Raymond James & Associates, Inc. to review the purchase of Lehigh Corporation and related companies, including Lehigh Utilities, Inc. A copy of Raymond James' opinion and analysis summary is attached as Appendix 11-A.

August 8, 1991

Board of Directors
Topeka Group Incorporated
30 West Superior Street
Duluth, Minnesota 55802

Gentlemen:

You have requested Raymond James & Associates, Inc., ("Raymond James") to review the purchase of Lehigh Corporation, Lehigh Corporation subsidiaries, and related companies ("Lehigh Group") by Lehigh Acquisition Corporation ("Acquisition") and Seminole Utility Co. ("Seminole"). Under the terms of the purchase contract dated July 3, 1991, for the Lehigh Group, Acquisition purchased all companies of the Lehigh Group except Lehigh Utilities, Inc., which was purchased by Seminole. Acquisition has proposed to allocate $34 million of the $40 million combined purchase price to the non-utility companies of the Lehigh Group and $6 million to Lehigh Utilities, Inc. You have requested Raymond James to provide you with our opinion as to the reasonableness of the above purchase price allocation.

In providing our opinion as to the reasonableness of the purchase price allocation, we performed the following:

1) Visited Lehigh Group's significant real estate holdings;

2) Reviewed relevant financial statements, internal analyses, and related documentation provided by the Lehigh Group concerning their businesses;

3) Reviewed appraisals, internal analyses, and related information utilized by Topeka Group Incorporated ("Topeka"), its due diligence team and Acquisition in preparing the purchase price allocation;

4) Reviewed comparable sales of real estate and compared companies of the Lehigh Group to representative public and/or private company valuations;

5) Interviewed Lehigh Group and Acquisition management and Topeka's acquisition team;

6) Reviewed the Kenneth Leventhal and Company valuation report on the Lehigh Group to the Resolution Trust Company dated October 10, 1990; and,

7) Utilized Raymond James' extensive experience in the Florida real estate market.

In connection with our review, we have assumed the accuracy and completeness of the financial and other information furnished to us by Topeka, Acquisition and Lehigh Group management and have not independently verified such information.

RAYMOND JAMES
& ASSOCIATES, INC.
Member New York Stock Exchange/SIPC
The Raymond James Financial Center 880 Carillon Parkway P.O. Box 12749

Board of Directors
August 8, 1991
Page 2

Our opinion on the reasonableness of the purchase price allocation is based upon circumstances existing as of the closing date of the purchase.

Subject to the foregoing and based upon our experience as investment bankers, our work described above, and other factors we deemed relevant, it is our opinion that the purchase price allocation of $6 million to Lehigh Utilities, Inc., and $34 million to the non-utility companies of the Lehigh Group is reasonable.

Very truly yours,

Raymond James & Associates, Inc.

Raymond James & Associates, Inc.

RAYMOND JAMES
& ASSOCIATES, INC.

INTEROFFICE CORRESPONDENCE

TO: Lehigh Acquisition File DATE: August 19, 1991

FROM: Charlie Uhrig & Gary Downing

SUBJECT: Lehigh/LUI Purchase Price Allocation

Introduction

Seminole Utilities Company ("Seminole Utilities"), a subsidiary of Minnesota Power, and Lehigh Acquisition Corporation ("LAC"), a joint venture between Topeka Group, Inc., ("Topeka"), also a subsidiary of Minnesota Power, Frank Ford and Richard McMahon, are proposing to buy 100% of the stock of Lehigh Corporation and subsidiaries (collectively "Lehigh"), including Lehigh Utilities, Inc. ("LUI"), and certain other subsidiaries of Land Resources Corporation for $40 million. The purchase price will consist of a cash down payment of $15 million, a note guaranteed by Topeka of $5 million and a $20 million contingent note payable solely from collections on land and timeshare receivables.

The current audited net book value of the to be acquired companies is approximately $99 million. Accordingly, the accounting purchase price allocation will involve writing down certain assets and recording negative goodwill. The purchase contract calls for LAC to buy all non-utility subsidiaries and Seminole Utilities to buy 100% of LUI. The contract specifies a purchase price allocation of $6 million for LUI (approximate book value at March 31, 1991, is $6.5 million) and the $34 million balance to Lehigh Corporation and subs (approximate book value at March 31, 1991, is $92.5 million).

Given the large discount to net book value for the Lehigh purchase and the near book value purchase price for LUI, Raymond James has been asked to render an opinion on the reasonableness of the purchase price allocation between Lehigh and LUI.

Our analysis will focus on two major issues: 1) Is it reasonable to allocate the majority of the purchase price discount to the non-utility businesses and assets; and 2) What is the fair market value of LUI if it were to be sold to an unrelated buyer. In order to determine LUI's fair market value, we reviewed recent comparable utility purchases, relevant comparable valuations of other publicly traded companies, and other traditional utility company valuation benchmarks. A detailed review of LUI's historical operating results, current status, commitments, and contingencies was performed and the results considered in determining our estimate of LUI's fair market value.

In reviewing the reasonableness of the discount allocated to the non-utility assets we reviewed components of the non-utility assets, reviewed the proposed LAC business plan, visited all significant real estate holdings, discussed the plan with LAC management and estimated the plan's impact on non-utility assets, analyzed the value of the key business and operational risks at LAC's businesses, and ascertained whether these risks and uncertainties warrant the writedown/discounts applied to them in the purchase price allocation.

Allocation to the Non-Utility Assets

After allocating approximately current net book value to LUI, the remaining $34 million in purchase price must be allocated to assets with a net book value of $92.5 million. A summary of these assets is listed in Exhibit 1. The proposed GAAP accounting allocation results in substantial write downs to the fixed assets, receivables, and land inventory. LAC's analysis of fair market value does not support these writedowns. In the proposed business plan, almost all assets are projected to be sold at greater than their current net book values. However, these projections are clouded with many major uncertainties. Additionally, there are several pending lawsuits relating to land sales activities which could adversely impact the land and receivable values and possibly result in a major settlement payment.

LAC's business plan contemplates the closing down of the land sales and timeshare sales operations and the gradual liquidation of related businesses and assets. The plan projects the disposal of all major land inventory and fixed assets holdings over the next five years. The following analyses will discuss the major asset categories, their net book value, projected selling prices, and risk and uncertainties associated with their ultimate realizable value.

1) Cash – Net of Accounts Payable and Other Liabilities

Book value at March 31, 1991 was $4.2 million.
Fair market value is equal to net book value.

2) Contracts, Mortgages, and Other Receivables

Net book value at March 31, 1991 was $35.8 million.
Projected collections (five years - undiscounted) per business plan - $57.3 million.

The purchase accounting will result in a substantial writedown of the receivable portfolio. Yet as shown above, LAC expects to more than realize the net book value. Valuation of the receivables is a highly subjective and uncertain exercise. Most analyses of the receivables have consisted of taking the contracted amortization schedules, adjusting them for historical cancellation rates and then discounting at various interest rates. The present value, at a 20% discount rate, is approximately $35 million which is near the current net book value. While this would appear to be a reasonably conservative valuation approach, it does not account for all of the substantial qualitative factors which are expected to impact future collections. Specifically, these non-quantitative factors which we believe warrant a significant discount to the receivable portfolio are:

a) The basic credit underwriting is very weak. The typical receivable balance is well in excess of the fair market value of the underlying collateral. The average receivable balance is in the $5,000 range and the fair market value of the average undeveloped lot is in the $1,000 - $2,000 range. There are no credit checks of any kind performed on the customers prior to buying a lot. Furthermore, historically the average Lehigh lot purchaser is a middle-to-lower middle income, blue collar individual. This customer profile is more susceptible to economic downturns.

b) The $20 million contingent note, payable solely from receivable collections, is evidence that LAC has doubts about the ultimate realizability of the portfolio.

c) The planned cessation of land sales operations may adversely impact collections. This could happen from fired land salesmen contacting receivable customers and convincing them to cancel and buy a lot from a new company. Alternatively, customers may interpret the shut down as impairing the long term viability of the community, and thus, the value of their lot.

d) The General Development Bankruptcy has received considerable negative press coverage and is likely to create increased uncertainty in customers' minds as to the value of their lots. Increased cancellations are likely from this type of press coverage.

e) The impact of the recession has recently adversely impacted the number of delinquent accounts. A continuing sustained recession could result in higher than expected cancellations and in past cancellation statistics not being an accurate forecaster of future cancellation rates.

f) If any of the fraudulent sales practices suits were to be certified as class action and customers notified, an increase in cancellations is likely as a result of customers reacting negatively to the realization that their land may be worth less than what they owe.

g) There is no viable market to sell the receivables without recourse. The current lending environment combined with the uncertainties surrounding the shut down of the land sales operations effectively prevent any sale of receivables without recourse.

3) Property, Plant, and Equipment

Net book value at March 31, 1991 was $6.4 million
Projected sales price (five years - undiscounted) per business plan - $6 million
The purchase accounting will result in the PP&E written down to zero.

The major components of this balance are:

a) The Two Lehigh Golf Courses. Approximate Book Value $550,000

The courses currently suffer from substantial deferred maintenance and lose money on an operating basis. The business plan projects selling both golf courses for a total of $2 million. While this does not appear to be an exorbitant estimate, it is not clear what level of capital improvements are required and what is a reasonable estimate of stabilized net operating income. These will be the ultimate determinants of value to profit motivated buyers. The cessation of lands sales derived tourism will most likely reduce golf course usage, thus potentially impairing value.

b) Company Buildings and Improvements. Approximate Book Value $3.5 million

This balance consists of various sales and administrative buildings, the auditorium, 121-room motel, model center, and building supply store. The liquidation mode that Lehigh is now entering will clearly impair the value of the various sales and administrative facilities. The motel's biggest user is the Lehigh land sales operation. The loss of this business combined with some deferred maintenance and the current operating loss position, do not appear to justify LAC's $2 million sales price projection. This projection is based upon increased group golf usage replacing the loss of land sales prospects. Lehigh has limited appeal as a group golf destination and any increase in business is not likely to be significant. The auditorium is rarely used, loses money, and has essentially no value. In our opinion, it is likely these assets will be sold at significant discount to current book value.

c) Company Equipment and Fixtures. Approximate Book Value $2.2 million

This consists of road building equipment, vehicles, computers, furniture, golf course equipment, etc. If the business to which this equipment belongs is closed down, the related equipment may only have scrap value. While the majority of this equipment has value in a liquidation, it may be significantly less than book value.

d) Land and Land Improvements. Approximate Book Value $800,000

This represents the land component of the various company buildings. Many of these buildings are well located with the current business district. Book value appears to be reasonable estimate of fair value.

4) Land Inventory

Net book value at March 31, 1991 was $43 million
Projected sales price - undiscounted - $79.1 million

While the land inventory will be substantially reduced for purchase accounting purposes, the above seems to indicate the fair market value is greater than the book value. However, there are major uncertainties and risks associated with realizing the projected sales prices in the business plan. These risks and uncertainties include:

a) Selling costs are likely to be substantial. LAC projects selling costs in the 10 -20% of sales price range. Actual selling costs could be higher if sales volumes are inadequate from initial sales methods. The above sales prices should be reduced by direct selling costs.

b) Many of the potential strategic buyers (GDC, Deltona, PGI, etc.) are either in bankruptcy or in significant financial difficulty. They are highly unlikely to be able to buy any of the property.

c) Since Lehigh has always controlled most of the land in town, there are very few comparable sales. Once it is known that all of the Lehigh inventory is for sale, it is likely that past comparable sales (on which some of the projected sales values are based) may not be truly indicative of value. The past comparable sales were completed when there was a restriction on the supply of Lehigh commercial inventory. There really is no comparable sales data for the magnitude of the land to be disposed.

d) The national and regional real estate recession has substantially reduced the number of potential buyers. The banking and savings & loan crisis has reduced the financing sources available. These factors cast significant uncertainty as to the realizability of the projected sales proceeds.

e) The business plan recognizes the current real estate credit crunch and projects providing financing to land purchasers. It is possible the availability of terms will attract land speculators as opposed to end users. The collectibility of these purchase money mortgages could become questionable if the Lehigh area does not develop and grow as projected.

f) There are only limited uses for even the more desirable commercial property. For example, there are approximately 50 commercially-zoned acres along Lee Boulevard, the main road between Lehigh and Ft. Myers. The business plan, recognizing the desirable location of this land, projects selling prices of $50,000 - $100,000 per acre. However, an analysis of this land reveals that almost all of these lots are only 200 feet deep and have dedicated roads behind them. They are currently suitable only for narrow small strip center users, fast food locations, gas stations, etc. There are already many such users on this road. This land is not suitable for large retail centers or related commercial development which require much deeper acreage. It may be difficult to achieve the projected selling prices for all of this property and it is possible the absorption period could be substantially longer than projected.

g) The business plan contemplates a sale of the Lehigh Building Company and implementation of sales of developed lots to a group of selected local and national builders. This is a big change from how the more valuable developed lots have historically been sold. There is uncertainty as to whether this new sales method will be successful in Lehigh. If this new program is not successful, projected sales values will be adversely impacted.

h) Much of the Lehigh land inventory is not developable in the near future. Many of the commercial and single family parcels are located in remote areas several miles from current development. It is likely that these properties will only be sold at a substantial discount to business plan value.

i) There are uncertainties as to whether all of the Lehigh land inventory is "vested" under Lee County Comprehensive Land Use Plan for concurrency purposes. If it is not vested, certain areas may not be developable and other developable areas could have higher development costs. This would adversely impact the value of the affected land inventory.

j) The Laidlaw environmental report identified several environmental problems which will need to be corrected. Their estimate of the cost to clean up was approximately $2.2 million. The actual clean up could cost substantially more.

5) Deferred Selling Expenses and Other Assets

Net book value at March 31, 1991 as $3.1 million.

Estimated fair market value is $0

The majority of this category is deferred selling expenses relating to sales which have not been recorded for accounting purposes due to less than 20% down payments. The value of the related receivables has already been considered in the Receivable section. Accordingly, the fair market value of the selling expenses is considered negligible. The balance of this line item is primarily deferred debt costs which have no fair market value.

6) Commitments and Contingencies

As the following discussion indicates there are numerous contingent liabilities associated with the purchase of Lehigh. The RTC is providing a limited indemnification fund by putting all sales proceeds into an escrow account which will then be used to pay any pre-LAC acquisition litigation liabilities. However, a review of pending litigation suggests there could still be substantial liabilities incurred by LAC. All of the significant pending litigation pertains to the non-utility businesses, primarily land and timeshare sales. A review of the major contingent liabilities is as follows:

a) Possible Liability and Future Exposure Related to Paragraph C Litigation. Paragraph C is a section of the Agreement for Deed entered into for each lot sale. The section describes the grace periods and termination provisions of the contract. It states that "In the event of default, Seller will refund the amount, if any, paid in by Buyer (exclusive of interest) that exceeds 15% of the purchase price (exclusive of interest) or the amount of actual damages incurred by the Seller, whichever is greater."

Currently, Lehigh is involved in litigation (potentially class action) regarding their method of calculating actual damages. If the court determines that Lehigh's actual damages are limited to commissions paid, a worst case ruling, the maximum potential liability resulting from this litigation would be approximately $10 million.

In addition, according to the Purchase Agreement, LAC will be responsible for making refunds for lot sale cancellations that occur after the closing date of the acquisition. The RTC will reimburse LAC for the portion of the refund related to monies collected before the closing date. The reimbursement will come from the indemnification fund created as a result of the purchase.

Using historical cancellation rates and some general assumptions, under the current method of calculating damages, LAC estimates its portion of the refund obligation to be $1.4 million and RTC's portion to be $1.2 million. However, if a worst case ruling is received from the Paragraph C litigation discussed above, the refund obligation is estimated as $8.4 million for LAC and $7.1 million for RTC.

b) Damages Caused by Potential Fraudulent Sales Practice Allegations and Resulting Adverse Publicity for Topeka, its Affiliates, and/or Partners. Over the past several years, the Florida land sales business has been under considerable public scrutiny for purported deceptive sales practices. As an example, a suit has recently been brought against General Development Corporation (GDC) and its lenders alleging conspiracy in a fraudulent scheme to sell lots and homes to out-of-state buyers. The main allegations are that homes and lots were sold for substantially more than market value, promised lot improvements were never intended to be completed, and home mortgages were granted based on nonconforming appraisals which concealed the true fair market value of GDC built homes.

Lehigh is also in the retail lot and homes sales business in Florida. At Lehigh, lots have been sold at prices in excess of the prices for similar lots on the resale market. However, Lehigh's lot prices reflect high selling costs and providing out-of-state customers a service by giving them the opportunity to purchase developed property on favorable payment terms. Moreover, Lehigh's Offering Statements since at least 1980 have contained bold-faced disclosures advising purchasers that lot resale prices are substantially lower than Lehigh's lot prices and, in fact, that lots may not be resalable at any price.

As for promised lot improvements, Lehigh has completed drainage and road development in all sold areas except 18 lots. This remaining improvement obligation has been reserved for on the financial statements.

Lastly, in the GDC suit, GDC's lenders are being charged with conspiring to perpetrate the fraudulent scheme by purchasing home mortgages that they knew were supported by nonconforming appraisals. By doing so, the lenders provided GDC with the financial capacity to continue its business.

In the case of Lehigh, LAC will benefit from Lehigh's Contracts Receivable proceeds, and as a result, could be named in a suit against Lehigh. However, the facts regarding Lehigh and LAC are much different than in the case of GDC and its lenders. Based on work performed, LAC believes that Lehigh did not use nonconforming appraisals in the sales of its homes. In addition, LAC intends to terminate existing lot sales programs. As a result, there will be no basis for a conspiracy argument which is the crux of the allegations against GDC's lenders.

In conclusion, although Lehigh's sales practices are dissimilar from GDC's in many regards, a suit based upon lot values is a possibility. While it is unlikely that such a suit would be successful, it could result in adverse publicity and financial exposure for Lehigh and possibly LAC.

c) Potential Liability Due to Chang Sales Practices. Paul Chang was an independent lot sales broker for Lehigh from March, 1983, to June, 1990. Planning to develop a Chinatown subdivision, Mr. Chang sold Lehigh lots to individuals of Chinese heritage in the Mirror Lakes area of Lehigh Acres. The lots were sold at a premium due to the Chinatown concept. He also purchased commercial land and intends to build a hotel and a pagoda in the area.

Mr. Chang's broker agreement with Lehigh was terminated in June, 1990, when it was found that he had sold lots and not reported the sales to Lehigh. Since then, some misrepresentation allegations have been made against Mr. Chang, and it was found that unlicensed associates were selling lots under his agreement. When individuals who no longer wish to own Lehigh lots bring such sales to Lehigh's attention, all monies collected plus taxes and dues, are refunded subject to verification of allegations.

As a result, there are two main exposures related to Chang sales practices: 1) refunds required due to representations made by Chang that are not carried out, and 2) refunds required for lots sold by the unlicensed associates.

As of December 31, 1990, $11.7 million, net of refunds, had been collected on Chang sales contracts. While management believes it is highly unlikely that all contracts will be canceled due to misrepresentation, LAC's estimate of this exposure would be up to $700,000 based upon calculations performed by Lehigh personnel. In addition, the refund exposure related to the unlicensed associates sales is estimated to range from $350,000 to $1.4 million, including taxes and dues.

d) Liability for Costs to Fill Sold Lots in the Greenbriar Subdivision. The Florida Public Offering Statement, included as part of each lot sale contract, represents that the purchaser's cost to clear and fill a lot prior to home construction will average $3,500 per homesite. However, some sections of the Greenbriar and Mirror Lakes areas would cost substantially more to fill. It is felt that Lehigh may be liable for the excess cost related to sold lots. At September 30, 1990, a $970,000 liability existed on Lehigh's financial statements for the Mirror Lakes excess fill liability, but no such reserve had been established for Greenbriar. The Greenbriar potential liability for sold lots could range from $1.4 million to $2.3 million.

Allocation to LUI

LUI is being allocated a purchase price of $6 million. Minnesota Power is basing this allocation on what it would have paid separately (or what it believes another third party would have paid) for LUI. LUI would appear to be a very marketable company if it were to be sold. Factors which we believe make LUI an attractive acquisition candidate are:

1) LUI has an exclusive franchise to provide water, sewer, gas, and garbage services in the Lehigh area.

2) The company has been consistently profitable with pre-tax earnings in the $1 million range over the last several years.

3) The outlook for LUI is favorable. Revenue growth has averaged 7% per year over the last five years and is anticipated to continue to grow at least this fast into the foreseeable future.

4) LUI is earning well below the Florida Public Service Commission (PSC) allowable return on its water and sewer rate base and it would appear to be an excellent candidate for an increase in water and sewer rates.

This outlook should be tempered by the following factors:

1) LUI is heavily regulated. Water and sewer rates are set by the PSC and garbage rates are set by Lee County. Gas is not regulated. The PSC will only allow a certain return on rate base, thus the profitability of these businesses is somewhat restricted. The garbage business, although currently very

profitable, is reviewed annually and rates are adjusted to reflect estimated average costs in Lee County.

2) LUI is currently undertaking an expansion plan which will result in some of this new plant being categorized as not used and useful. If the utility plant is not considered used and useful and is not expected to be used and useful in the near future, it will be excluded from rate base by the PSC and no return can be earned on it until it is used and useful. A used and useful study prepared for LAC by Hartman Associates indicated that the water facilities were on average 88% used and useful. Sewer plant was estimated to be 97% used and useful. This study was based on 1990 account balances. Significant additions have been made in 1991 and will continue into the foreseeable future. The requirement of large capital expenditures with the possibility of no immediate return could be a drag on profitability.

3) Approximately 2,000 lots exist which LUI is obligated to provide water and wastewater treatment hookups at a cost to Lehigh of $650. Currently, the cost to connect water and wastewater treatment service is $1,739. Therefore, LUI could have imputed Contributions in Aid of Construction (CIAC) for the difference between the current and agreed upon charge. At today's hookup fee, $2.2 million would be recorded as CIAC if all lots were connected. Such a charge would reduce rate base by $2.2 million and thus significantly negatively impact profitability since current water and sewer rate base is only approximately $6.5 million.

In order to determine fair market value, we compared the LUI acquisition to the pricing of several other recent similar utility acquisitions, and compared LUI to the market valuation of other publicly traded utilities. The results of these valuations were then adjusted to reflect the operating characteristics specific to LUI.

Comparable Utility Acquisitions

Minnesota Power, through its subsidiaries, has been actively acquiring water and sewer utilities in Florida over the past several years. The PSC allows a certain minimum return on the water and sewer plant rate base. Generally, rate base approximates net book value of water and sewer property, plant, and equipment. If an acquirer pays more than rate base for a utility, the original rate base is not changed and thus an acquirer would earn less than the PSC allowable return on its investment. If an acquirer pays less than rate base, we understand that the PSC has tried, unsuccessfully to date, to establish this discount price as the new rate base. In other words, there is no incentive to pay more than rate base and possibly only limited benefits to purchasing at less than rate base.

Minnesota Power's strategy has been to acquire water and sewer utilities at no more than rate base. As can be seen at Exhibit 2, they have generally been successful in this strategy. In particular, Minnesota Power has purchased utilities from other landsales/community development companies which are substantially similar to Lehigh. The utility acquisitions listed in Exhibit 2 were selected because they were most similar to LUI in terms of size, growth potential, maturity, and past operating history. These transactions are perhaps the best indicator of LUI's value due to their strong similarities to LUI and the fact they were independently negotiated with five different sellers over a three year time period. We believe this analysis provides strong support that the $6 million allocated to LUI is reasonable.

Comparable Publicly-Traded Water and Sewer Utilities

As shown in Exhibit 3, the pricing multiples implied by a $6 million purchase price appear to be on the low side of publicly-traded water and sewer utilities. However, we believe the discount to comparable public water utilities is reasonable for the following reasons:

1) The comparable public companies are much larger, more established, and more diversified firms. Accordingly, an investor would normally be willing to pay a premium for these types of companies because they generally have less overall business risk than a small, one location utility such as LUI.

2) Since LUI is a private company, an investor would apply a discount versus public utilities for illiquidity.

3) The comparable public companies have the financial ability to attract more capable management and lower cost capital than smaller, privately held companies, such as LUI.

Lehigh Utilities Commitments and Contingencies

Our review of the litigation summary provided by the RTC and LAC's internal analysis, revealed no material pending litigation which could significantly impact the current or future value of Lehigh Utilities, Inc.

Based upon our review LAC's acquisition analysis and discussions with Lehigh Group and LAC management, we did not become aware of any major contingencies, other than the potential CIAC exposure previously discussed in the report, which might significantly impair the current or future value of Lehigh Utilities, Inc.

Summary

It is very difficult to specifically quantity the discounts to apply to the major non-utility assets. However, we believe the purchase price discount in general is properly attributed to the non-utility assets and not the utility assets for the following reasons:

1) The uncertainty related to the post liquidation Lehigh business environment creates many significant questions as to the value of the major non-utility subsidiaries, businesses, and assets.

2) The lack of historical bulk land sales activity combined with the current real estate credit crunch, and a national real estate recession create a wide range of potential outcomes for the valuation of the land inventory.

3) The collectibility of the receivables is difficult to estimate given the proposed cessation of the retail land sales business, increasing negative press on the land sales business and impact of the current national recession.

4) The contingent liabilities associated with current or future litigation, while tempered by the RTC indemnity escrow account could still result in a large unexpected litigation settlement payment. The risks of these potential liabilities are entirely traceable to the land sales and timeshare businesses.

We believe the purchase price allocated to LUI is reasonable for the following reasons:

1) It is consistent with the pricing of other recent comparable water and sewer utility acquisitions.

2) It is in line with the valuation of comparable publicly-traded water and sewer utility companies.

3) We are not aware of any material uncertainties or deficiencies in current LUI operations or in expected future results which warrant the allocation of a significant discount to the pre-acquisition book value.

Exhibit 1

Summary of Non-Utility Assets Acquired by LAC
(in millions)

Assets	Book Value at 03/31/91	Business Plan Value (undiscounted)	Comments
Cash	$ 12.9	$ 12.9	Market value equals book value
Contracts, Mortgages, and Other Receivables	35.8	57.3	(A)
Property, Plant, and Equipment	6.4	6.0	(B)
Land Inventory	43.0	79.1	(C)
Deferred Selling and Other Assets	3.1	0.0	No market value
Total Assets	$ 101.2	$ 155.3	
Accounts Payable and Other Liabilities	8.7	8.7	Mainly payables and reserves. Offset against cash.
Total Liabilities	$ 8.7	$ 8.7	Contingent liabilities must be considered
Common Stock and Retained Earnings	92.5	146.6	
Total Liabilities and Equity	$ 101.2	$ 155.3	

(A) Book value may be overstated due to change in business strategy and recent industry problems which could affect collections.

(B) Cessation of land sales may significantly impair usage and therefore value.

(C) Substantial uncertainty regarding timing and potential value of land inventory.

Lehigh Utilities, Inc.
Balance Sheet
March 31, 1991
(000s)

Assets		Comments
Cash	$ 522	
Accounts Receivable	618	Normal customer receivables
Property, Plant and Equipment	16,193	Primarily water and sewer plant including construction in progress
Other Assets	777	Deferred debt expense
	$ 18.110	

Liabilities and Stockholder's Equity		
Accounts Payable	$ 870	Normal trade payables
Mortgage Payable and Other Debt	6,731	
Contributions in Aid of Construction	3,797	Non-interest bearing hook-up fees, amortized as reduction in depreciation expense
Deferred Income Tax	177	Will likely be contributed to capital by Lehigh
Total Liabilities	11,575	
Stockholder's Equity	6,535	
Total Liabilities & Stockholder's Equity	$ 18.110	

Exhibit 2

Comparable Water and Sewer Utility Acquisitions by Minnesota Power 1986 - 1989*

Utility	Acquisition Date	Purchase Price	Rate Base	Book Value	Multiple of Rate Base	Multiple of Book Value
Amelia Island	1986	2,100,000	2,766,464	2,766,404	0.76	0.76
Gulfstream	1987	13,000,000	11,450,000	11,450,000	1.13	1.13
Sugar Mill	1987	1,175,000	900,000	900,000	1.30	1.30
PGI	1988	7,500,000	7,290,845	7,290,845	1.03	1.03
Deltona	1989	36,000,000	36,000,000	42,000,000	0.86	0.86
Average					1.01	1.01
Lehigh Utilities, Inc.		6,000,000	6,378,000	6,535,000	0.94	0.92

* Data supplied by Donnie Crandell of Minnesota Power.

Certain Publicly-Traded Water and Sewer Utilities

Exhibit 3

Symbol	Company Name	Revenue	EBITD	EBIT	Net Income	TTM EPS	Stock Price 06/07/91	P/E	60 Mo. Average P/E	PRC/ Sales	PRC/ Book	MV+LTD /EBITD	MV+LTD /EBIT	5 Year Growth Rev/Shr	5 Year Growth EPS	Market Value (Equity)	LTD
AWK	American Water Works, Inc.		228.08	181.03	57.09	1.96	21.750	11.1	10.3	1.17	1.3	6.4	8.1	5.1	1.4	665.942	799 691
WTR	Aquarion Co	77.80	25.09	17.44	7.07	1.42	22.125	15.6	13.1	1.37	1.2	8.2	11.8	1.7	(5.0)	106 266	99 905
CWTR	California Water Service Co		41.19	32.96	14.37	2.51	28.500	11.4	11.0	1.30	1.4	6.5	8.1	2.3	1.5	162.137	104 905
CTWS	Connecticut Water Svc, Inc.	32.30	13.99	11.24	2.98	1.14	19.500	17.1	12.7	1.61	1.3	7.5	9.3	4.8	(1.0)	52 026	52 953
CONW	Consumers Water Co		27.46	22.47	(1.95)	1.11	15.500	14.0	13.0	1.15	1.5	7.3	8.9	(0.6)	(4.6)	93 930	105 420
DOMZ	Dominguez Services Corp	19.14	4.03	3.09	1.37	1.37	16.375	12.0	10.7	0.85	1.4	5.0	6.5	5.1	3.5	16 342	3 766
EWAT	E'town Corp		29.61	24.00	7.09	1.86	25.500	13.7	13.0	1.17	1.3	7.1	8.7	3.2	(3.3)	90 958	118 155
GWCC	GWC Corp		40.13	35.52	15.15	1.50	14.500	9.7	11.5	1.65	1.1	7.3	8.3	5.3	0.5	160 472	133 443
IWCR	IWC Resources Corp	53.63	25.77	21.58	5.83	1.11	17.500	15.8	13.7	1.72	1.9	7.1	8.5	1.5	(6.7)	92 347	91 675
3JWTS	Jamaica Water Supply Co	57.83	15.89	13.30	6.61	10.17	55.000	5.4	n/a	0.56	0.7	5.2	6.2	7.6	14.0	32 615	49 595
MSEX	Middlesex Water Co	26.42	9.31	7.72	3.47	1.78	24.500	13.8	13.1	1.60	1.3	8.8	1.06	1.9	(1.3)	42 336	39 350
PSC	Philadelphia Suburban Corp	66.38	34.77	27.74	4.09	0.54	13.375	24.8	12.1	1.57	1.2	8.1	10.1	1.1	0.3	104 379	175 885
SJW	SJW Corp	70.46	22.97	17.72	8.54	2.68	29.250	10.9	11.9	1.18	1.1	5.1	6.7	0.3	(7.0)	83 012	35.193
SWTR	Southern Calif. Water Co		n/a	n/a	9.70	2.59	31.000	12.0	11.4	1.11	1.4	n/a	n/a	(5.0)	2.1	97.340	67.377
SWWC	Southwest Water Co	39.85	8.83	6.22	2.92	1.29	18.250	14.0	13.1	1.05	1.4	6.5	9.2	9.1	(6.0)	41 646	15 813
UWR	United Water Resources		62.55	51.11	18.29	1.03	13.750	13.3	16.1	1.40	1.5	7.7	9.4	6.1	4.7	230 918	251 062
3YORW	York Water Co	12.24	6.39	5.42	2.10	3.88	50.000	12.9	10.5	2.22	1.7	8.9	10.5	0.9	0.5	27.200	29 744
	Average							13.4	12.3	1.30	1.3	7.0	8.8				
	Lehigh Utilities, Inc.	5.1	2.08	1.5	.765			7.8		0.80	0.9	6.1	8.3	7.0		6.000	6.700

Appendix
Page 17 of 17

Docket No. 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-3)
Schedule 2
Cover Page

Southern States Utilities, Inc.
Cover Page for TGI Note To Financial Statements

5. **Acquisition of Lehigh Acquisition Corporation**

In July 1991 Topeka acquired a two-thirds ownership interest in Lehigh Acquisition Corporation for $6 million. Lehigh Acquisition Corporation subsequently acquired for $34 million all of the stock of Lehigh Corporation and various other real estate subsidiaries of Land Resources Corporation whose properties are located near Fort Myers, Florida. The purchase price included $9 million in cash and $25 million of debt issued to the seller, Resolution Trust Corporation (RTC), which was to be paid over the next five years. The acquisition was accounted for under the purchase method and consolidated with Topeka beginning in July 1991. Lehigh Acquisition Corporation's subsidiaries are primarily engaged in the sale of residential and commercial real estate and other ancillary businesses. Management with extensive Florida real estate experience was hired at Lehigh Acquisition Corporation to implement a 10-year business plan to sell these real estate holdings and related operations to qualified buyers in an orderly manner.

The fair value of the net assets acquired by Lehigh Acquisition Corporation exceeded the purchase price by approximately $62 million. The excess fair value over purchase price (the bargain purchase amount) has been allocated to acquired receivables, land, land improvements and residential construction, and property and equipment expected to be realized after June 30, 1992 on a pro rata basis based upon the estimated fair value of these assets. Recognition of the bargain purchase amount as income began on July 1, 1992, as principal payments on acquired receivables are received and cash funds are received for the sale of assets. During 1992, $7.0 million of this bargain purchase differential was recognized as income.

Topeka received dividends from Lehigh Acquisition Corporation of $800,000 and $2.0 million in 1992 and 1991, respectively. Minority interest in the equity of Lehigh Acquisition Corporation at December 31, 1992 of approximately $6.2 million is reflected in other deferred credits on the consolidated balance sheet. On December 30, 1992, Lehigh Acquisition Corporation extinguished, at a discount, the $15.5 million remaining principal balance of the $25 million of debt issued to the RTC and assumed certain contingent liabilities for which it had previously been indemnified. The early extinguishment of debt resulted in a nontaxable extraordinary gain to Lehigh Acquisition Corporation of approximately $7.0 million. Topeka's share of this gain was approximately $4.7 million net of the one-third minority interest. The operating results of Lehigh Acquisition Corporation and subsidiaries for the year ended December 31, 1992 and the period July 1, 1991 to December 31, 1991 are presented below and included in other income-nonutility subsidiary on the consolidated statement of income.

Southern States Utilities, Inc.
Due Diligence Study

RECEIVED

OCT 07 1993

Office of
Public Counsel

ACQUISITION PROPOSAL
FOR
LAKESIDE WATER UTILITY

1. COMPANY BACKGROUND

Lakeside Water Utility is a privately held corporation located 5 miles north of Inverness, Florida in Citrus County. The first phase of this water system was formed in 1978 by Mr. Max Smith to serve approximately 100 connections with 74 connections served at the present time. The second phase is now being developed by new second owner Nobuyoshi Hirukawa of Japan. The transfer of ownership took place on October 15, 1992. The second phase has approximately 152 potential connections with 5 connections served at the present time.

2. UTILITY SYSTEM

The plant assets of this system are summarized in the table below.

ASSET	QUALITY	COMMENTS
Water Plant	1	6" backup well with 300 gpm submersible well pump
	1	12" well with 1,000 gpm 75 HP Goulds vertical turbine pump.
	1	125 KW Caterpillar emergency generator equipped with automatic start up.
	1	Dual scale mounted 150 lb. chlorine cylinders with Capital Controls chlorinators equipped for automatic switch over.
	1	20' x 20' concrete block building housing the 12", the turbine pump as well as the diesel generator.
	1	15,000 gallon hydropneumatic tank.
	4	Iron Removal Filters with automatic backwash.
	14,200	Feet on 6" PVC Main.

The first phase was supplied potable water by a 6" well and 300 gpm submersible well pump. This well is being used as a standby well at the present time. The original plant also included equipment such as hydropneumatic tank, block building, chlorinator, ect. that was abandoned as part of the recent phase II.WTP expansion. The distribution system consists of approximately 2,500 feet of 6" PVC main. The lots are served by 1" meters. These meters have never been read except for the one at the pump house.

The second phase was completed in late 1992 with the addition of a new second well. The second well is 12" and is the primary well with the older 6" well as the standby. The well has a 75 HP Goulds vertical turbine pump with a capacity of 1,000 gpm that operates automatically on demand. The pump and well are housed within a brand new 20' x 20' concrete block building that also houses the Auxiliary Generator and Chlorination equipment. The emergency generator is a Diesel 125 KW Caterpillar equipped for automatic start-up. The building also has a separate room for the chlorination system. The chlorination system consists of dual scale mounted 150 lb. chlorine cylinders with Capital Controls chlorinators equipped for automatic switch over.The room does have a exhaust fan and loss of vacuum detection alarm as well as a chlorine leak detector in the adjacent room. Adjacent to the block building there is a 15,000 gallon hydropneumatic tank to provide the necessary pressure to the system. The water in this area of Citrus County is high in iron thus requiring there to be four Iron Removal Filters with automatic backwash. The distribution system for the second phase consists of 11,700 feet of 6" PVC main. This phase also has seven fire hydrants to meet the necessary fire fighting requirements. The connections to each home in phase II also have 1" meters that have never been read.

Currently, net utility plant assets in service are booked at a value of $293,737. Projected rate base is just over $119,000. No additional investment is needed over the next several years.

Southern States inspections concluded that facilities are in satisfactory condition and have been reasonably maintained.

3. <u>REGULATION</u>

Lakeside is subject to the regulation of the Florida Public Service Commission. The utility presently operates without a FPSC approved certificate, but SSU will incorporate a Citrus County water certificate amendment with the FPSC.

Contacts with the State and local environmental regulators indicate that the utility is properly permitted, has no unresolved violations and has no current operating problems.

4. PURCHASE PROPOSAL

Terms of a purchase agreement to acquire Lakeside assets have been negotiated by SSU subject to Senior Management's approval. Total purchase price is $119,000 cash. As shown by the following measures, terms of the proposed purchase compare favorably to that of Lehigh Utilities.

$119,000 Purchase Price	Lakeside	Lehigh
Per connection	$1,608	$445
Times Annual Revenues	7.7x	1.6x
Times Net Book Value	0.41x	0.45x

5. PROJECTED OPERATING RESULTS

Under the uniform rates ordered in Docket No. 920199-WS the annualized first year (prior to being incorporated into the 1994 consolidated filing) earning are $1,174, representing a (9.93%) return on Common Equity. AS in many other SSU systems, the stand alone revenue requirements are higher than what the uniform states generate.

6. PRO FORMA - ASSUMPTIONS

(a) Revenues based on SSU uniform water rates at current customer level. Rate base adjusted for non used & useful is approximately $163,326 on net plant. The 1994 consolidated FPSC rate case will incorporate Lakeside and its revenue requirements.

(b) O&M expenses only reflected projected direct cost for electric and chemicals at the plant. Customer and administrative cost were excluded as was general plant from the rate base.

(c) Capital structure was the projected 1993 as filed in the Sarasota County Venice Garden Utilities filing. In this capital structure Common Equity was at 12.40%.

(d) Although not incorporated into this rate study, this is possible growth behind the golf course as well as across the road. Also the City of Hernando, Florida wants to purchase water from Lakeside Utility.

Southern States is serving several water utilities within a twenty mile radius. The system is approximately two miles from the Golden Terrace system.

The following is a three year income statement projection of Lakeside Utility:

	PROJECTION		
	1993	1994	1995
Revenues	$16,157	$17,787	$24,255
O&M	$929	$957	$986
A&G	$0	$0	$0
Depreciation	$7,517	$7,517	$7,517
Amortization	($1,114)	($1,114)	($1,114)
Taxes Other	$1,261	$1,343	$1,643
Operating Income	$7,664	$9,184	$16,223
Interest Expense	$5,682	$4,990	$4,661
Pre-tax Income	$1,882	$4,195	$10,563
Income taxes	$708	$1,578	$3,975
Net Income	$1,174	$2,616	$6,588
Actual Rate of Return	0.98%	2.49%	6.71%
Less debt, Cust Deposits & ITC	4.92%	4.92%	4.92%
Actual Return less 'Other'	(3.94%)	(2.43%)	1.79%
Percent Equity	39.68%	39.68%	39.68%
Actual Rate of Return on Common Equity	(9.93%)	(6.12%)	4.52%

These returns are based on stand alone requirements versus uniform rates from the 'Giga' case as well as the consolidated 1994 filing.

7. RECOMMENDATION

Corporate Development recommends acquisition of Lakeside Water Utility as discussed in the foregoing.

Prepared and Recommended ______________________

Recommended ______________________

Approved ______________________

ACQUISITION TEAM

(1). JOE MACK - ENGINEERING
(2). FRANK SANDERSON - OPERATIONS
(3). RALPH TERRERO - ENVIRONMENTAL
(4). BILL WILLIAMS - WEST REGION
(5). GARY MORSE - RATES DIVISION
(6). JUDY KIMBALL - ACCOUNTING & FINANCE

CERTIFICATE OF SERVICE
DOCKET NO. 950495-WS

I HEREBY CERTIFY that a correct copy of the foregoing has been furnished by U.S. Mail or *hand-delivery to the following party representatives on this 25th day of March, 1996.

Ken Hoffman, Esq.
William B. Willingham, Esq.
Rutledge, Ecenia, Underwood
Purnell & Hoffman, P.A.
P.O. Box 551
Tallahassee, FL 32302-0551

*Lila Jaber, Esq.
Division of Legal Services
Fla. Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

Brian Armstrong, Esq.
Matthew Feil, Esq.
Southern States Utilities
General Offices
1000 Color Place
Apopka, FL 32703

Michael B. Twomey, Esq.
P. O. Box 5256
Tallahassee, Florida
32314-5256

Kjell W. Petersen
Director
Marco Island Civic Assoc.
P.O. Box 712
Marco Island, FL 33969

Arthur Jacobs, Esq.
Jacobs & Peters, P.A.
Post Office Box 1110
Fernandina Beach, FL
32035-1110

Larry M. Haag, Esq.
County Attorney
111 West Main Street
Suite B
Inverness, Florida 34450

Charles J Beck

Charles J. Beck
Deputy Public Counsel

DOCKET 950495-WS
EXHIBIT NO. 178
CASE NO. 96-04227

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, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Polk, Putnam, Seminole, St. Johns, St. Lucie, Volusia and Washington Counties.	Docket No. 950495-WS

SSU Cross-Examination Exhibit 178

SSU's Responses to OPC Interrogatories
108, 205 and 199

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950495 EXHIBIT NO. 178
COMPANY/
WITNESS:
DATE: 4/25/96

SOUTHERN STATES UTILITIES, INC.
DOCKET NO.: 950495-WS
RESPONSE TO INTERROGATORIES

REQUESTED BY:	OPC
SET NO:	3
INTERROGATORY NO:	108
ISSUE DATE:	09/07/95
WITNESS:	Arend J. Sandbulte
RESPONDENT:	Arend J. Sandbulte

INTERROGATORY NO: 108

For purposes of this request, please refer to the Company's response to OPC's Interrogatory 55.

(a) For each gain or loss indicated in this response, please explain why the Company did not amortize and recognize this gain as income for purposes of the instant rate case.

(b) In light of the fact that the Company considers itself one system and the Commission has ruled in the Company's favor with respect to the issue of jurisdiction, explain why in the Company's opinion, it would not be appropriate for the gain on the sale of any utility property to be passed on to all customers of SSU.

RESPONSE: 108

(a) The Company has already explained why it did not amortize and recognize the gains as income for purposes of the instant rate case for the two property sales included in Appendix 55-A. In the case of the various parcels of land included in Appendix 55-B, the description of the parcels indicates that all such parcels were either in plant held for future use or in non-utility property and as such, were never included in rate base. The only exception to this of the seven parcels indicated on Appendix 55-B is the .11 acres located in Seminole County at Plant 332, Apple Valley. The Company actually lost $187 on this disposal.

SSU believes that customers do not gain ownership rights in utility property by paying rates for service. Customers, therefore, should not share in gains or losses from property dispositions.

(b) Although the Company has considered itself one system and the Commission has ruled in the Company's favor with respect to the issue of jurisdiction, the issue of sharing any gain on the sale of utility property is not solely an issue of jurisdiction or of being one system.

The Commission denied OPC's requests that gains on sale be "passed on to all customers" in Docket No. 920199 in the case of the sale of St. Augustine Shores facilities and a portion of the University Shores facilities. The FPSC stated its position in Order No. PSC-93-1598-FOF-WS issued 11/2/93 in Docket No. 920199-WS: "We agree with Mr. Sandbulte that customers who did not reside in the SAS service area did not contribute to recovery of any return on investment in the SAS system. Further, when this system was acquired by St. Johns County, SSU's investment in the SAS system and its future contributions to profit were forever lost. Thus, the gain on the sale serves to compensate the Utility shareholders for the loss of future earnings. Arguably, if the sale of this system had been accompanied by a loss, any suggestion that the loss be absorbed by the remaining SSU customers would be met with great opposition. However, the rationale for sharing a loss is basically the same as the rationale for sharing a gain. Since SSU's remaining customers never subsidized the investment in the SAS system, they are no more entitled to sharing the gain from that sale than they would be required to absorb a loss from it." SSU continues to believe that customers do not gain ownership rights in utility property by paying rates for service. Customers, therefore, should not share in gains or losses. With regard to sales of facilities serving entire service areas. SSU agrees with the Commission that any gain serves to compensate SSU shareholders for the loss of future earnings.

SOUTHERN STATES UTILITIES, INC.
DOCKET NO.: 950495-WS
RESPONSE TO INTERROGATORIES

REQUESTED BY:	OPC
SET NO:	7
INTERROGATORY NO:	205
ISSUE DATE:	09/29/95
WITNESS:	Judith J. Kimball
RESPONDENT:	Judith J. Kimball

INTERROGATORY NO: 205

For purposes of this request, please refer to the Company's response to OPC's Interrogatory 55. Please provide a detailed breakdown of how the gain or loss on sale was computed. Please provide the book basis, and an itemization of all costs added to the book basis, the sale price and an itemization of any items subtracted from the sales price and provide the pre and post-tax gain on sale.

RESPONSE: 205

As provided in response to OPC's Interrogatory 55, Appendix 205-A provides a breakdown of original cost basis, sales price, and the resultant gain on sale of plant. Further information is provided on this appendix to reflect after-tax gain on sale at the effective tax rate for the corresponding year. With regard to expenses of $6,441 identified in the 1991 University Shores condemnation, we have been unable to locate the records to further break down the expense classification. As the amount can be considered immaterial in relation to the gain, and given that the entire transaction is not included in this rate case, we have suspended the search for the missing records.

Appendix 205-B breaks out net proceeds from the sale of land, and also now reflects after-tax gain on sale of land, also at effective tax rates.

SOUTHERN STATES UTILITIES
CALCULATION OF GAIN ON SALE OF PLANT SOLD

YEAR	DESCRIPTION	SOLD TO	COST BASIS		SALES PRICE	PRE-TAX GAIN (LOSS) ON SALE	EFFECTIVE TAX RATE %	POST-TAX GAIN (LOSS) ON SALE
1991	SALE FROM CONDEMNATION OF	ORLANDO / ORANGE	PLANT	391,811.00				
	PARCEL 137 @ UNIVERSITY SHORES	COUNTY EXPRESSWAY	CWIP	27,738.00				
	PLANT #106	AUTHORITY	ACCUM DEPRECIATION	(4,428.00)				
	100% USED AND USEFUL		CIAC	(129,334.00)				
			CIAC - AMORT	2,155.00				
			LONG TERM DEBT	(27,167.00)				
			RECEIVABLES	2,002.00				
			EXPENSES	6,441.00				
				269,218.00	796,038.00	526,820.00	37.63%	328,577.63
1992	ASSET TRANSFER PER INTERLOCAL	VOLUSIA COUNTY	PLANT	167,742.50				
	AGREEMENT @ DELTONA LAKES		ACCUM DEPRECIATION	(60,073.28)				
	PLANT #1806		CIAC - WATER	(29,180.65)				
	100% USED AND USEFUL		AMORT CIAC - WATER	10,450.00				
			ACCTS RECEIVABLE	(2,547.00)				
			WELL SEVERANCE COST	1,839.50				
			RECORDING FEES	442.50				
			ATTORNEY'S FEES	17,649.56				
			PROF CONSULTANTS FEES	3,470.47				
				109,793.60	173,338.77	63,545.17	37.63%	39,633.12

4

APPENDIX 205-A
PAGE 1 OF 1

SOUTHERN STATES UTILITIES
CALCULATION OF GAIN ON LAND SOLD

YEAR	DESCRIPTION	SOLD TO	(A) HISTORIC BOOK COST PER ACRE	(B) ACRES SOLD	(C) (A) x (B) COST OF ACRES SOLD	(D) CONTRACT SALES PRICE	(E) CLOSING COSTS		(F) (D) - (E) PROCEEDS FROM SALE OF LAND	(G) (F) - (C) PRE-TAX GAIN (LOSS) ON SALE	(H) EFFECTIVE TAX RATE %	(I) (G) - (H) POST-TAX GAIN (LOSS) ON SALE
1995	5.139 ACRES OF PARCEL #8 LOCATED @ SPRING HILL PLANT #2701 INCLUDED IN NON-UTILITY PROPERTY	DIOCESE OF ST. PETERSBURG	1,042.88	5.139	5,359.36	60,000.00	RECORDING FEES PRORATED TAXES	18.50 234 83 253.33	59,746.67	54,387.31	38.575	33,407.41
1995	6.759 ACRES OF PARCEL #8 LOCATED @ SPRING HILL PLANT #2701 INCLUDED IN NON-UTILITY PROPERTY	DIOCESE OF ST. PETERSBURG	1,042.88	6 759	7,048.82	80,580.00	PRORATED TAXES	460.17	80,119.83	73,071.01	38.575	44,883.87
1994	1.424 ACRES OF PARCEL #9 LOCATED @ SPRING HILL PLANT #2701 INCLUDED IN NON-UTILITY PROPERTY	HERNANDO COUNTY	2,512.55	1.424	3,577.87	10,680.00	ATTORNEY'S FEES RECORDING FEES PRORATED TAXES	203.85 26.91 67.79 298.55	10,381.45	6,803.58	38.575	4,179.10
1994	2.069 ACRES OF PARCEL #8 LOCATED @ SPRING HILL PLANT #2701 INCLUDED IN NON-UTILITY PROPERTY	HERNANDO COUNTY	1,042.88	2.069	2,157.73	15,517.50	ATTORNEY'S FEES RECORDING FEES PRORATED TAXES	296.15 39.00 98.53 433.77	15,083.73	12,926.00	38.575	7,939.60
1994	.11 ACRES LOCATED IN SEMINOLE COUNTY @ SANLANDO PLANT #332 100% USED AND USEFUL	MR & MRS J. DeJESUS	2,329.26	0.110	256.21	1,000.00	ATTORNEY'S FEES RECORDING FEES PRORATED TAXES	890.00 37.50 3.52 931.02	68.98	(187.23)	38.575	(115.01)
1993	20.0 ACRES APPROX LYING NORTH OF DOYLE ROAD IN VOLUSIA COUNTY PLANT #1806 INCLUDED IN NON-UTILITY PROPERTY	SCHOOL BOARD OF VOLUSIA COUNTY	3,500.00	20 000	70,000.00	120,000.00	ATTORNEY'S FEES RECORDING FEES TITLE SEARCH TITLE INSURANCE PRORATED TAXES	3,249.13 850.50 300.00 675.00 870.77 5,945.40	114,054.60	44,054.60	38.575	27,060.54
1991	.21 ACRES APPROX OF TRACT "A" UNIT 70 LOCATED @ DELTONA LAKES PLANT #2801 INCLUDED IN PLANT FOR FUTURE USE	DEPARTMENT OF TRANSPORTATION	1,934.14	0.210	418 77	1,780.00	" NONE "		1,780.00	1,361.23	37.63	849.00

SOUTHERN STATES UTILITIES, INC.
DOCKET NO.: 950495-WS
RESPONSE TO INTERROGATORIES

REQUESTED BY:	OPC
SET NO:	6
INTERROGATORY NO:	199
ISSUE DATE:	09/15/95
WITNESS:	Judith J. Kimball
RESPONDENT:	Judith J. Kimball

INTERROGATORY NO: 199

For purposes of this request, please refer to page 6 of the Appendix DR74-A. Was the excess land taken out of rate base? If it was taken out of rate base, please state where the adjustment was made. Was the excess land ever included in rate base? Has the land been sold and at what price and what was the before and after-tax gain or loss.

RESPONSE: 199

The excess land referred to on page 6 Appendix DR74-A, 24 acres of land in Hernando County, was taken out of rate base as an FPSC Adjustment to the 12/31/91 beginning balance. As a result, it cannot be readily seen in the current MFRs as an adjustment because it is included as a reduction in the beginning balances. The build-up workpaper attached as Appendix 199-A reflects the land adjustment. The amount of the adjustment was $(376,241), per the ordered adjustment from Order No. PSC 93-0423-FOF-WS in Docket 920199-WS, page 888. A copy of that page is attached as Appendix 199-B.

The land was originally included in rate base in Docket 920199-WS but was removed per the final order (as stated above).

The land has not been sold as of the current date.

Appendix 199-A
Page 1 of 1

PLANT IN SERVICE DOLLARS - SEWER
- Additions and Balances Subsequent to Last Established Rate Base -

Company: SSU / Hernando / Spring Hill
SEWER PLANT IN SERVICE ACCOUNTS

No.	DESCRIPTION	Last Establised Rate Base 12/31/91	FPSC Adjustments	FPSC ADJUSTED Rate Base 12/31/91	Utility Adjustments	Adjusted Rate Base 12/31/91
INTANGIBLE PLANT						
351.1	Organization	0		0		0
352.1	Franchises	5,175		5,175		5,175
389.1	Other Plant & Misc.	0		0		0
COLLECTION PLANT						
353.2	Land & Land Rights	413,778	(376,241)	37,537	9,066	46,603
354.2	Structures & Improvements	3,999		3,999		3,999
360.2	Collection Sewers - F	256,779		256,779		256,779
361.2	Collection Sewers - G	2,734,510		2,734,510		2,734,510
362.2	Special Collecting	0		0		0
363.2	Services to Customers	523,223		523,223	170,943	694,166
364.2	Flow Measuring Devices	0		0		0
365.2	Flow Measuring Installation	0		0		0
389.2	Other Plant & Misc. Equipment	0		0		0
SYSTEM PUMPING PLANT						
353.3	Land & Land Rights	0		0		0
354.3	Structures & Improvements	0		0		0
370.3	Receiving Wells	235,018		235,018		235,018
371.3	Pumping Equipment	1,066,262		1,066,262		1,066,262
389.3	Other Plant & Misc. Equipment	0		0		0
TREATMENT AND DISPOSAL PLANT						
353.4	Land & Land Rights	0		0		0
354.4	Structures & Improvements	866,682		866,682		866,682
380.4	Treatment & Disposal	610,287		610,287		610,287
381.4	Plant Sewers	293,035		293,035		293,035
382.4	Outfall Sewer Lines	100,141		100,141		100,141
389.4	Other Plant & Misc. Equipment	63,173		63,173		63,173
GENERAL PLANT						
353.5	Land & Land Rights	25,022		25,022		25,022
354.5	Structures & Improvements	127,940		127,940		127,940
390.5	Office Furniture & Equipment	65,373		65,373		65,373
390.51	Computer Equipment	115,581		115,581		115,581
391.5	Transportation Equipment	89,328		89,328		89,328
392.5	Stores Equipment	782		782		782
393.5	Tools, Shop, & Garage	32,331		32,331		32,331
394.5	Laboratory Equipment	7,473		7,473		7,473
395.5	Power Operated Equipment	40,634		40,634		40,634
396.5	Communication Equipment	13,934		13,934		13,934
397.5	Miscellaneous Equipment	5,067		5,067		5,067
398.5	Other Tangible Plant	3,644		3,644		3,644
	TOTAL SEWER PLANT IN SERVI(	7,699,171	(376,241)	7,322,930	180,009	7,502,939

10/9/95 94SPIS_B.XLS

Appendix 199-B
Page 1 of 1

ORDER NO. PSC-93-0423-FOF-WS
DOCKET NO. 920199-WS
Page 888

COMPANY: DUI-SSU / HERNANDO / SPRING HILL UTILITIES
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED DECEMBER 31, 1991

SCHEDULE NO. 2-C
DOCKET NO. 920199-WS
PAGE 1 OF 2

EXPLANATION	WATER	WASTEWATER
(1) UTILITY PLANT IN SERVICE		
a) Adjustment to correct previously established amounts (S#16)		
b) Adjustment to reflect appropriate retirement entry (S#5)		
c) Adjustment to correct misstatement per MFRs (S#7 and 15)		
d) Adjustment to correct double counting error (S#10 and 11)		
e) Adjustment to show allocated portion of Lehigh common plant	31,629	6,773
	$ 31,629	$ 6,773
(2) LAND		
a) Adjustment to reflect appraisal performed in 1992 (S#12)		
b) Adjustment to correct MFR reporting errors regarding land (S#24)		(185,367)
	$ 0	$ (185,367)
(3) NON-USED AND USEFUL PLANT		
a) Adjustment to remove land held for future use		(376,241)
b) Adjustment to reflect recommended used and useful provision	(13,675)	(73,191)
	$ (13,675)	$ (449,432)
(4) ACCUMULATED DEPRECIATION		
a) Adjustment to correct previously established amounts (S#16)		
b) Adjustment to show retirement entry (S#5)		
c) Adjustment to correct misstatement per MFRs (S#7 and 15)		
d) Adjustment to correct double counting error (S#10 and 11)		
e) Adjustment to show allocated portion of Lehigh common plant	(11,013)	(2,358)
	$ (11,013)	$ (2,358)
(5) CIAC		
a) Adjustment to show previously established CIAC balances (S#16)		
b) Adjustment to show corrected account balances per audit (S#13 and 14)		
c) Adjustment to reflect retirement entry (S#5)		
d) Imputation of CIAC to offset provision for margin reserve	(432,933)	(130,676)
	$ (432,933)	$ (130,676)
(6) AMORTIZATION OF CIAC		
a) Adjustment to show previously established CIAC balances (S#16)		
b) Adjustment to show corrected account balances per audit (S#13 and 14)		
c) Adjustment to reflect retirement entry (S#5)		
d) Adjustment due to imputation of CIAC	8,034	2,245
	$ 8,034	$ 2,245

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into the Appropriate Rate Structure for SOUTHERN STATES UTILITIES, INC. for all Regulated Systems in Bradford, Brevard, Citrus, Clay, Collier, Duval, Hernando, Highlands, Lake, Lee/Charlotte, Marion, Martin, Nassau, Orange, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties.

DOCKET NO. 930880-WS
ORDER NO. PSC-93-1795-PCO-WS
ISSUED: December 16, 1993

RECEIVED

DEC 17 1993

ORDER SETTING ISSUES AND
REVISING DATES FOR FILING TESTIMONY AND EXHIBITS

Order No. PSC-93-1582-PCO-WS, issued October 29, 1993, directed the parties to file a list of issues to be considered in this Commission-initiated investigation. The parties have now filed their lists of issues. Having reviewed all issues filed, having rejected issues deemed to be irrelevant or inappropriate, and having incorporated the concepts of other issues, the following four issues have been found to be the appropriate issues for hearing. Prefiled testimony and prehearing statements shall address the issues set forth in this Order. An explanation for the decision as to the other issues raised by the parties is discussed below the list of issues.

LEGAL ISSUE

1. DOES THE COMMISSION HAVE THE AUTHORITY TO MODIFY RATES TO AFFECT CONSERVATION?

POLICY ISSUES

2. WHAT IS THE APPROPRIATE RATE STRUCTURE FOR SOUTHERN STATES UTILITIES, INC.? IN REACHING A DECISION ON THIS ISSUE SPECIFIC CONSIDERATION WILL BE GIVEN TO THE FOLLOWING FACTORS:

   a. RELATIVE COST OF PROVIDING SERVICE, SUCH AS TREATMENT TYPE;

   b. CIAC CONTRIBUTION LEVELS;

DOCKET 950495-WS
EXHIBIT NO. 179
CASE NO. 96-04227

13370 DEC 16 93

   c. THE NEED FOR CONSERVATION RATES AND THE EXTENT TO WHICH THOSE RATES WILL ENCOURAGE CONSERVATION;

   d. GEOGRAPHIC CONSIDERATIONS, SUCH AS LOCATION OF FACILITIES, PLANT, AND CUSTOMERS;

   e. LONG-TERM BENEFITS OF UNIFORM RATES AS COMPARED TO OTHER RATE STRUCTURES;

   f. COST SAVINGS TO THE UTILITY IN BILLING, RATE CASE EXPENSE AND OTHER EXPENSES;

   g. THE EFFECT OF RATE STRUCTURE ON CUSTOMERS' AND OFFICE OF PUBLIC COUNSEL'S PARTICIPATION IN RATE PROCEEDINGS;

   h. THE RELATIONSHIP BETWEEN RATES AND ACQUISITIONS;

   i. THE EFFECT OF UNIFORM RATE STRUCTURE ON CUSTOMERS AS COMPARED TO OTHER RATE STRUCTURES, INCLUDING BUT NOT LIMITED TO STAND-ALONE AND TIERED RATE STRUCTURES.

3. SHOULD A SEPARATE BULK WASTEWATER RATE STRUCTURE BE APPROVED FOR HERNANDO COUNTY AND/OR OTHER BULK WASTEWATER CUSTOMERS? IF SO, HOW SHOULD SUCH A RATE BE CALCULATED?

4. WHAT ARE THE APPROPRIATE RATES ON A GOING-FORWARD BASIS?

ISSUES FILED BY CITRUS AND HERNANDO COUNTIES

Legal Issues

Citrus and Hernando Counties (the Counties) raise 13 issues which the Counties identify as legal issues. Issue 1 raises the question of the Commission's authority to set uniform rates if the rates allow a return on plant which is not used and useful in providing service to all customers paying rates on that plant. This is an issue which was raised and disposed of in Docket No. 920199-WS and Orders Nos. PSC-93-0423-FOF-WS and PSC-93-1598-FOF-WS, issued March 22, 1993, and November 2, 1993, respectively, in which the Commission determined and reaffirmed its legal authority

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950495 EXHIBIT NO 179
COMPANY/
WITNESS:
DATE: 4/29/96

179

to set rates using a statewide, uniform rate structure. Based on the doctrine of administrative finality, this issue is not appropriately raised in this docket.

Similarly, Issue 2 raises the question of the Commission's authority to set uniform rates if the rates allow recovery of expenses not necessary in providing utility service to all customers being charged the rates. This is also an issue which was raised and disposed of in Docket No. 920199-WS and Orders Nos. PSC-93-0423-FOF-WS and PSC-93-1598-FOF-WS, issued March 22, 1993, and November 2, 1993, respectively, in which the Commission determined and reaffirmed its legal authority to set rates using a statewide, uniform rate structure. Based on the doctrine of administrative finality, this issue is not appropriately raised in this docket.

Issue 3 has been set as Issue 1 in this Order.

To the extent that contributions-in-aid-of-construction (CIAC) levels of individual systems will be considered in the issues set forth herein, Issue 4 will be addressed in Issue 2.b. set in this Order.

Issue 5 raises the question whether it is constitutionally impermissible to set rates that do not fully reflect CIAC paid by customers. Again this is an issue which was raised and disposed of in Docket No. 920199-WS and Orders Nos. PSC-93-0423-FOF-WS and PSC-93-1598-FOF-WS, issued March 22, 1993, and November 2, 1993, respectively, in which the Commission determined and reaffirmed its legal authority to set rates using a statewide, uniform rate structure. Based on the doctrine of administrative finality, this issue is not appropriately raised in this docket.

Similarly, Issue 6 questions whether it is legally permissible to approve rates for certain systems which are not sufficient to cover the operating expenses of the customers served by those systems. This is also an issue more appropriately addressed in the appeal of the Final Order in Docket No. 920199-WS.

Issue 7 questions whether the Commission has authority to enter into Memoranda of Understanding with other state agencies for the purpose of affecting water consumption rates in Florida. This issue is irrelevant to this proceeding because it has no bearing on the determination of whether uniform rates for Southern States Utilities, Inc. (SSU) are appropriate and in the public interest.

Issue 8 questions the legality of requiring Hernando County to subsidize systems other than the one to which it is connected. Once again, this issue is not appropriately raised in this docket because the issue of the Commission's authority to set uniform rates was raised and disposed of in Docket No. 920199-WS and Orders Nos. PSC-93-0423-FOF-WS and PSC-93-1598-FOF-WS, issued March 22, 1993, and November 2, 1993, respectively, in which the Commission determined and reaffirmed its legal authority to set rates using a statewide, uniform rate structure.

Issue 9 raises the question of whether the previous approval of uniform rates for other utilities makes it legal to set uniform rates. Again, the legality of setting uniform rates and the basis for determining that the Commission has the authority to set such rates was raised and disposed of in Docket No. 920199-WS and Orders Nos. PSC-93-0423-FOF-WS and PSC-93-1598-FOF-WS, issued March 22, 1993, and November 2, 1993, respectively, in which the Commission determined and reaffirmed its legal authority to set rates using a statewide, uniform rate structure.

Issue 10 asks whether the Florida Aquifer qualifies as a justification for setting uniform rates. This issue is not relevant to this proceeding because it does not address the policy issue of this docket. It seems to address the legal issue of the Commission's authority to set statewide, uniform rates for systems which are not physically interconnected.

Issue 11 asks whether other agencies have primary authority over consumption of water and discharge of wastewater. The purpose of this docket is to determine the appropriate rate structure for SSU. Determining the agencies with primary jurisdiction over consumption of water and discharge of wastewater is not a relevant issue.

Issue 12 raises the issue of the Commission's authority to encourage SSU's acquisition of systems in need of rehabilitation and whether the Commission should consider that acquisitions by governmental entities would be more cost-effective where existing customers will have to subsidize the operations of the newly-acquired systems. The Commission's policy on acquisitions of troubled systems has no relevance to this proceeding. However, the possible affect of acquisitions on customers' rates is one of the factors to be considered in this proceeding (See Issue 2.h.).

Issue 13 raises two questions. The first question raised is whether it is legal for "impact fees" in the form of connection fees charged in one county to be "spent" elsewhere by the adoption of uniform rates that ignore the connection fees. This issue is similar to the Counties' Issue 5 and is rejected for the same reason. The second part of Issue 13 questions whether the uniform rates violate local comprehensive plans. This issue is irrelevant.

General Issues

The Counties raise another 13 general issues. The Counties' Issue 1 asks what criteria should be used in this proceeding to determine whether uniform rates are appropriate for SSU. The Counties' Issue is addressed by the identification of the issues herein, particularly Issue 2 which identifies factors to be considered in determining whether uniform rates are appropriate for SSU.

The Counties' Issue 2 questions whether comparison of electric and telephone utilities is a legitimate basis for approving uniform rates. The issue has ten sub-parts all related to how such a comparison should be made. Most of the sub-parts are more in the nature of discovery or argument. For example, one sub-part is stated as follows: Is it not true that all Florida telecommunications companies have different residential and business rates despite the cost to serve each classification being similar? To the extent that the Counties' Issue 2 raises the legal issue of whether the Commission has the authority to set uniform rates based on its authority to set such rates in other industries, the issue was raised and disposed of in Docket No. 920199-WS and Orders Nos. PSC-93-0423-FOF-WS and PSC-93-1598-FOF-WS, issued March 22, 1993, and November 2, 1993, respectively, in which the Commission determined and reaffirmed its legal authority to set rates using a statewide, uniform rate structure. Based on the doctrine of administrative finality, this issue is not appropriately raised in this docket. To the extent that the issue raises criteria to be considered, such as geographic location or interconnection, the Counties' Issue is addressed in Issue 2 set in this Order.

Issue 3 asks for the names of other utilities for which the Commission has set uniform rates and other factual questions. This issue is appropriate for discovery and is not a question of law or controversy.

Similarly, Issue 4 asks whether all of SSU's systems are connected to the same aquifer. This is also a question appropriate for discovery.

Issue 5 asks how uniform rates will affect conservation. To the extent that Issue 2 set in this Order addresses conservation, this issue is addressed. The sub-parts to this question are both argumentative (Will not subsidization send the wrong signal and promote consumption?) and call for a decision of the Commission that is far beyond the scope of this proceeding (What other actions does the Commission intend to take to control water consumption or encourage conservation?).

The Counties' Issue 6 will be addressed within Issue 2.h. set in this Order.

Issue 7, with six sub-parts, is an issue more appropriate for discovery. For example, the first question raised by the issue is what accounts for the high cost of serving those systems receiving the greatest subsidies under uniform rates. Further, it also raises questions concerning the criteria used for approving acquisitions, such as did the Commission consider whether any recent acquisition by SSU would have been more cost-effective had the system been purchased by a governmental entity. Issue 7 is rejected as being both discovery oriented and irrelevant. To the extent that Issue 7 raises the question of how SSU customers will be affected by future acquisitions, that issue is addressed in Issue 2.h. set in this Order.

Issue 8 is a continuation of acquisition related questions which are more appropriate for discovery. For example, one of the sub-parts of Issue 8 asks what plans exist for the acquisition of systems by SSU. Issue 8 is rejected because it does not raise an issue of controversy.

Issue 9 asks what plans SSU has for improvements to the 127 systems included in the recent rate case and how these improvements will affect the uniform rates. This Issue is also one more appropriate for discovery and is rejected for that reason.

Issue 10 asks questions relating to the Commission's workload as a result of uniform rates and whether any savings will be sufficient to reduce the current regulatory assessment fee. The Commission's workload and the regulatory assessment fees are not relevant to this proceeding. Therefore, Issue 10 was rejected.

Similarly, Issue 11 asks whether the filing of 127 systems at one time will overwhelm the ratemaking process and whether there will be time to conduct field audits under the statutory time constraints. Again, the Commission's workload is not at issue in this proceeding and the Issue has been rejected as irrelevant.

Issue 12 what rate case savings will result from uniform rates and similar questions. These questions raised in Issue 12 can be answered in discovery and do not raise any issue of controversy, although reduction in rate case expense is a factor included in Issue 2.f. set in the Order. Therefore, Issue 12 is rejected. Issue 13 asks what are the appropriate factors to be utilized for calculating the used and useful calculations for each system. The calculation of used and useful is not relevant to this proceeding because rates are not at issue.

Bulk Wastewater Rate Issues

The Counties also raise 4 issues related to bulk wastewater service in Hernando County. Issue 1 asks whether there should be a separate bulk wastewater rate for Hernando County. This issue was set as an issue at the time this investigation was initiated and is identified as Issue 3 of the Issues set in this Order. Issues 2 and 3 raised by the Counties are directed at how the bulk wastewater rate should be calculated. These two issues are subsumed in Issue 3 set in this Order which addresses the question of how the bulk wastewater rate is to be calculated, should one be established. Issue 4 raised by the Counties questions what SSU's fixed and variable costs are for providing bulk wastewater service to Hernando County. This is a discovery-type question and has been rejected for that reason.

ISSUES FILED BY COVA

Cypress and Oak Villages Association (COVA) filed 18 issues. Issues 1-6 are statements of position. For example, Issue 1 states as follows: Statewide uniform rates effectively neutralize the Office of Public Counsel as an advocate of the citizens of the State of Florida (i.e. the ratepayers), by creating a conflict of interest. Because Issues 1-6 are worded in the form of positions or argument rather than in the form of issues, they have not been included as issues herein.

Issue 7 is worded as follows: How does the uniform rate concept square with staff recommendations that the minimum criteria in considering consolidation for rate-making purposes should be: the source and type of treatment, age and condition of the system, level of CIAC, size and density of the system, service availability charges, operating expense characteristics and rate base per ERC? This issue is rejected because staff recommendations do not have to "square" with Commission decisions. To the extent that this issue deals specifically with any recommendations in Docket No. 920199-WS, it should be raised on appeal of the Commission's decision in that docket. To the extent that COVA wishes to explore these factors in this proceeding, each of them is included in one of the factors identified in Issue 2 set herein.

Issue 8 questions whether uniform rates for water and sewer can be justified by comparison to electric power utilities. Issue 9 questions whether uniform rates can be justified by the argument that 127 SSU utilities are interconnected by the Floridian aquifer. Issues 8 and 9 are the same as Issues 9 and 10 of the Counties' legal issues and are rejected for the same reasons.

Issue 10 questions whether water conservation is the primary responsibility of this Commission as opposed to the water management districts. By investigating what the appropriate rate structure is for SSU, this Commission is not asserting primary jurisdiction over water conservation in this state. Therefore, that portion of Issue 10 is rejected as irrelevant. To the extent that Issue 10 addresses conservation through rate structure, it will be addressed in this proceeding in Issue 2.c. set in this Order.

Issue 11 raises the question of whether customers and OPC will be able to adequately participate in future proceedings where uniform rates have been established. This issue is addressed as part of Issue 2.g. set by this Order.

Issue 12 is a discovery-type question similar to the Counties' general Issue 9 and is rejected for the same reason.

Issue 13 is as follows: Will uniform rates reduce the work load of the PSC staff? If so, how will the customers interests be protected? Will the 4.5% Revenue Assessment Fee be reduced? The Commission's workload and the amount of the regulatory assessment fees are not appropriate issues for this proceeding, and are not relevant to the issue of the appropriate rate structure for SSU.

Issue 14 questions Commission staff's ability to process the filing of a rate case for 127 systems under the uniform rate structure. This issue is not relevant because the Commission must process rate cases for however many utilities or systems file for rate relief. In Docket No. 920199-WS, SSU filed for rate relief for 127 systems at one time and individual field audits were conducted just as they will be in any future filing regardless of the rate structure or the number of systems involved.

Issue 15 has several sub-parts. First, it raises the question of whether it is desirable that uniform rates be used to encourage SSU to purchase small troubled utilities. This issue has been rejected as irrelevant because rate structure is not a mechanism by which the Commission encourages or discourages acquisitions. However, to the extent that the effect of acquisitions is a factor which COVA believes should be explored, the relationship between rates and acquisitions is identified in Issue 2.h. set in this Order. The second part of Issue 15 raises the question of whether it is desirable that rate increases for the purpose of purchasing small troubled systems occur on or near an annual basis. This is also irrelevant because there is no basis to conclude that rate increases will occur on an annual basis. The utility may choose the frequency of its requests for rate increases which may or not be related to acquisitions. The third part of the issue questions the legality of "assessing a subsidy" to the ratepayers of some utilities in order to allow others to pay less than cost for their utility services. This is a legal issue which was raised and rejected in Docket No. 920199-WS and Orders Nos. PSC-93-0423-FOF-WS and PSC-93-1598-FOF-WS, issued March 22, 1993, and November 2, 1993, respectively, in which the Commission determined and reaffirmed its legal authority to set rates using a statewide, uniform rate structure. Based on the doctrine of administrative finality, this issue is not appropriately raised in this docket.

Issue 16 raises the question of whether uniform rates take precedence over the Citrus County Comprehensive Plan. This issue is similar to the third part of the Counties' legal Issue 13 and is rejected for the same reason.

Issue 17 has two parts. The first part, whether uniform rates will reduce rate case expense, can be addressed in Issue 2 of this Order as a possible benefit of statewide rates. The second part of Issue 17, whether rate case expense will be apportioned fairly, is not relevant to this proceeding because whatever rate structure is

utilized will necessarily determine the allocation of all common costs including rate case expense.

Issue 18 questions whether, under uniform rates, the procedures, rules and regulations will cover more fully the engineering and accounting aspects of ratemaking. The adequacy of the Commission's procedures, rules and regulations are not the focus of this proceeding. Therefore, this issue has been rejected as irrelevant. However, the Commission has a statutory duty to set rates that are just, reasonable, compensatory and not unfairly discriminatory which duty cannot be fulfilled without a complete examination of the engineering and accounting information filed by any utility.

ISSUES FILED BY SOUTHERN STATES UTILITIES, INC.

The issues filed by SSU have been substantially included in the issues set in this Order.

DISKETTE FILINGS

The parties are reminded that all filings in this proceeding are governed by the provisions of Rule 25-22.028, Florida Administrative Code, requiring parties to include a copy of documents on diskette where appropriate.

DATES FOR FILING TESTIMONY

By Order No. PSC-93-1516-PCO-WS, issued October 14, 1993, the parties' testimony is due on December 17, 1993. Through an inadvertent error the above-referenced Order was not sent to the parties of record until December 8, 1993. Further, this Order setting issues is being issed less than a week before the December 17, 1993, deadline for filing testimony. In addition, COVA and the Counties have filed a request for an extension of time within which to file testimony. SSU does not object to an extension of time to file direct testimony. Based on the foregoing, it is appropriate to extend the time within which to file direct testimony and exhibits. COVA's and the Counties' motion are granted to the extent set forth below. Order No. PSC-93-1516-PCO-WS is reaffirmed in all other respects. Accordingly, the following shall be the controlling dates for filing testimony in this case.

1)	All parties' (utility and intervenors) direct testimony and exhibits	January 11, 1994
2)	Staff's direct testimony and exhibits, if any	February 2, 1994
3)	Rebuttal testimony and exhibits	February 18, 1994

In the event rehearing of this Order Setting Issues and Revising Schedule is requested, the dates for filing testimony will remain the same. For any additional issues which may arise in the event there is rehearing, additional time to file supplemental testimony on those issues will be considered upon request by the parties.

Based on the foregoing, it is therefore

ORDERED by Julia L. Johnson, as Prehearing Officer, that the issues identified in the body of this Order shall be the issues of the case, unless modified by the Commission. It is further

Ordered that the Cypress and Oak Villages Association, Inc.'s Motion to correct or extend Sue Date of Intervening Testimony and Citrus and Hernando Counties' Motion Requesting Additional Time To File Prefiled Testimony are granted to the extent set forth in the body of this Order. It is further

ORDERED that the controlling dates for filing testimony and exhibits set forth in Order No. PSC-93-1516-PCO-WS are revised as set forth in the body of this Order. Order No. PSC-93-1516-PCO-WS is reaffirmed in all other respects.

By ORDER of Commissioner Julia L. Johnson, as Prehearing Officer, this 16th day of December, 1993.

JULIA L. JOHNSON, Commissioner and
Prehearing Officer

(S E A L)

CB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

DOCKET 950495-WS
EXHIBIT NO. 180
CASE NO. 96-04227

EXHIBIT NO. 180

WINTESS: KIMBERLY H. DISMUKES

DOCKET NO. 950495-WS

Application for rate increase and in SACs

SOUTHERN STATES UTILITIES, INC.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DESCRIPTION:

Page 1 and 2 to Exhibit RAT-11 of Rebuttal Testimony by Rafael A. Terrero

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950495 EXHIBIT NO. 180
COMPANY/
WITNESS:
DATE: 4/29/96

Department of Environmental Protection

Central District
3319 Maguire Boulevard, Suite 232
Orlando, Florida 32803-3767

Lawton Chiles
Governor

Virginia B. Wetherell
Secretary

STATE OF FLORIDA
DOMESTIC WASTEWATER FACILITY PERMIT

PERMITTEE:

Orange Osceola Utilities, Inc.
2507 Boggy Creek Road, Suite D
Kissimmee, Florida 34744

Mike Johnson, General Manager

PERMIT NUMBER: FL0039446-001
ISSUANCE DATE:
PATS NUMBER: 219202-268476
EXPIRATION DATE: October 10, 2000
FACILITY I.D. NO.: 3049P00029

FACILITY:

Buenaventura Lakes WWTP
839C West Birchwood Circle
Osceola County
Kissimmee, Florida
Latitude: 28° 19' 28" N Longitude: 81° 22' 22" W

This permit is issued under the provisions of Chapter 403, Florida Statutes, and applicable rules of the Florida Administrative Code and constitutes authorization to discharge to waters of the state under the National Pollutant Discharge Elimination System. The above named permittee is hereby authorized to construct and/or operate the facilities shown on the application and other documents attached hereto or on file with the Department and made a part hereof and specifically described as follows:

TREATMENT FACILITIES:

An existing 1.8 MGD annual average daily flow (AADF) permitted capacity Bardenpho process wastewater treatment plant consisting of influent screening, grit removal, surge control, fermentation zone, first anoxic zone, aeration, second anoxic zone, reaeration zone, clarification, chemical feed facilities, filtration, disinfection by chlorination, a 4-cell, inline 6-acre hyacinth polishing pond (3 days detention time), post aeration, aerobic storage of residuals, rotary drum thickener and lime stabilization with:

EFFLUENT DISPOSAL:

Surface Water Discharge: An existing 1.080 MGD AADF permitted capacity rapid-rate land application system consisting of three (3) rapid exfiltration basins (REB's) with an effective seepage length of 520 linear feet each. Effluent is discharged to surface waters by seepage through the easterly exfiltration berms of the REB's to an adjacent stormwater canal, which discharges to Bass Slough and hence to Lake Tohopekaliga, all Class III waters. Emergency discharge from each REB is westerly to the south wetland cell. The point of discharge (D004) and REB's are located approximately at latitude 28° 19' 15" N, longitude 81° 22' 07" W. Construction of REB #4 is hereby authorized adjacent to and north of the existing REB's, with an effective seepage length of 450 linear feet and an increase in permitted capacity of 0.250 MGD AADF of the REB system to a total disposal capacity of 1.33 MGD AADF.

Orange Osceola Utilities, Inc.
Buenaventura Lakes WWTP

Permit Number: FL0039446-001
Facility I. D. Number: 3049P00029

REUSE:

Surface Water Discharge: An existing 0.100 MGD AADF permitted capacity non-jurisdictional, 3-cell, 169 acre, treatment wetland reuse system (R001) required to hold emergency discharge from the REB's, storage during wet weather and reuse water for wetlands enhancement to maintain a productive wildlife habitat. Discharge from the wetland system is only authorized due to a 10-year 24-hour storm event. The discharge point (D001) from the overflow structure of the south wetland cell to the adjacent stormwater canal, which discharges to Bass Slough and hence to Lake Tohopekaliga, is located approximately at latitude 28° 19' 07" N, longitude 81° 22' 10" W. (Note: Previous outfalls D002 and D003 have been sealed and abandoned.)

Land Application: An existing 0.500 MGD AADF permitted capacity public access reuse system (R002) consisting of golf course pond reclaimed water storage and irrigation of the 65-acre Buenaventura Lakes Golf Course located approximately at latitude 28 ° 20 ' 20 " N, longitude 81 ° 22 ' 00 " W.

DISPOSAL CAPACITY SUMMARY	MGD AADF
1. REB's #1, #2 #3 & #4	1.330
2. Golf Course	0.500
3. Wetland System	0.100
Total:	1.930

IN ACCORDANCE WITH: The limitations, monitoring requirements and other conditions set forth in Part I 11 pages, Part II 2 pages, Part III 2 pages, Part IV 2 pages, Part V 1 page, Part VI 1 page, Part VII 0 pages, Part VIII 2 pages and Part IX 5 pages of this permit, including the enclosed Discharge Monitoring Reports (DMR's), Ground Water Monitoring Well Completion Report and Groundwater Monitoring Reports.

Docket No 950495-WS
Kimberly H. Dismukes
Exhibit No. ___(KHD-1)
Schedule 32

Southern States Utilities, Inc.
Unaccounted For Water: Adjustment for Variable Expenses

Plant Name	Gallons Pumped/Purchased	UFW Percent	Excess Gallons	Purchased Water	Purchased Power	1994 Chemicals	Total Variable	1994 Cost Per/1000	Excess Cost	Purchased Water	Purchased Power	1996 Chemicals	Total Variable	1996 Cost Per/1000	Excess Cost
Uniform Plants															
Amelia Island	419,359	11.86%	49,729	$0	$35,789	$12,137	$47,926	$0.11	$5,683	$0	$39,785	$14,094	$53,879	$0.13	$6,389
Apache Shores	5,555	1.86%	104	0	804	0	804	$0.14	15	0	860	563	1,423	$0.26	27
Beecher's Point	7,928	7.63%	605	16,560	683	154	17,397	$2.19	1,328	27,600	600	0	28,200	$3.56	2,153
Carlton Village	14,102	9.90%	1,397	0	2,885	329	3,214	$0.23	318	0	3,000	284	3,284	$0.23	325
Citrus Springs	203,865	7.88%	16,061	0	22,363	476	22,839	$0.11	1,799	0	22,898	1,594	24,492	$0.12	1,929
Deltona	3,038,671	1.56%	47,397	53	308,999	40,904	349,956	$0.12	5,459	0	417,300	148,506	565,806	$0.19	8,825
Druid Hills	45,456	4.20%	1,911	0	6,320	3,715	10,035	$0.22	422	0	6,960	4,423	11,383	$0.25	479
Fountains	3,998	3.63%	145	0	531	0	531	$0.13	19	0	1,200	318	1,518	$0.38	55
Golden Terrace	5,423	7.57%	411	0	1,238	217	1,455	$0.27	110	8,445	0	0	8,445	$1.56	640
Hobby Hills	7,442	1.76%	131	0	1,097	67	1,164	$0.16	20	0	1,080	106	1,186	$0.16	21
Holiday Haven	6,057	11.74%	711	18,693	0	0	18,693	$3.09	2,195	18,960	0	0	18,960	$3.13	2,227
Intercession City	21,472	12.31%	2,643	0	1,474	99	1,573	$0.07	194	0	1,500	636	2,136	$0.10	263
Interlachen Lakes/Pk Man	14,684	14.85%	2,181	0	2,485	77	2,562	$0.17	380	0	2,520	2,484	5,004	$0.34	743
Keystone Heights	122,042	1.78%	2,174	0	14,552	583	15,135	$0.12	270	0	20,935	3,246	24,181	$0.20	431
Leisure Lakes	8,804	4.71%	415	0	960	1,339	2,299	$0.26	108	0	1,200	1,733	2,933	$0.33	138
Oak Forest	16,722	16.07%	2,688	0	2,402	214	2,616	$0.16	420	0	2,076	312	2,388	$0.14	384
Palm Port	6,215	2.36%	147	0	800	115	915	$0.15	22	0	960	942	1,902	$0.31	45
Palm Terrace	78,533	1.96%	1,541	135,559	0	1	135,560	$1.73	2,659	101,400	3,840	159	105,399	$1.34	2,068
Picciola Island	13,454	7.38%	993	3,210	2,127	40	5,377	$0.40	397	0	2,400	106	2,506	$0.19	185
Point O'Woods	24,889	6.21%	1,545	0	3,322	260	3,582	$0.14	222	0	3,867	563	4,430	$0.18	275
Pomona Park	13,439	8.37%	1,125	0	2,413	77	2,490	$0.19	208	0	2,720	942	3,662	$0.27	307
Skycrest	8,567	7.14%	611	0	1,425	117	1,542	$0.18	110	0	1,620	106	1,726	$0.20	123
St Johns Highlands	4,921	29.20%	1,437	0	819	77	896	$0.18	262	0	800	835	1,635	$0.33	477
Stone Mountain	2,845	48.77%	1,388	0	1,019	214	1,233	$0.43	601	0	1,080	95	1,175	$0.41	573
Tropical Park	36,764	3.29%	1,209	20,653	3,526	1,401	25,580	$0.70	841	2,660	5,040	3,112	10,812	$0.29	355
Westmont	13,854	1.98%	275	17,918	0	0	17,918	$1.29	355	20,000	0	0	20,000	$1.44	396
Woodmere	309,614	28.56%	88,424	0	30,171	6,132	36,303	$0.12	10,368	0	32,985	9,481	42,466	$0.14	12,128
Uniform Totals	4,454,675		227,397	$212,646	$448,204	$68,745	$729,595		$34,787	$179,065	$577,226	$194,640	$950,931		$41,960
Non-Uniform Plants															
Buenaventura Lakes (1)	624,873	3.50%	21,848	0	69,551	13,995	83,546	$0.13	$2,921	0	69,551	13,995	83,546	$0.13	$2,921
Geneva Lake Estates	13,585	7.22%	981	0	1,620	1,064	2,684	$0.20	194	0	1,800	1,315	3,115	$0.23	225
Keystone Club Estates	13,564	2.64%	359	0	1,871	38	1,909	$0.14	50	0	2,040	133	2,173	$0.16	57
Lehigh	482,637	3.63%	17,499	0	77,110	111,906	189,016	$0.39	6,853	0	79,915	103,865	183,780	$0.38	6,663
Remington Forest	11,057	5.47%	605	0	1,677	141	1,818	$0.16	100	0	1,680	153	1,833	$0.17	100
Spring Gardens (1)	8,415	9.79%	824	0	1,431	71	1,502	$0.18	147	0	1,431	71	1,502	$0.18	147
Valencia Terrace (1)	32,492	39.74%	12,911	0	5,665	324	5,989	$0.18	$10,265	0	5,665	324	5,989	$0.18	2,380
Non-Uniform Totals	1,186,623		55,026	$0	$158,925	$127,539	$286,464		$20,530	$0	$162,082	$119,856	$281,938		$12,494
FPSC Totals	5,641,298		289,362	$212,646	$607,129	$196,284	$1,016,059		$55,318	$179,065	$739,308	$314,496	$1,232,869		$54,454

Adjustment

Ratio 1994 Expenses to 1996 Expenses	1.2134
1994 Excess Expenses	$55,318
1996 Excess Expenses	$\boxed{(\$67,121)}$

Source: Southern States Utilities, Inc., MFR F Schedules.

UFW 1 11 94 UNACCOUNT XLS

MFR's

SCHEDULE OF WATER OPERATING AND MAINTENANCE EXPENSES - 1996
SUMMARY OF TOTAL O & M EXPENSES

Company: SSU / Nassau / Amelia Island
Docket No.: 950495-WS
Schedule Year Ended: 12/31/96
Interim [ ] Final [x]
Historical [ ] Projected [x]
Simple Ave. [ ] 13 Month Ave. [x]
Conventional [x] Reverse Osmosis [ ]

Explanation: Provide a schedule that summarizes the total direct and allocated O & M expenses for the test year.

FPSC
Schedule: B-5(W)
Page 1 of 9
Preparer: Kimball
Recap Schedule: B-1(W)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
		1996 TOTAL O & M (.1 - .8)			1996 DIRECT O & M (.1 - .6)			1996 ALLOCATED CUST ACCTS (.7)			1996 ALLOCATED A & G (.8)		
Line No.	Account No. and Name	Per Books O & M	Adjustments	Adjusted O & M	Per Books O & M	Adjustments	Adjusted O & M	Per Books O & M	Adjustments	Adjusted O & M	Per Books O & M	Adjustments	Adjusted O & M
1	601 Salaries & Wages - Employees	100,659	6,823	107,482	45,889	2,187	48,076	15,109	1,863	16,873	39,661	3,073	42,733
2	603 Salaries & Wages - Officers, Etc.	0	0	0	0	0	0	0	0	0	0	0	0
3	604 Employee Pensions & Benefits (1)	25,156	506	25,661	11,408	0	11,408	3,776	211	3,987	9,911	296	10,207
4	610 Purchased Water	0	0	0	0	0	0	0	0	0	0	0	0
5	615 Purchased Power	40,502	(3,075)	37,426	39,785	(3,165)	36,620	60	0	60	667	90	757
6	616 Fuel for Power Production	626	0	626	626	0	626	0	0	0	0	0	0
7	618 Chemicals	14,094	(1,121)	12,973	14,094	(1,121)	12,973	0	0	0	0	0	0
8	620 Materials & Supplies	72,384	474	72,857	69,763	0	69,763	804	84	887	1,817	390	2,207
9	631 Contractual Services - Eng.	304	0	304	0	0	0	0	0	0	304	0	304
10	632 Contractual Services - Acct.	1,815	0	1,815	0	0	0	0	0	0	1,816	0	1,816
11	633 Contractual Services - Legal	973	0	973	0	0	0	0	0	0	973	0	973
12	634 Contractual Services - Mgmt Fees	0	0	0	0	0	0	0	0	0	0	0	0
13	635 Contractual Services - Other	2,441	1,230	3,671	(69)	59	(10)	0	0	0	2,510	1,171	3,681
14	641 Rental of Real Building/Real Property	1,444	226	1,670	0	0	0	0	0	0	1,444	226	1,670
15	642 Rental of Equipment	87	39	126	21	0	21	0	0	0	66	39	105
16	650 Transportation Expense	3,259	106	3,365	1,904	0	1,904	666	71	640	706	35	741
17	656 Insurance - Vehicle	1,107	0	1,107	0	0	0	0	0	0	1,107	0	1,107
18	657 Insurance - General Liability	2,276	472	2,748	0	0	0	0	0	0	2,276	472	2,748
19	658 Insurance - Workman's Comp (2)	1,722	23	1,744	785	0	785	256	14	270	679	0	687
20	659 Insurance - Other	226	0	226	0	0	0	0	0	0	226	0	226
21	660 Advertising Expense	247	222	469	0	0	0	0	0	0	247	222	469
22	666 Reg. Comm. Exp. - Rate Case Amort.	6,698	0	6,698	0	0	0	0	0	0	6,698	0	6,698
23	667 Reg. Comm. Exp. - Other	637	0	537	0	0	0	0	0	0	637	0	537
24	670 Bad Debt Expense	1,977	214	2,191	0	0	0	1,977	214	2,191	0	0	0
25	675 Miscellaneous Expenses	18,624	1,578	20,201	2,459	0	2,459	4,960	280	5,240	11,205	1,200	12,405
26	TOTAL WATER O & M EXPENSES	296,947	7,715	304,662	106,907	(2,041)	104,766	27,502	2,444	29,946	62,537	7,313	69,850

Notes:
(1) Employee Pensions & Benefits is calculated as 24.99% of monthly Salaries & Wages - Employees.
(2) Workmans Comp Insurance is calculated as 1.71% of monthly Salaries & Wages - Employees.

54

SCHEDULE OF WATER OPERATING AND MAINTENANCE EXPENSES - 1996
TOTAL O & M BY MONTH ...