

ORIGINAL
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DIRECT TESTIMONY OF
JAMES R. TODD
ORLANDO DISTRICT OFFICE
DIVISION OF AUDITING AND FINANCIAL ANALYSIS

FILED ON BEHALF OF THE STAFF OF
THE FLORIDA PUBLIC SERVICE COMMISSION

FILED: October 12, 1992

SOUTHERN STATES UTILITIES, INC.
AND DELTONA UTILITIES, INC.
DOCKET NO. 920199-WS

DOCUMENT NUMBER-DATE
11957 007 12 1992
FPSC-RECORDS/REPORTING

DIRECT TESTIMONY OF JAMES R. TODD

- 1
- 2 Q. Please state your name and business address.
- 3 A. James R. Todd, Suite N512, 400 W. Robinson St., Orlando, FL. 32801.
- 4 Q. By whom are you presently employed and in what capacity?
- 5 A. I am employed by the Florida Public Service Commission as a Regulatory
6 Analyst II.
- 7 Q. How long have you been employed by the Commission?
- 8 A. 13 years.
- 9 Q. Briefly review your educational and professional background.
- 10 A. I received a Bachelor's Degree in Mathematics in 1955 and a Bachelor's
11 Degree in Accounting in 1978.
- 12 Q. Please describe your current responsibilities.
- 13 A. I perform and sometimes manage audits of industries regulated by the
14 Commission.
- 15 Q. Have you presented expert testimony before this Commission or any other
16 regulatory agency?
- 17 A. No.
- 18 Q. What is the purpose of your testimony today?
- 19 A. To sponsor the staff audit report of Southern States Utilities,
20 Inc./Deltona Utilities, Inc., Docket No. 920199-WS. The audit report
21 is filed with my testimony and is identified as JRT-1.
- 22 Q. Was this audit report prepared by you or under your supervision?
- 23 A. Yes.
- 24 Q. Does that conclude your testimony?
- 25 A. Yes, it does.

EXHIBIT NO. JRT - 1

WITNESS: JAMES R. TODD

DOCKET NO. 920199-WS

Application for increased rates and charges by
SOUTHERN STATES UTILITIES, INC.
and DELTONA UTILITIES, INC.

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DESCRIPTION:

Copy of Audit Report dated September 11, 1992
Docket Number 920199-WS
Audit Control Number 92-140-3-1

(Pages)

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED DECEMBER 31, 1991

FIELD WORK COMPLETED
SEPTEMBER 11, 1992

SOUTHERN STATES UTILITIES, INC.
APOPKA, FLORIDA

VARIOUS COUNTIES

RATE CASE AUDIT

DOCKET NUMBER 920199-WS
AUDIT CONTROL NUMBER 92-140-3-1

James R. Todd

JAMES R. TODD
AUDIT MANAGER

AUDIT STAFF

CHARLESTON J. WINSTON
ROBERT F. DODRILL
RICHARD BROWN
JOSEPH ROHRBACHER

MINORITY OPINION

YES _____ NO _____
YES _____ NO _____
YES _____ NO _____
YES _____ NO _____

[Handwritten signatures and initials in the minority opinion section]

Ian J. Forbes

IAN J. FORBES
DISTRICT AUDIT SUPERVISOR
ORLANDO

DOCUMENT NUMBER-DATE

10805 SEP 17 1992

CSO RECORDS/REPORTING

I N D E X
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	Page -----
I. Executive Summary	
Audit Purpose.....	1
Scope Limitation.....	1
Disclaim Public Use.....	1
Opinion.....	1
Summary Findings.....	2
II. Audit Scope	
Rate Base.....	2
Plant.....	2
Land.....	2
Contributions in Aid of Construction.....	3
Accumulated Plant Depreciation and CIAC Amortization.....	3
Net Operating Income.....	3
Cost of Capital.....	3
Scope Limitation.....	3
III. Audit Exceptions	
1. Contribution in Aid of Construction.....	4
2. Non-Compliance With Commission Orders	9
3. Filed Exhibit Plant Omission.....	13
4. Misstated Filed Exhibit	15
5. MFR Mechanical Errors.....	16
6. Misclassified Plant Additions.....	18
7. Contributions.....	20
IV. Audit Disclosure	
1. St. Augustine Shores Sale.....	21
2. Legal Fees-Acq. Adj. Research.....	22
3. Relocation Expenses.....	26
V. Exhibits	
1. Water & Wastewater Bases.....	28
2. Net Operating Income.....	29
3. Cost of Capital.....	30

I. Executive Summary

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to audit the schedules of Rate Base, Net Operating Income, and Capital Structure for the twelve-month period ended December 31, 1991, prepared by Southern States Utilities, Inc., for their Petition for Rate Relief, FPSC Docket 920199-WS.

SCOPE LIMITATION: The audit exit conference was held on September 15, 1992. This report is based on confidential information which is separately filed with the Commission Clerk.

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

OPINION: Subject to audit exceptions, the schedules of Rate Base, Net Operating Income, and Capital Structure for the twelve-month period ending December 31, 1991, represent Southern States books and records maintained in substantial compliance with Commission Directives. The expressed opinions extend only to the scope of work described in Section II of this report.

SUMMARY FINDINGS:

NOTE - Rate base items listed below are simple average amounts.

1. Unsupportable CIAC data resulted in the following misstatements:
 - a. Water CIAC understated by \$668,202; wastewater overstated by \$325,585.
 - b. Water CIAC accumulated amortization understated by \$54,616; wastewater overstated by \$98,064.
 - c. Water CIAC amortization expense understated by \$27,399; wastewater overstated by \$10,870.
2. Non-compliance with FPSC orders establishing rate bases resulted in net water rate base being understated by \$40,031; wastewater overstated by \$1,309. This also caused test year net depreciation to be understated by \$1,187 (water) and \$324 (sewer).

3. An omission of "general plant to be allocated" resulted in docketed plant (net of accumulated depreciation) to be understated by \$68,398 (water) and \$23,656 (wastewater). This also caused test year depreciation expenses to be understated by \$2,623 (water) and \$907 (wastewater).
4. A duplicate adjustment to a prior FPSC order resulted in wastewater net plant being understated by \$97,778 and the associated test year depreciation expense understated by \$2,222.
5. MFR misstatements of 1991 book "adjust for land appraisals" resulted in Marion Oaks land being understated by \$80,850 (water) and overstated by \$80,850 (wastewater). Mathematical errors related to this same book adjustment resulted in water simple average land being understated by \$6,212 and wastewater simple average land being overstated by \$266,217.
6. Misclassification of capital expenditures to O&M expense resulted in the following:
 - a. plant being understated by \$4,836,
 - b. test year accumulated depreciation and depreciation expense understated by \$117, and
 - c. test year O&M expense overstated by \$4,836.
7. Misclassification of nonutility expenses resulted in test year utility O&M expenses being overstated by \$8,875.

II. Audit Scope

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

RATE BASE - General: Reconciled rate base components per exhibits to those last established by the Commission.

PLANT: Based on judgement, selected 11.7% of water plant additions and 33.0% of wastewater plant additions and tested for proper classification, system, amount and in-service date.

LAND: Compiled amounts that were adjusted for land appraisals and reconciled exhibit and book balances.

CONTRIBUTIONS IN AID OF CONSTRUCTION: Scanned supporting documentation and subsidiary ledgers for agreement with exhibits.

ACCUMULATED PLANT DEPRECIATION AND CIAC AMORTIZATION: Tested for mathematical accuracy.

NET OPERATING INCOME: Performed overall tests of correct amount and classifications on 7.1% of all presented O&M expenses, including contributions, attorney fees, and major repairs. Determined the appropriateness of all adjustments including reviewing and recalculating the adjustments for payroll, benefits, attrition, and Lehigh Utilities. Obtained the actuarial valuation study from the company to support their post retirement benefit adjustment. Obtained company procedure and references for working up water and wastewater taxes other than income accounts.

COST OF CAPITAL: Traced cost of capital debt amounts per filed exhibit to the company debt supporting records. Tied interest rates per support to those stated in the filed exhibit.

READ External audit working papers for the 12-month period ending May 31, 1992, for regulatory issues.

SCOPE LIMITATION: Due to time constraints, proof of ownership of land acquired since prior established rate bases was not obtained.

AUDIT EXCEPTION NO. 1

SUBJECT: CONTRIBUTION IN AID OF CONSTRUCTION (CIAC)

STATEMENT OF FACTS:

1. Certain filed CIAC balances were based on unsupported data which necessitates adjustments as follows:

	<u>Water</u>	<u>Sewer</u>
a. CIAC - Simple Average		
(1) University Shores	\$(635,586)	\$332,640
(2) Other Dkt. Water Systems	(33,016)	
(3) Other Dkt. Wastewater Systems		(7,055)
	-----	-----
(4) Total CIAC	\$(668,602)	\$325,585
b. CIAC Accumulated Amortization- Simple Average		
(1) University Shores	50,554	\$(98,722)
(2) Other Dkt. Water Systems	4,062	
(3) Other Dkt. Wastewater Systems		658
	-----	-----
(4) Total CIAC Acc. Amtz.	\$54,616	\$(98,064)
c. Test Year CIAC Amortization Expense		
(1) University Shores	\$(26,376)	\$10,651
(2) Other Dkt. Water Systems	(1,023)	
(3) Other Dkt. Wastewater Systems		219
	-----	-----
(4) Total	\$(27,399)	\$10,870

NOTE 1 - Year-end and "by system" amounts for University Shores, "Other" Water and "Other" Wastewater are on Appended Schedule 1, 2, 3, respectively.

NOTE 2 - Test year amortization expense for "Other" Water and "Other" Wastewater was obtained by using a rate of 3.1% (Rule 25-30.140, F.A.C. composite rate) times the simple average C.I.A.C. adjustment.

OPINION:

1. The filed exhibit amounts are not supportable for the systems indicated on the appended schedules.

RECOMMENDATION: Direct the Utility to adjust their books as indicated on the appended schedules.

COMPANY COMMENTS: Withheld pending further review.

SOURCES
MFRs
COMPANY SCHEDULE BASED
ON MANUAL CIAC RECORDS
AUDIT RECALCULATIONS
AS SHOWN BELOW

DKT 920199-WS
UNIVERSITY SHORES
CIAC ADJUSTMENTS
TYE 12/31/91

JT/9/92
"UNIVCIAC"
A1..J80

	CIAC 12/31/90	CIAC 12/31/91	CIAC SIMP AVG
WATER/AUDIT	3,011,241	3,310,473	3,160,857
WATER MFR	2,375,655	2,674,887	2,525,271
ADJUST WATER	635,586	635,586	635,586
WASTEW AUDIT	3,496,766	3,887,104	3,691,935
WASTEWTR MFR	3,829,407	4,219,744	4,024,576
ADJUST SEWER	(332,641)	(332,640)	(332,641)

	ACCUM AMTZ 12/31/90	ACCUM AMTZ 12/31/91	ACCUM AMTZ SIMP AVG
WATER PER AUDIT	342,829	473,998	408,414
WATER PER MFR	305,463	410,256	357,860
ADJUST WATER	37,366	63,742	50,554
WASTEWATER PER AUDIT	453,490	571,687	512,589
WASTEWATER PER MFR	546,886	675,734	611,310
ADJUST WASTEWATER	(93,396)	(104,047)	(98,722)

PER MFR	CIAC	AMTZ ADD	AMTZ RATE
WATER			
85	1,705,370		
86	1,972,928	36,783	2.0000%
87	1,991,381	39,643	2.0000%
88	2,094,303	40,863	2.0000%
89	2,334,456	44,294	2.0000%
90	2,375,655	47,101	2.0000%
91	2,674,887	104,793	4.1498%
WASTEWATER			
85	1,975,744		
86	3,294,240	52,700	2.0000%
87	3,226,839	65,211	2.0000%
88	3,423,457	66,503	2.0000%
89	3,758,521	71,820	2.0000%
90	3,829,407	75,879	2.0000%
91	4,219,744	128,848	3.2015%

PER RECORDS + SSU AMTZ RECALC

	CIAC	AMTZ ADD	AMTZ RATE
WATER			
93	431,177		
84	1,730,330	21,615	2.0000%
85	2,340,956	40,713	2.0000%
86	2,608,514	49,495	2.0000%
87	2,626,967	52,355	2.0000%
88	2,730,489	66,968	2.5000%
89	2,970,042	71,257	2.5000%
90	3,011,241	74,766	2.5000%
91	3,310,473	79,021	2.5000%
WASTEWTR			
93	867,604	16,716	
84	1,279,218	21,468	2.0000%
85	1,819,274	30,985	2.0000%
86	2,961,597	47,809	2.0000%
87	2,894,197	58,558	2.0000%
88	3,090,815	74,813	2.5000%
89	3,425,880	81,459	2.5000%
90	3,496,766	86,533	2.5000%
91	3,887,104	92,298	2.5000%

TEST YEAR EXPENSE ADJUST

WATER	
PER AUDIT	131,169
PER MFR	104,793
ADJUST WATER	26,376 CREDIT
WASTEWATER	
PER AUDIT	118,197
PER MFR	128,848
ADJUST WASTEWATER	(10,651) (DEBIT)

AUDIT RECALCULATION OF POST 1987 ACCUM DEPRECIATION
AT MFR RATES INCLUDING RULE 25-30.140 FOR 1991

	AMTZ RATE	ADDITION	ACCUM AM 12/31/87	ACCUM AMTZ
12/31/87 ACCUM PER CO SCHED			185,186	
ADJ TO PRIOR ORDER PER AUDIT			(12,750)	
			172,436	172,436
2.0000%	53,575			226,011
2.0000%	57,005			283,016
2.0000%	59,813			342,829
4.1498%	131,169			473,998
12/31/87 ACCUM PER CO SCHED			294,322	
ADJ TO PRIOR ORDER PER AUDIT			(35,076)	
			259,246	259,246
2.0000%	59,850			319,096
2.0000%	65,167			384,263
2.0000%	69,226			453,490
3.2015%	118,197			571,687

DKT 920199
 WATER CIAC ADJUSTMENTS
 T/YE 12/31/91

*** THIS SCHEDULE ONLY REFLECTS MISSTATEMENT YEARS AND SYSTEMS ***

SYSTEM	CIAC ADJUST BY YEAR										12/31/91 TOTAL ADJUST	
	PER AUDIT	PER MFRS	ADJUST	1980	1981	1982	1983	1984	1985	1986		
AMELIA ISLAND	(10,556)	0	(10,556)								(10,556)	(10,556)
APACHE SHORES	(7,892)	(7,505)	(387)			(350)	275	(925)	563		50	(387)
CARLTON VILLAGE	(1,500)	(1,400)	(100)								(100)	(100)
DAETWYLER SHORES	(500)	0	(500)		(50)			(225)	(225)			(500)
EAST LK HARRIS	(350)	0	(350)								(350)	(350)
FERN TERRACE	0	(225)	225						225			225
FRIENDLY CENTER	(475)	0	(475)						(475)			(475)
GOLDEN TERRACE	(7,845)	(6,375)	(1,270)		(225)	(1,045)						(1,270)
HERMITS COVE	(1,410)	(935)	(475)						(225)	(250)		(475)
INTERLACHEN LK	(6,150)	(4,050)	(2,100)						(2,775)	675		(2,100)
KEYSTONE HGTS	(7,431)	(7,328)	(103)						(103)			(103)
LAKE CONWAY PK	(440)	(400)	(40)				(40)					(40)
LELANI HGTS	(12,613)	(1,575)	(11,038)						(10,813)	(225)		(11,038)
BAK FOREST	(1,850)	(2,100)	450						225	225		450
PALM PORT	(3,425)	(2,175)	(1,250)						(1,025)	(225)		(1,250)
PALMS MOBILE H PK	(75)	0	(75)						(225)	150		(75)
PICCIOLA ISLE	(3,875)	(3,100)	(775)						(475)	(300)		(775)
PINEY WOODS	(500)	(950)	450							450		450
POMONA PARK	(3,350)	(1,425)	(1,925)						(1,925)			(1,925)
POSTMASTER VIL	(75)	(7,725)	7,650							7,650		7,650
RIVER PARK	(3,275)	(1,475)	(1,800)						(1,800)			(1,800)
SKYCREST	(15,974)	(6,075)	(9,899)							(9,899)		(9,899)
ST JOHN'S HI	(1,425)	(300)	(525)						(300)	(225)		(525)
TROPICAL PARK	(20,184)	(21,874)	1,690	300	200		1,030	160		0		1,690
VENETIAN PARK	(1,188)	(1,575)	387							388		388
WELAKA	(675)	(450)	(225)						(225)			(225)
WATER TOTAL	(112,833)	(79,617)	(33,016)	300	(75)	(1,395)	1,265	(990)	(19,190)	(12,930)		(33,015)

NUMBER OF YEARS THRU 12/31/91

11.5 10.5 9.5 8.5 7.5 6.5 5.5

CIAC ACCUM AMTZ ADJ THRU 12/31/91	CIAC ACCUM AMTZ ADJ THRU 12/31/91										ADJ AT 12/31/91
AMELIA ISLAND	0	0	0	0	0	0	0	0	0	1,161	1,161
APACHE SHORES	0	0	67	(47)	139	(73)				(6)	80
CARLTON VILLAGE	0	0	0	0	0	0	0	0	0	11	11
DAETWYLER SHORES	0	11	0	0	34	29	0	0	0	0	74
EAST LK HARRIS	0	0	0	0	0	0	0	0	0	39	39
FERN TERRACE	0	0	0	0	0	0	0	(29)	0	0	(25)
FRIENDLY CENTER	0	0	0	0	0	0	0	0	62	0	62
GOLDEN TERRACE	0	47	199	0	0	0	0	0	0	0	246
HERMITS COVE	0	0	0	0	0	0	0	0	29	28	57
INTERLACHEN LK	0	0	0	0	0	0	0	0	361	(74)	287
KEYSTONE HGTS	0	0	0	0	0	0	0	0	13	0	13
LAKE CONWAY PK	0	0	0	7	0	0	0	0	0	0	7
LELANI HGTS	0	0	0	0	0	0	0	1,406	25		1,430
BAK FOREST	0	0	0	0	0	0	0	(29)	(25)		(54)
PALM PORT	0	0	0	0	0	0	0	133	25		158
PALMS MOBILE H PK	0	0	0	0	0	0	0	29	(17)		13
PICCIOLA ISLE	0	0	0	0	0	0	0	62	33		95
PINEY WOODS	0	0	0	0	0	0	0	0	(50)		(50)
POMONA PARK	0	0	0	0	0	0	0	250	0		250
POSTMASTER VIL	0	0	0	0	0	0	0	0	(842)		(842)
RIVER PARK	0	0	0	0	0	0	0	234	0		234
SKYCREST	0	0	0	0	0	0	0	0	1,089		1,089
ST JOHN'S HI	0	0	0	0	0	0	0	39	25		64
TROPICAL PARK	(69)	(42)	0	(175)	(24)	0	0	0	0		(310)
VENETIAN PARK	0	0	0	0	0	0	0	(50)	0		(50)
WELAKA	0	0	0	0	0	0	0	29	0		29
WATER TOTAL CIAC ACCUM AMTZ ADJUST	(69)	16	265	(215)	149	2,495	1,422	4,062			

ONLY ACCUMULATIVE TOTAL IS AT 12/31/91
 AMORTIZATION IS ON EACH SYSTEMS YEARLY MISSTATEMENT TIMES NUMBER OF YEARS TO 12/31/91
 TIMES 2 PER CENT (SEE WASTEWATER FOR EXAMPLE)

DKT 920199
WASTEWATER CIAC ADJUSTMENTS
TYE 12/31/91

**** THIS SCHEDULE ONLY REFLECTS MISSTATEMENT YEARS AND SYSTEMS ****

SYSTEM	-----CIAC ADJUST BY YEAR-----											TOTAL ADJUST
	PER AUDIT	PER MFRS	ADJUST	1980	1981	1982	1983	1984	1985	1986		
WASTEWATER												
AMELIA ISLAND	(6,342)	0	(6,342)								(6,342)	(6,342)
APACHE SHORES	(1,263)	(1,400)	137			350		350	(563)			137
LEILANI HGTS	(17,538)	(17,950)	412						5,663	(5,250)		413
PALM PORT	(3,800)	(3,150)	(650)						(700)	50		(650)
VENETIAN VILLAGE	(1,313)	(700)	(613)						(613)			(613)
WASTEWTR TTL	(30,256)	(23,200)	(7,056)			350	0	350	3,787	(11,542)		(7,055)
	NUMBER OF YEARS THRU 12/31/91			11.5	10.5	9.5	8.5	7.5	6.5	5.5		
CIAC ACCUM AMTZ ADJ THRU 12/31/91	-----CIAC ACCUM AMTZ ADJ THRU 12/31/91-----											ADJ AT 12/31/91
AMELIA ISLAND				0	0	0	0	0	0	698		698
APACHE SHORES				0	0	(67)	0	(53)	73	0		(46)
LEILANI HGTS				0	0	0	0	0	(736)	578		(159)
PALM PORT				0	0	0	0	0	91	(6)		85
VENETIAN VILLAGE				0	0	0	0	0	80	0		80
WASTEWATER TOTAL CIAC ACCUM AMTZ ADJUST ONLY ACCUMULATIVE TOTAL IS AT 12/31/91				0	0	(67)	0	(53)	(492)	1,270		658

AMORTIZATION IS ON EACH SYSTEMS YEARLY MISSTATEMENT TIMES NUMBER OF YEARS TO 12/31/91
TIMES 2 PER CENT
EXAMPLE: THE ACCUM AMTZ ADJ OF THE 1982 APACHE SHORES CIAC MISSTATEMENT
THRU 12/31/91
IS A \$ 350 DEBIT x 2 PER CENT x 9.5 YRS = A \$67 CREDIT

AUDIT EXCEPTION NO. 2

SUBJECT: NON-COMPLIANCE WITH COMMISSION ORDERS

STATEMENT OF FACTS:

1. Filed exhibits for certain systems are not in compliance with rate base amounts as established by FPSC orders.
2. The rate base dates and FPSC order information are listed in applicant's MFRs in Volume I, Book 1, pages 4 through 6.
3. The systems affected are listed on the three appended schedules.
 - a. Schedule 1 shows the deviations from prior orders by system name and rate base component.
 - b. Schedule 2 (depreciation) and 3 (amortization) show the related adjustments to accumulated depreciation and amortization plus test year depreciation and amortization expenses.
4. A summary of these schedules is as follows:

	<u>Water</u>	<u>Wastewater</u>
a. Adjust to order-net rate base adjustment	\$42,542	\$(1,208)
b. Additional accumulated plant depreciation adjustment	(3,422)	(999)
c. Additional accumulated CIAC amortization adjustment	369	(8)
d. Additional accumulated acq.adj. amortization adjustment	542	906
Subtotal-Net Rate Base Adjustment	<u>\$40,031</u>	<u>\$(1,309)</u>
e. 1991 plant depreciation expense adjustment	\$ 826	\$400
f. 1991 CIAC amtz.expense adj.	408	3
g. 1991 acq.adj.expense adj.	(47)	(79)
Total Expense Adjustment	<u>\$1,187</u>	<u>\$324</u>

OPINION: The Utility is not in compliance with FPSC orders.

RECOMMENDATION: Direct the Utility to adjust their books to the amounts shown on the appended schedules.

COMPANY COMMENTS: Withheld pending further review.

AUDIT LESS MFR

SSU/DKT 920199-W6
 LAST ORDER ESTABLISHED RATE BASE COMPONENTS
 SUMMARY OF AUDIT LESS MFR DIFFERENCES OTHER THAN ROUNDING

EXCEPTIONS			PLANT+LAND	ACCUM DEPREC	CIAC	CIAC AC AMTZ	ACQ ADJ	ACQ Ad AcAmt	RATE BASE MATERIAL	
1	APACHE SHORES	CITRUS	W	0	0	0	(2,358)	1,180	(1,178)	200
2	CITRUS PARK	MARION	W	(19,471)	(575)	1,439	(1,155)	0	(19,762)	300
3	DAETWYLER SHORES	ORANGE	W	3,704	(2,145)	(7,892)	2,632	0	(3,701)	300
4	FISHERMAN'S HAVEN	MARTIN	W	0	0	100	0	0	100	100
5	GRAND TERRACE	LAKE	W	0	0	41,800	0	0	41,800	400
6	INTERLACHEN LAK ESTATES	PUTNAM	W	0	0	(675)	0	0	(675)	200
7	KEYSTONE HEIGHTS	CLAY	W	1,500	0	0	0	0	1,500	2,900
8	LAKE CONWAY PARK	ORANGE	W	(3,705)	587	7,892	(2,632)	0	2,142	100
9	ROLLING GREEN	CITRUS	W	29,195	0	(29,195)	0	0	0	100
10	SALT SPRINGS	MARION	W	17,781	(545)	11,738	1,641	0	30,615	1,600
11	SAHIRA VILLAS	MARION	W	(869)	(570)	(7,360)	725	0	(8,074)	1
12	StJOHN'S HIGHLANDS	PUTNAM	W	0	0	(225)	0	0	(225)	1
TOTAL WATER				28,135	(3,248)	17,622	1,211	(2,358)	1,180	42,542
WASTEWATER										
1	APACHE SHORES	CITRUS	WW	0	0	0	(3,937)	1,968	(1,969)	200
2	CITRUS PARK	MARION	WW	8,677	(5,913)	213	(6,824)	0	(3,847)	2,800
3	SALT SPRINGS	MARION	WW	(10,675)	(1,307)	(113)	7,256	0	(4,839)	300
4	SOUTH FORTY	MARION	WW	14,889	(5,442)	0	0	0	9,447	2,100
WASTEWATER TOTAL				12,891	(12,662)	100	432	(3,937)	1,968	(1,208)

SOURCES
 CIAC AND ACQUISITION ADJUST FROM WP 26A
 AMTZ ADJUST PER NOTES BELOW

DKT 920199-WS
 AMORTIZATION ADJUSTMENTS
 DUE TO PRIOR ORDER
 CIAC & ACQUISITION ADJUSTMENTS
 TYE 12/31/91

JT/9/91
 "DEPREC"
 AL..1160

SYSTEM	CIAC ADJUST	"AT DATE" NOTE 1	YEARS TO 12/31/90	DEPREC RATE NOTE 2	12/31/90 ACCUM AMTZ PLxYRxRATE	TEST YR EXPENSE PL x 3.1% NOTE 3	12/31/91 ACCUM AMTZ	1991 SIMPLE AVERAGE ACCUM AMTZ ADJUST
WATER								
CITRUS PARK	1,439	12/31/88	2.00	3.10	(89)	45	(134)	(112)
DAETWYLER	(7,892)	8/30/79	11.50	2.00	1,815	(158)	1,973	1,894
FISHERMANS HAV	100	12/31/87	3.00	3.10	(9)	3	(12)	(11)
GRAND TERRACE	41,800	5/15/89	1.50	2.00	(1,254)	836	(2,090)	(1,672)
ITERLACHEN	(675)	4/30/85	5.50	3.10	115	(21)	136	126
LAKE CONWAY	7,892	8/30/79	11.50	2.00	(1,815)	158	(1,973)	(1,894)
ROLLING GREEN	(29,195)	7/10/87	3.50	2.00	2,044	(584)	2,628	2,336
SALT SPRINGS	11,738	12/31/88	2.00	3.10	(728)	364	(1,052)	(910)
SAMIRA VIL	(7,360)	12/31/88	2.00	3.10	456	(228)	684	570
ST JOHN'S HIGH	(225)	4/30/85	5.50	3.10	38	(7)	45	42
TOTAL WATER	17,622				573	408	166	369
WASTEWATER								
CITRUS PARK	213	12/31/88	2.00	3.10	(13)	7	(20)	(17)
SALT SPRINGS	(113)	12/31/88	2.00	3.10	7	(4)	11	9
TOTAL WASTEWATER	100				(6)	3	(9)	(8)
ACQUISITION ADJUST								
APACHE SHORES WATER	(2,358)	12/31/79	11.00	2.00	519	(47)	566	542
APACHE SHORES WASTEWATER	(3,937)	12/31/79	11.00	2.00	866	(79)	945	906

NOTE 1 "AT DATE" IS LAST ESTABLISHE RATE GAGE DATE PER MFR VOL I BK 1 PAGE 4 THRU 6

NOTE 2 PRE 1990 DEPREC RATE IS
 2 PER CENT (SSU "OLD" RATE) FOR SYSTEMS NOT YET UNDER RULE 25-30.140
 3.1 PER CENT FOR SYSTEMS UNDER RULE 25-31.140
 (RULE RATE WHEN PLANT SUBACCOUNTS AND COMPOSITE RATES ARE UNKNOWN)

NOTE 3 3.1 PER CENT FOR ALL SYSTEMS FOR THE TEST YEAR
 (RULE RATE WHEN PLANT SUBACCOUNTS AND COMPOSITE RATES ARE UNKNOWN)

SOURCES
 PLANT ADJUST FROM WP 25A
 DEPREC ADJUST PER NOTES BELOW

DKT 920199-WS
 DEPRECIATION ADJUSTMENTS
 DUE TO PRIOR ORDER
 PLANT ADJUSTMENTS
 TYE 12/31/91

JT/9/91
 "DEPREC"
 A1..1160

SYSTEM	PLANT ADJUST	"AT DATE" NOTE 1	YEARS TO 12/31/90	DEPREC RATE NOTE 2	12/31/90 ACCUM DEPREC PLxYRxBRATE	TEST YR EXPENSE PL x 3.1% NOTE 3	12/31/91 ACCUM DEPREC	1991 SIMPLE AVERAGE ACCUM DEPR ADJUST
WATER								
CITRUS PARK	(19,471)	12/31/88	2.00	3.10	1,207	(604)	1,811	1,509
DAETWYLER	3,704	6/30/79	11.50	2.00	(852)	74	(926)	(889)
KEYSTONE HEIGHTS	1,500	N/A LAND						
LAKE CONWAY	(3,705)	6/30/79	11.50	2.00	852	(74)	926	889
ROLLING GREEN	29,195	7/10/87	3.50	3.10	(3,168)	905	(4,073)	(3,620)
SALT SPRINGS	17,781	12/31/88	2.00	3.10	(1,102)	551	(1,654)	(1,378)
SAMIRA VILLAS	(869)	12/31/88	2.00	3.10	54	(27)	81	67
TOTAL WATER	28,135				(3,009)	826	(3,834)	(3,422)
WASTEWATER								
CITRUS PARK	8,677	12/31/88	2.00	3.10	(538)	269	(807)	(672)
SALT SPRINGS	(10,675)	12/31/88	2.00	3.10	662	(331)	993	827
SOUTH FORTY	14,889	12/31/88	2.00	3.10	(923)	462	(1,385)	(1,154)
TOTAL WASTEWATER	12,891				(799)	400	(1,199)	(999)

NOTE 1 "AT DATE" IS LAST ESTABLISHE RATE CASE DATE PER MFR VOL I BK 1 PAGE 4 THRU 6

NOTE 2 PRE 1990 DEPREC RATE IS
 2 PER CENT (SSU "OLD" RATE) FOR SYSTEMS NOT YET UNDER RULE 25-30.140
 3.1 PER CENT FOR SYSTEMS UNDER RULE 25-31.140
 (RULE RATE WHEN PLANT SUBACCOUNTS AND COMPOSITE RATES ARE UNKNOWN)

NOTE 3 3.1 PER CENT FOR ALL SYSTEMS FOR THE TEST YEAR
 (RULE RATE WHEN PLANT SUBACCOUNTS AND COMPOSITE RATES ARE UNKNOWN)

AUDIT EXCEPTION NO. 3

SUBJECT: FILED EXHIBIT PLANT OMISSION

STATEMENT OF FACTS:

1. The filed general plant exhibits are based on all general plant (regulated, non-regulated, water, wastewater, gas, etc.) per general ledgers merged into totals by subaccount and then reallocated to all systems (gas, water, etc.) based on customer ratios.
2. A \$222,290 (at 12/31/91) general plant structure (booked to Lehigh Utilities, Inc.) was omitted from the merged amounts.
3. The allocated simple average rate base and expense adjustments to the subject docket are as follows:

	<u>Water</u>	<u>Wastewater</u>
a. Plant	\$104,934	\$ 36,292
b. Accumulated Depreciation	(36,536)	(12,636)
Subtotal	<u>\$ 68,398</u>	<u>\$ 23,656</u>
c. 1991 Depreciation Expense	\$ 2,623	\$ 907

OPINION: The filed Exhibits are misstated.

RECOMMENDATION: No book adjustments are necessary. The above docket amounts can be allocated to the systems by using the ratios in MFR Volume 1, Book 2.

NOTE: See appended schedule for calculation of the amounts applicable to this docket.

COMPANY COMMENT: Withheld pending further review.

DKT 920199-WS
 GENERAL PLANT AND ACCUM DEPREC
 LEHIGH ADJUSTMENTS
 PER GEN LEDGS
 AT 12/31/90 AND 91

		AT 12/31/90	AT 12/31/91	SIMPLE 1991 AVERAGE PLANT	LIFE PER RULE 25-30.140	1991 ACC DEPREC ADD: AVG PLNT/ /LIFE	12/31/90 ACC DEPREC: MFR	12/31/91 ACC DEPREC: SUM OF PRIOR 2 COLUMNS	1991 SIMPLE AVG ACCUM DEPREC
AUDIT ADJUST STRUCTURES-NOTE 1		221,034	222,290	221,662	40	5,542	74,407	79,949	77,178
AMOUNTS TO THIS DOCKET						DEPREC EXPENSE			
WATER	47.33974	104,637	105,231	104,934		2,623	35,224	37,947	36,536
WASTEWATER	16.37264	36,169	36,395	36,292		907	12,182	13,090	12,636
TOTAL	63.71244	140,826	141,826	141,226		3,531	47,406	50,937	49,172

NOTE 1 FOR MFR PURPOSES GAS STRUCTURES
 WERE INADVERTENTLY OMITTED
 AS BEING PART OF GENERAL
 PLANT

AUDIT EXCEPTION NO. 4

SUBJECT: MISSTATED FILED EXHIBIT

STATEMENT OF FACTS:

1. FPSC Order 13366 issued 6/1/84 established Deltona Lakes rate bases at 12/31/82 to include a \$100,000 reduction in wastewater plant.
2. The general ledger correctly reflects a \$100,000 credit "to adjust to Order 13366" in 1990.
3. The filed MFR correctly included this order reduction in the 12/31/82 "beginning balance" but incorrectly also included the reduction in 1990.
4. Deltona Lakes filed expense and rate base amounts need to be adjusted as follows:

	<u>12/31/90</u>	<u>12/31/91</u>	<u>Simple Average</u>
a. 361.2 Collection Sewers	\$100,000	\$100,000	\$100,000
b. Accumulated Depreciation	(1,111)	(3,333)	(2,222)
	<hr/>	<hr/>	<hr/>
Subtotal	\$ 98,889	\$ 96,667	\$ 97,778
c. 1991 Depreciation Expense		\$ 2,222	

OPINION: The filed MFRs are misstated as indicated above.

RECOMMENDATION: No book adjustment is necessary. Adjust MFRs..

COMPANY COMMENT: Withheld pending further review.

AUDIT EXCEPTION NO. 5

SUBJECT: MFR MECHANICAL ERRORS

STATEMENT OF FACTS:

1. Several "adjust for appraisal" journal entries were made to the Deltona Utilities and United Florida Utilities systems land accounts in December, 1991.
2. The MFRs overstate 12/31/91 Marion Oaks wastewater land by \$80,850 and understate water land by an equal amount.
3. Due to the above misstatements and improper calculations of simple averages for some of the systems, water land is understated by \$6,212 and wastewater land is overstated by \$266,217.
4. The appended schedule depicts calculations by system.

OPINION: MFRs are misstated as shown on the appended schedule.

RECOMMENDATION: Adjust the MFRs.

COMPANY COMMENT: Withheld pending further review.

DKT 920199-WS
 LAND OTHER THAN GENERAL
 DELTONA & UNITED FLORIDA SYSTEMS
 TYE 12/31/91

JT/9/92
 "LNDUUI"
 A1..J80

PLANT #	PLANT ACCOUNT #	12/31/90 PER MFR	ADJUST FOR APPRAISAL PER AUDIT	12/31/90 ADJUSTED PER AUDIT	1991 ADD PER MFR	AT 12/31/91	SIMPLE AVERAGE PER AUDIT	SIMPLE AVERAGE PER MFR	SIMPLE AVERAGE ADJUST PER AUDIT
WATER									
11001 MARION OAKS									
	303.2	134,637	(31,182)	103,515		103,515	103,515	77,656	25,859
	303.3	567,900	(490,250)	77,650		77,650	77,650	79,700	(2,050)
	303.4	3,800	(3,375)	425		425	425	2,113	(1,688)
	TOTAL	706,337	(524,807)	181,590	0	181,590	181,590	159,469	22,121
9002 PINE RIDGE UTIL									
	303.2	22,014	(2,114)	19,900		19,900	19,900	20,957	(1,057)
	303.3	35,000		35,000		35,000	35,000	35,000	0
	303.4			0		0	0	0	0
	TOTAL	57,014	(2,114)	54,900	0	54,900	54,900	55,957	(1,057)
28001 SUNNY HILLS									
	303.2	40,482	(29,703)	10,779		10,779	10,779	25,631	(14,852)
	303.3	198,000	(179,620)	18,380		18,380	18,380	18,380	0
	303.4			0		0	0	0	0
	TOTAL	238,482	(209,323)	29,159	0	29,159	29,159	44,011	(14,852)
TOTAL WATER									6,212

WASTEWATER									
11001 MARION OAKS									
	353.2	3,797	(7,482)	(3,685)		(3,685)	(3,685)	(3,685)	0
	353.3			0		0	0	0	0
	353.4	139,400	(80,850)	58,550		58,550	58,550	139,400	(80,850)
	TOTAL	143,197	(88,332)	54,865	0	54,865	54,865	135,715	(80,850)
27001 SPRING HILL									
	353.2	764,511	(370,733)	413,778		413,778	413,778	599,145	(185,367)
	353.3			0		0	0	0	0
	353.4			0		0	0	0	0
	TOTAL	764,511	(370,733)	413,778	0	413,778	413,778	599,145	(185,367)
TOTAL WASTEWATER									(266,217)

12/31/91 YEAR END ADJUST			
	PER AUDIT	PER MFR	ADJUST
MARION OAKS WATER			
	303.2	103,515	20,615
	303.3	77,650	79,700
	303.4	425	425
	TOTAL	181,590	100,740
MARION OAKS WASTEWATER			
	353.2	(3,685)	(3,685)
	353.3		
	353.4		
	TOTAL	(3,685)	(3,685)

AUDIT EXCEPTION NO. 6

SUBJECT: MISCLASSIFIED PLANT ADDITIONS

STATEMENT OF FACTS: The following capital expenditures were charged to operations during the test year ended December 31, 1991:

<u>System</u>	<u>Payor</u>	<u>Description</u>	<u>Oper. Exp. Acct. Chg'd. By Utility</u>	<u>NARUC Designated Account</u>	<u>Amount</u>
University Shores/106	Industrial Mach. & Power Systems	Overhaul of Generator	620.2	101/310	\$2,118.96
Jungle Den/ Plt. #1802	ABS Pumps, Inc.	(2) 2" Verticle Pumps & Acct.	720.4	101/371	1,684.34
Citrus Springs Util. Plt. # #9001	Action Industries	Hydrant & Acc.	620.5	101/335	1,032.44
					<u>\$4,835.74</u>

Test year depreciation and the related reserve at December 31, 1991 applicable to the misclassified utility plant additions has been computed as follows based on rates per Commission Rule 25-30.140.

<u>UPIS Amount</u>	<u>Date Placed In Service</u>	<u>Depreciation Rate</u>	<u>Test Year Depreciation & Related Reserve at 12-31-91</u>
\$2,118.96	3-13-91	5.00%	\$ 88.29
1,684.34	11-12-91	5.56%	15.61
1,032.44	6-13-91	2.22%	13.37
<u>\$4,835.74</u> =====			<u>\$117.27</u> =====

The expenditures meet the criteria for capitalization via the designated plant accounts in accordance with NARUC Water and Wastewater Class "A" Instructions and Descriptions and should be included therein.

RECOMMENDATION: Staff recommends that the utility adjust their records to reflect the following journalized correction:

Acct.101/310-University Shores	\$2,118.96	
Acct.101/371-Jungle Den	1,684.34	
Acct.101/335-Citrus Springs	1,032.44	
Acct.403-University Shores	88.29	
Acct.403-Jungle Den	15.61	
Acct.403-Citrus Springs	13.37	
Acct/620.2-University Shores		\$2,118.96
Acct.720.4-Jungle Den		1,684.34
Acct.620.5-Citrus Springs		1,032.44
Acct.108-University Shores		88.29
Acct.108-Jungle Den		15.61
Acct.108-Citrus Springs		13.37
	<u>\$4,953.01</u>	<u>\$4,953.01</u>

COMPANY COMMENTS: Utility may respond at a later date.

AUDIT EXCEPTION NO. 7

SUBJECT: CONTRIBUTIONS

STATEMENT OF FACTS: A sample of Southern States rate case operations expenses contained payments to the 4-H Club, a University of Florida Homecoming banquet, a small theater group in Minneapolis and other charitable groups totaling \$8,875.

The NARUC Uniform System of Accounts for Class A Water and Sewer Companies states that:

...donations for charitable, social or community welfare purposes..

Should be expensed to account 426, Miscellaneous Nonutility Expenses.

OPINION: Southern States is not in compliance with the Class A NARUC Uniform System of Accounts.

RECOMMENDATION: Remove \$8,875 of O & M Expenses from ratemaking consideration.

Require Southern States to review all of its O and M expenses and schedule any such contributions for removal from the Docket No. 920199-WS MFR's.

COMPANY COMMENTS: Withheld pending further review.

AUDIT DISCLOSURE NO. 1

SUBJECT: ST. AUGUSTINE SHORES SALE

STATEMENT OF FACTS: On June 4, 1991, United Florida Utilities, Inc., a wholly-owned subsidiary of Topeka Group, Inc., which is a wholly-owned subsidiary of Minnesota Power, sold via condemnation the St. Augustine Shores Water and Wastewater System to St. Johns County for \$14,250,000.

The company realized a gain of \$6,744,491 from the sale which was charged in total to other income below the line per United Florida Utilities Corporation books.

FPSC policy reflected via precedents set forth per the Digest of Water and Wastewater Regulatory Philosophies states as follows:

Gains or losses on the sale of utility property that was formerly utility property should be amortized above the line over five years and should be considered in determining net operating income. Gains or losses on the disposition of property formerly devoted to public service should be recognized above the line. TECO, Docket No. 820007-EU, Order No. 11307, 11/10/82.

AUDITOR'S OPINION & CONCLUSION: The applicant's treatment of this gain may be appropriate based on the following circumstances:

- (1) The St. Augustine System formerly regulated by the FPSC has never been subject to same's jurisdiction subsequent to the acquisition of the system by SSU in 1989.
- (2) Ratepayers directly deserving of the gain are no longer able to receive such benefit as the county now retains full ownership of the system.
- (3) SSU has never had a system-wide or consolidated rate in effect.

Staff defers to the Tallahassee analyst and ultimately PSC Commissioners for review and ultimate disposition of this matter.

COMPANY COMMENTS: Utility may respond at a later date.

AUDIT DISCLOSURE NO. 2

SUBJECT: LEGAL FEES - ACQUISITION ADJUSTMENT RESEARCH

STATEMENT OF FACTS: The Southern States O & M Expense includes legal fees relating to researching the acquisition adjustment policy of the state utility commissions of all 50 states of the United States. \$11,009 of such 1991 expenses were documented.

These legal expenses were charged to Account #806390 which is titled COMMUNICATIONS/MISC EXP - OTHER which is an allocated account.

The following are typical line items from the above-referenced legal invoice.

07/08/91 DAB 5.80 -WORK SESSION TO DISCUSS RESEARCH REGARDING SURVEY OF ALL 50 STATES' POLICY ON ACQUISITION ADJUSTMENTS; REVIEW AND SUMMARIZE LEGAL RESEARCH; DRAFT ACQUISITION ADJUSTMENT POLICY FOR INDIANA, NORTH DAKOTA, WEST VIRGINIA AND OREGON.

07/08/91 KAH 1.50 -REVIEW AND ANALYSIS OF ORDERS AND OTHER INFORMATION PROVIDED BY UTILITY COMMISSIONERS FROM OTHER STATES RE: ACQUISITION ADJUSTMENT POLICIES.

07/08/91 LG 1.60 -PREPARE OUTLINE OF EACH STATE COMMISSION'S POLICY RE: ACQUISITION ADJUSTMENT POLICIES

OPINION: These legal fees may be nonutility and perhaps should not be borne by the general body of Southern States ratepayers.

Legal fees such as these appear only to benefit the shareholders in that the effect on the customers would only be increased pressure towards higher rates.

If the utility states that the acquisition adjustment subject is an issue of the current rate case, then the NARUC Uniform System of Accounts for Class A Utilities describes Contractual Services - Legal in part as follows:

Legal services for rate proceedings before the commission shall be included in account 766 - Amortization of Rate Case Expense or account 186.1 - Deferred Rate Case Expense.

In determining whether the legal expenses for research into the acquisition adjustment issue are allowable, the GAAP definition of allowability of utility expenses should be considered.

FASB Statement 71, Accounting for the Effects of Certain types of Regulation states, in part, the following:

Par. 1 - Regulation of an enterprise's prices (hereinafter referred to as rates) is sometimes based on the enterprise's costs.(1) Regulators use a variety of mechanisms to estimate a regulated enterprise's allowable costs, and they allow the enterprise to charge rates that are intended to produce revenue approximately equal to those allowable costs. **Specific costs that are allowable for rate-making purposes result in revenue approximately equal to the costs.**

Par. 2 - In most cases, allowable costs are used as a means of estimating costs of the period during which the rates will be in effect, and there is no intent to permit recovery of specific prior costs.

Par. 3 - Regulators sometimes include costs in allowable costs in a period other than the period in which the costs would be charged to expense by an unregulated enterprise. That procedure can create assets (future cash inflows that will result from the rate-making process) for the regulated enterprise.

The Florida Public Service Commission may feel that it is appropriate for Southern States to accumulate these Acquisition Adjustment research costs and amortize these costs over some appropriate period of time, as also indicated by FASB 71 paragraph 4.

Par. 4 - Accounting requirements that are not directly related to the economic effects of rate actions may be imposed on regulated businesses by orders of regulatory authorities and occasionally by court decisions or statutes. This does not necessarily mean that those accounting requirements conform with generally accepted accounting principles. For example, a regulatory authority may order an enterprise to capitalize (2) and amortize a cost that would be charged to income currently by an unregulated enterprise. **Unless capitalization of that cost is appropriate** (emphasis added) under this section, generally accepted accounting principles require the regulated enterprise to charge the cost to income currently.

COMPANY COMMENTS are included on the following pages.

MEMORANDUM

To: FPSC Auditors (GIGA)
Attn: Robert Dodrill

From: Brian P. Armstrong

Date: September 9, 1992

Re: Audit Request No. 36 (GIGA)

This audit request states as follows:

One issue for this rate case is going to be the "allowability" of legal fees for research of acquisition policies of various states. Please prepare a statement of your position for the field audit staff to be included with the report.

The Florida Public Service Commission, at the request of the Office of Public Counsel, initiated a proceeding (Docket No. 891309-WS) to investigate whether the Commission's policy concerning acquisition adjustments should be modified. The Commission requested any utility with an interest in such policy to provide evidence in support of its position on this issue. In response to the Commission's action, Southern States retained Messer, Vickers to perform legal research concerning the acquisition adjustment policies of other jurisdictions in the United States. The purpose of this research was to establish that the policy being proposed and advocated by the Office of Public Counsel was without precedent in any jurisdiction and contrary to all established legal precedent. Southern States participated in the above referenced docket and the Commission issued Order No. 25729 which rejected the Public Counsel's proposal and retained the existing acquisition adjustment policy, as advocated by Southern States. Legal research of this nature is often persuasive, and perhaps

just as often, required, to convince the Commission that its policies are consistent with not only the law but also the policies of other jurisdictions. Please note that Public Counsel also conducts such research as confirmed in the testimony of its witnesses in the Lehigh rate case in which precedent established by the Federal Communications Commission is cited by Public Counsel in support of one of Public Counsel's positions in that docket. To disallow the Company's recovery of these type of legal costs would be arbitrary and would permit Public Counsel to perform this research, at taxpayer (including our ratepayers) expense, while depriving the Company of recovery of such ~~costs~~^{COST}. Finally, given the Company's dire financial situation, disallowance of such costs possibly would prohibit the Company's ability to perform such research -- to the detriment of the Commission (which should be provided both sides of an issue) as well as the Company.

In light of the facts contained in this memorandum, Southern States believes there is no question as to the "allowability" of legal fees incurred to conduct the research indicated. If you have any further questions regarding this audit request, please do not hesitate to call me at extension 152.

B.P.A.

dlh/92M187

AUDIT DISCLOSURE NO. 3

SUBJECT: RELOCATION EXPENSES

STATEMENT OF FACTS: The Southern States O & M Expense for the 1991 test year includes \$58,099 in fees relating to relocating company personnel.

No adjustment was made to remove or to smooth out these expenses for the Rate Case MFR's.

As of July 31, 1992, Southern States has only charged \$6,795 to relocation expenses. The company is also estimating an additional \$15,000 expense for 1992.

OPINION: These expenses may be considered nonrecurring in nature and perhaps should be partially or completely excluded from the ratemaking process.

COMPANY COMMENTS: Company position is included on the following page.

S S U

Customer Services
Intra-company correspondence

September 10, 1992

TO: FPSC Auditors (GIGA)
Attn: Robert Dodrill

FROM: Forrest Ludsen

RE: Audit Request No. 31 (GIGA)

This request asks for disclosure of any "firm plans for relocating Company personnel during the period 1992-1994". At this time, the Company has no "firm plans" for relocating Company personnel during the time indicated. However, the year to date (July 31, 1992) relocation expenses incurred by the Company are \$6,795.13. Expenses were booked to Account #6758.2100. Currently the Company is aware that, at a minimum, there will be additional relocation expenses for the Vice President of Finance. This amount is estimated to be \$15,000. In addition, the Company has committed to offering its gas employees similar positions (pending appropriate qualifications) with the Company which are authorized but being kept open pending the sale of the gas operations. It is anticipated that some relocation may be required. In addition, management has authorized certain additional positions which, in all likelihood, will be filled by persons from outside the Company. It is expected that relocation expenses would be incurred to fill these positions. Also, the incurrence of relocation expenses is an ordinary cost of doing business, particularly for a Company of Southern States' size and complexity. Given the specialized nature of utility work as well as licensing requirements, it is often difficult to locate and attract qualified, experienced personnel. Therefore, it is more likely that new employees would have to be relocated. Also, reimbursement for relocation expenses is a standard practice for companies like Southern States and is offered as part of the new employee's compensation package to attract qualified and experienced personnel.

SUMMARY OF TOTAL WATER AND SEWER FILED FPSC JURISDICTIONAL RATE BASE - REQUIRED

Total Filed FPSC Jurisdiction (1991 Interim / Final)

Company: SSU - All Filed FPSC Systems

FPSC

Docket No. : 920199-WS
 Test Year Ended: 12/31/91
 Interim Final
 Historic Projected
 Average Year-End

Schedule: FPSC Jurisdictional Summary
 (Rate Base)
 Page 1 of 1
 Preparer: Chuck Lewis

Explanation: Provide a FPSC jurisdictional summary schedule of water and sewer rate base components for all FPSC systems filed in this docket for the test year.

Line No.	RATE BASE COMPONENTS	1991 AVERAGE ADJUSTED RATE BASE						Supporting Summaries
		INTERIM RATES			FINAL RATES			
		Water	Sewer	Total	Water	Sewer	Total	
1	Utility Plant in Service	\$83,027,308	\$63,922,195	\$146,949,503	\$83,027,308	\$63,922,195	\$146,949,503	A-1(W) A-2(S)
2	Utility Land & Land Rights	1,464,926	3,517,743	4,982,669	1,464,926	3,517,743	4,982,669	A-1(W) A-2(S)
3	Non-Used & Useful	(12,258,001)	(10,985,836)	(23,243,837)	(12,258,001)	(10,985,836)	(23,243,837)	A-1(W) A-2(S)
4	Construction Work in Progress	0	233,959	233,959	0	229,485	229,485	A-1(W) A-2(S)
5	Accumulated Depreciation	(17,128,416)	(15,100,070)	(32,228,485)	(17,128,416)	(15,100,070)	(32,228,485)	A-1(W) A-2(S)
6	CIAC	(29,126,057)	(24,413,234)	(53,539,291)	(29,126,057)	(24,413,234)	(53,539,291)	A-1(W) A-2(S)
7	Accumulated Amortization of CIAC	4,328,906	4,429,745	8,758,651	4,328,906	4,429,745	8,758,651	A-1(W) A-2(S)
8	Acquisitions Adjustments	(62,220)	(515,850)	(578,070)	(62,220)	(515,850)	(578,070)	A-1(W) A-2(S)
9	Accum. Amort. of Acquisitions Adjustments	22,558	161,208	183,766	22,558	161,208	183,766	A-1(W) A-2(S)
10	Advances for Construction	(478,807)	(354,358)	(833,165)	(478,807)	(354,358)	(833,165)	A-1(W) A-2(S)
11	Deferred Taxes	3,290,688	1,340,662	4,631,350	3,290,688	1,340,662	4,631,350	A-1(W) A-2(S)
12	Working Capital Allowance	974,772	594,359	1,569,131	1,157,997	667,688	1,825,685	A-1(W) A-2(S)
13	TOTAL 1991 AVERAGE ADJUSTED RATE BASE	\$34,055,658	\$22,830,523	\$56,886,181	\$34,238,883	\$22,899,377	\$57,138,260	A-1(W) A-2(S)

-28-

Revised 6/17/91

EXHIBIT I

SUMMARY OF TOTAL FILED FPSC JURISDICTIONAL PRESENT AND REQUIRED INCOME - 1991 (FINAL RATES)

Company: SSU - All Filed FPSC Systems

Docket No.: 920199-WS
 Test Year Ended: 12/31/91
 Interim [] Final [X]
 Historic [X] Projected []
 Average [X] Year-End []

FPSC

Schedule: FPSC Jurisdictional Summary
 (Income)
 Page 1 of 2
 Preparer: Chuck Lewis

Explanation: Provide a FPSC jurisdictional summary schedule of water and sewer present required income components for all FPSC systems filed in this docket for the test year.

Line No.	OPERATING INCOME COMPONENTS	PRESENT INCOME			REQUIRED INCREASE			REQUIRED INCOME			Supporting Summaries
		Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total	
1	OPERATING REVENUES:										
2	Sales of Water / Sewer	\$12,611,473	\$7,270,877	\$19,882,350	\$4,886,364	\$3,778,498	\$8,664,862	\$17,497,837	\$11,049,375	\$28,547,212	B-1(W) B-2(S)
3	Other Revenues	322,950	70	323,020	0	0	0	322,950	70	323,020	B-1(W) B-2(S)
4	TOTAL OPERATING REVENUES	12,934,423	7,270,947	20,205,370	4,886,364	3,778,498	8,664,862	17,820,787	11,049,445	28,870,232	B-1(W) B-2(S)
5	OPERATING EXPENSES:										
6	Operation & Maintenance	9,263,975	5,341,501	14,605,476	0	0	0	9,263,975	5,341,501	14,605,476	B-1(W) B-2(S)
7	Depreciation, net of CIAC Amort.	1,727,546	1,235,716	2,963,262	0	0	0	1,727,546	1,235,716	2,963,262	B-1(W) B-2(S)
8	Amortization	(621)	(11,826)	(12,447)	0	0	0	(621)	(11,826)	(12,447)	B-1(W) B-2(S)
9	Taxes Other Than Income	1,726,076	1,106,985	2,833,061	219,886	170,032	389,919	1,945,963	1,277,018	3,222,980	B-1(W) B-2(S)
10	Provision For Income Taxes	(833,510)	(800,287)	(1,633,797)	1,755,995	1,357,866	3,113,861	922,485	557,579	1,480,064	B-1(W) B-2(S)
11	TOTAL OPERATING EXPENSES	11,883,466	6,872,089	18,755,555	1,975,882	1,527,898	3,503,780	13,859,348	8,399,987	22,259,335	B-1(W) B-2(S)
12	NET OPERATING INCOME:	\$1,050,957	\$398,858	\$1,449,815	\$2,910,482	\$2,250,600	\$5,161,082	\$3,961,439	\$2,649,458	\$6,610,897	B-1(W) B-2(S)
13	RATE BASE	\$34,238,883	\$22,899,377	\$57,138,260				\$34,238,883	\$22,899,377	\$57,138,260	A-1(W) A-2(S)
14	RATE OF RETURN	3.07%	1.74%	2.54%				11.57%	11.57%	11.57%	B-1(W) B-2(S)
15	RETURN ON EQUITY	-7.07%	-10.18%	-8.32%				12.83%	12.83%	12.83%	

EXHIBIT II

-29-

Revised 6/17/92

SUMMARY OF REQUESTED COST OF CAPITAL - 1991 (FINAL)

Beginning and End of Year Average

Company: SSU & DUI

FPSC

Docket No.: 920199-WS
 Test Year Ended: 12/31/91
 Interim Final
 Historic Projected

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

Schedule: D-1 Summary
 Page 1 of 1
 Preparer: Richard Ausman

COST OF CAPITAL						
(1)	(2)	(3)	(4)	(5)	(6)	
Line No.	Class of Capital	Total Company Capital	Ratio	Cost Rate	Weighted Cost	Supporting Schedules
1	Long-Term Debt	71,733,133	52.00%	11.16%	5.80%	D-5
2	Customer Deposits	1,450,097	1.05%	7.67%	0.08%	D-7
3	Deferred ITC	2,460,818	1.78%	11.61%	0.21%	D-5 (a)
4	Preferred Stock	3,394,250	2.46%	0.00%	0.00%	D-3
5	Total Equity	62,238,194	45.12%	12.83%	5.79%	D-5 (a)
6	Adjustment for Gas	(3,321,026)	-2.41%	12.83%	-0.31%	D-5 (a)
7						
8	TOTAL	<u>137,955,466</u>	<u>100.00%</u>		<u>11.57%</u>	