

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

SPECIAL COMMISSION CONFERENCE

DATE: February 15 AND 17, 1993

RE: DOCKET NO. **920199-WS** - Application for a rate increase by SOUTHERN STATES UTILITIES, INC.

Issue 1: To consider and make a final decision regarding Southern States Utilities, Inc.'s petition for a rate increase. Detailed issues will be shown on a Supplemental Issue Listing.

DECISIONS ON INDIVIDUAL ISSUES ARE SHOWN ON THE ATTACHED PAGES

COMMISSIONERS ASSIGNED: BR CL

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures in blue ink]

REMARKS/DISSENTING COMMENTS:

SUPPLEMENTAL ISSUE LISTING
SPECIAL COMMISSION CONFERENCE
SOUTHERN STATES UTILITIES, INC.

DOCKET NO. 920199-WS

FEBRUARY 15, 1993

Issue A: Should the Commission approve the proposed stipulations listed in the Prehearing Order?

Recommendation: Yes.

APPROVED

Quality of Service

Issues Applying to More Than One System

Issue 1: Which systems have an unsatisfactory quality of service?

Recommendation: Staff recommends that Fox Run, Golden Terrace, Gospel Island, Pine Ridge Utilities, and Point O' Woods water systems are not in compliance with DER rules and consequently are providing unsatisfactory quality of service.

Beechers Point water and wastewater, Chuluota, Hermits Cove and Palm Terrace (Ell-Nar) water systems and Fox Run, Leilani Heights, Point O' Woods, Sugar Mill Woods, University Shores 1 and 2, and Zephyr Shores wastewater facilities, are also delinquent in meeting DER requirements. Their deficiencies are of a lesser magnitude. Therefore, Staff finds these systems to be providing less than satisfactory quality of service.

APPROVED

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Issue 2: What adjustments should be made and what corrective action should the Commission require for those systems that are not currently meeting Department of Environmental Regulation standards?

Recommendation: No adjustments are necessary, however, Staff recommends the following corrective action be required:

For the following five systems the Utility should be ordered to submit a timetable within 60 days of the final order in this case showing the time required to make the plant improvements necessary to bring each system into compliance. The timeframe for completing all work required to satisfy this requirement shall not exceed eight months from the date of the final order. Following is a list of each system and its associated problem(s):

<u>WATER</u>	<u>PROBLEM</u>
Fox Run	Iron exceeds MCLs*
Golden Terrace	Iron exceeds MCLs
Gospel Island	Manganese exceeds MCLs
Pine Ridge Utilities	Inadequate pressure
Point O' Woods	Iron exceeds MCLs

Additionally, there are systems having deficiencies of a less severe nature which Staff considers to be providing less than satisfactory quality of service. For these systems the Utility should be ordered to bring them into compliance with DER rules within one year of the final order. If the DER grants a rule waiver, the Utility should comply with that waiver.

Following is a list of the additional systems needing to be brought into compliance and the problem with each:

<u>WATER</u>	<u>PROBLEM</u>
Beechers Point	Sodium and Chlorides exceed MCLs
Chuluota	Radium 226 and 288 exceed MCLs; rust in the system
Hermits Cove	Manganese and TDS* exceed MCLs
Palm Terrace (Ell-Nar)	Noncompliance letter

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Issue 2: (Continued from previous page)

<u>WASTEWATER</u>	<u>PROBLEM</u>
Beechers Point	Nitrate level exceeds MCLs
Fox Run	Inadequate disposal
Leilani Heights	Noncompliance letter
Point O' Woods	Overgrown percolation ponds
Sugar Mill Woods	Various effluent violations
	No fence as required by rule
University Shores	Effluent disposal
Zephyr Shores	Inadequate disposal

Further, until each system is in compliance, as indicated in writing by DER, the Utility should be ordered to submit quarterly reports to the staff regarding the status of the corrections to DER problems. When the Commission receives a copy of the DER compliance letter from the Utility and Staff notifies them of its acceptance, reports for individual systems may cease. The rust in the Chuluota system should be corrected by the replacement of 3,000 feet of distribution pipe, which SSU can report separately to the Staff.

Numerous Staff witnesses from DER testified that SSU did not have a copy of its Cross-Connection Control Program on file at the separate systems. Staff recommends that the Utility be required to keep a copy of its Cross-Connection Control Program at every system, not just at the Apopka office.

*MCLs = Maximum Contaminant Levels permitted. TDS = Total Dissolved Solids.

APPROVED - The utility was directed to file a report on the status of these corrections within 30 days of the order on this decision, and to submit a detailed plan for the completion of the corrections within the prescribed 8 or 12 month period within 60 days of the order.

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Rate Base

Generic and General Plant Issues

Issue 3: Should a margin reserve be included in the calculations of used and useful plant?

Recommendation: Yes. A margin reserve should be allowed where the utility requested it and can support it.

APPROVED

Issue 4: What is the appropriate method for calculating margin reserve?

Recommendation: Linear regression using actual ERCs should be used when there is a trend of increasing or decreasing growth. The margin reserve for systems which were constructed during 1991 should be based on the growth during the test year.

APPROVED

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Issue 5: What is the appropriate method for calculating used and useful plant?

Recommendation: The component method, as modified, should be used to determine the portion of water plant used and useful. Hydraulic flow data should be used in determining the portion of wastewater treatment plant used and useful. For water distribution and wastewater collection, the Commission should continue with past precedent and use lots served versus lots available for determining the percentage of the Company's distribution and collection system that is used and useful.

APPROVED

Issue 6: For those systems where a margin reserve is included in the used and useful calculation, should CIAC be imputed as an offsetting measure?

Recommendation: Yes, for those systems where a margin reserve is included in the used and useful calculation, CIAC should be imputed as an offsetting measure.

APPROVED

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Issue 7: What is the appropriate method for allocating general plant, and are any adjustments necessary?

Recommendation: General plant should be allocated on the basis of relative customers. Since this is the utility's proposed treatment, no adjustments are needed.

APPROVED

Issue 8: Is an adjustment necessary to allocate a portion of the Company's general plant to its acquisition efforts?

Recommendation: No. None of the Utility's general plant should be allocated to acquisition activities.

APPROVED

Issue 9: Has the Company properly allocated general plant common costs to its gas merchandising and jobbing operations?

Recommendation: Common plant is allocated to the Utility's LP gas operation. Merchandising and jobbing is a segment of that business. Therefore, common costs are allocated to merchandising and jobbing under the umbrella of the gas operation.

APPROVED

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Issue 10: Should the provision for general plant be increased to reflect omission of common plant acquired in the Lehigh acquisition?
Recommendation: Yes, general plant should be increased by \$221,662 to correct an inadvertent omission of common plant. Corresponding adjustments to accumulated depreciation and depreciation expense are also recommended.

APPROVED

Issue 11: What is the appropriate method for allocating deferred income taxes related to CIAC, connection fees and CIAC gross-up provisions?
Recommendation: Deferred income taxes related to CIAC, connection fees and CIAC gross-up provisions, in Account 190, should be allocated proportionately to those systems that caused their creation. Deferred income taxes in Account 281 and 190-Other should be allocated on the basis of gross plant. Deferred income taxes in Account 190 related to OPEBs should be allocated on the basis of average number of customers-total company.

APPROVED

Issue 12: Should deferred income taxes related to post-retirement benefits be included in rate base?
Recommendation: Yes, based on Staff's recommendation in Issue 13.

APPROVED

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Issue 13: If the Commission adopts SFAS 106 for ratemaking purposes, what is the appropriate treatment of the unfunded liability for post-retirement benefits other than pensions?

Recommendation: The unfunded liability should reduce water and wastewater rate bases.

APPROVED

Issue 14: What is the appropriate method for calculating working capital?

Recommendation: The formula method should be used to calculate working capital.

APPROVED

System Specific Issues (by County)

Citrus County

Issue 15: Should Rosemont and Rolling Green be considered one system for rate making purposes, and, if not, how should the rate base improvements at Rosemont be shared between the two systems' customers?

Recommendation: These two systems should be combined for ratemaking purposes.

APPROVED

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Issue 16: Was the Utility's decision to interconnect Rosemont and Rolling Green prudent, considering the utility could have interconnected with the City of Inverness, and, if not, what adjustments to rate base are appropriate?

Recommendation: Staff does not believe there is sufficient evidence in the record to draw a conclusion that the Utility's decision to interconnect these two systems was not prudent. In light of this conclusion, no rate base adjustments are appropriate.

APPROVED

Issue 17: What is the appropriate number of ERCs to use at Sugarmill Woods?

Recommendation: The potential number of lots for development number 9054, which should be counted as one ERC each. The number of connected water ERCs is 1935; the number of connected wastewater ERCs is 1812.

APPROVED

Issue 18: Did SSU use a higher figure (2,500 GPM) for fire protection than that provided to their engineering consultant by the Citrus County Fire Marshall?

Recommendation: No. The required fire flow of 2500 gpm is in compliance with Citrus County Ordinance No. 86-10.

APPROVED

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Issue 19: Is it appropriate for SSU to deduct two 600 GPM wells instead of one when calculating used and useful?

Recommendation: No. Only one well should be deducted when calculating used and useful.

APPROVED

Clay County

Issue 20: Should the No. 2 well at Keystone Heights be included in the used and useful calculation?

Recommendation: Yes. Well No. 2 should be included in the used and useful calculations for Keystone Heights. Increased costs outside the test year should not be included.

APPROVED

Issue 21: Should the plant in service for Skycrest be reduced by \$4,124 to eliminate a double counting error?

Recommendation: Yes. This issue was stipulated by the parties during the hearing.

APPROVED

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Marion County

Issue 22: Should rate base for the Salt Springs water plant be reduced to reflect abandonment of plant?

Recommendation: No. Since an adjustment for the abandonment has no impact on revenues, Staff made no adjustment. The Utility should be required to retire this asset on its books and recognize a loss of \$11,143 amortized over 5 years.

APPROVED

Issue 23: Should those plant improvements at Fox Run not required by Order No. 21408 be included in the rate base?

Recommendation: The total plant improvements allowed in rate base should be capped at \$159,840. Since the utility has only included \$132,418 for plant additions for 1989 and 1990, no adjustment should be made.

APPROVED

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Putnam County

Issue 24: Should the River Park No. 2 plant be included in the used and useful calculation?

Recommendation: Yes. Since the plant's costs are included in rate base, the plant should be included in the used and useful calculation. Increased costs outside the test year should not be recovered.

APPROVED

Issue 25: What adjustments to used and useful should be made for the new equipment added to the Silver Lake Oaks system?

Recommendation: Used and useful should be recalculated to include the new equipment. The used and useful percentages are: finished water storage 50% and high service pumps 35.7%.

APPROVED

Issues Applying To More Than One System

Issue 26: Which systems for which the utility requested a margin reserve should not be allowed a margin reserve in the amount requested?

Recommendation: Staff recommends that the margin reserve numbers set forth in Attachment 1 to this issue are appropriate for the margin reserve.

APPROVED

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Issue 27: What are the used and useful percentages for the water treatment facilities?

Recommendation: Staff recommends that the used and useful percentages set forth in Attachment 1, of staff's memorandum dated February 3, 1993, to this issue are appropriate for the water treatment plants.

APPROVED

Issue 28: What are the used and useful percentages for the water distribution systems?

Recommendation: Staff recommends that the used and useful percentages set forth in Attachment 1, of staff's memorandum dated February 3, 1993, to this issue are appropriate for the water distribution systems.

APPROVED

Issue 29: What are the used and useful percentages for the wastewater treatment facilities?

Recommendation: Staff recommends that the used and useful percentages set forth in Attachment 1, of staff's memorandum dated February 3, 1993, to this issue are appropriate for the wastewater treatment facilities.

APPROVED

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Issue 30: What are the used and useful percentages for the wastewater collection systems?

Recommendation: Staff recommends that the used and useful percentages set forth in Attachment 1, of staff's memorandum dated February 3, 1993, to this issue are appropriate for the wastewater collection systems.

APPROVED

Issue 31: Should rate base be reduced to designate certain future use plant sites as non-used and useful properties?

Recommendation: Yes. The future use plant sites listed below should be removed from rate base.

APPROVED

Issue 32: What are the proper allowances for working capital?

Recommendation: The recommended working capital allowance amounts are shown in the individual schedules for each system. Working capital provisions are calculated using the formula method recommended by Staff in Issue 14.

APPROVED

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Issue 33: Should the unamortized portion of the gain on the sale of St. Augustine Shores (SAS) and University Shores be included as an offset to rate base?

Recommendation: No adjustment should be made.

APPROVED

Issue 34: Should negative acquisition adjustment(s) be made to rate base?

Recommendation: Staff recommends that no additional acquisition adjustments should be made to rate base.

APPROVED

Issue 35: What are the rate bases?

Recommendation: The recommended rate bases for the test year ended December 31, 1991, are shown in the attached schedules in staff's memorandum dated February 3, 1993.

APPROVED

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Cost of Capital

Issue 36: Should the cost of debt capital be adjusted to reflect reduced interest rates for variable-cost debt components?

Recommendation: Yes. The appropriate cost rate for debt is 10.31%, which reflects the cost of variable rate debt based on the most current interest rates in effect at the time of the hearing.

APPROVED

Issue 37: What is the appropriate cost rate for deferred investment tax credits?

Recommendation: The cost rate should be weighted so that the unamortized ITCs for each system which fall under the general rule, Internal Revenue Code Section 46(f)(1), before acquisition by SSU are given a cost rate of zero and the unamortized ITCs for the remaining systems receive the weighted cost rate of long term debt, common stock, and preferred stock. The rate is 2.22% based on the recommendation in Issue 41.

APPROVED

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Issue 38: What is the appropriate amount of accumulated deferred income taxes to be included in the capital structure?

Recommendation: The amount of net accumulated deferred income taxes is a debit balance and should be included in rate base. The individual amounts are shown on the rate base schedule for each system attached at the back of the recommendation.

APPROVED

Issue 39: Should short-term debt be included in the capital structure?

Recommendation: No. The subject short-term debt was issued after the test year and should be excluded.

APPROVED

Issue 40: Should the cost of debt capital be adjusted to reflect a reduced interest rate for the 15.95% fixed rate on the Company's \$22,500,000 of long-term mortgage bonds?

Recommendation: No. The cost of debt capital for the long-term mortgage bonds should not be adjusted.

APPROVED

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Issue 41: What is the appropriate overall cost of capital including the proper components, amounts, and cost rates?

Recommendation: The weighted average cost of capital is 10.67%.

APPROVED

Net Operating Income

Generic and A&G Expense Issues

Issue 42: Should the Company's revenues be weather normalized, and, if so, what adjustments are appropriate?

Recommendation: No, the Company's revenues should not be adjusted for weather normalization.

APPROVED

Issue 43: Is the utility's test year provision for employee wages and compensation unreasonable and, if so, what adjustments are appropriate?

Recommendation: No. Test year expenses should be reduced by \$47,970 and allocated to all SSU systems.

DENIED

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Issue 44: What is the appropriate method for allocating administrative and general expenses?

Recommendation: Administrative and general expenses should be allocated based on relative customers.

APPROVED

Issue 45: Is an adjustment necessary to allocate a portion of the Company's administrative and general expenses and general plant depreciation expense to its acquisition efforts?

Recommendation: No. An adjustment is unnecessary.

APPROVED

Issue 46: Has the Company properly allocated administrative and general expenses to its gas merchandising and jobbing operations?

Recommendation: Yes, no adjustment should be made.

APPROVED

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Issue 47: Are adjustments necessary for expenses charged to the Company by the Topeka Group, Inc. and Minnesota Power and Light Company?
Recommendation: No. The charges for credit support fees, employees traveling between SSU and MP&L/TGI, and excess liability/property damage insurance and director's and officer's liability insurance are reasonable.

APPROVED

Issue 48: What is the appropriate amount of rate case expense?
Recommendation: Total rate case expense should be \$1,302,191. This results in an annual amortized amount of rate case expense of \$325,547. An adjustment is necessary to reduce amortized rate case expense by \$117,502. Also, the Utility should be ordered to submit a detailed statement of the actual rate case expense incurred within 60 days after the final order is issued, or if applicable, within sixty days after the issuance of an order entered in response to a motion for reconsideration of such final order. The information should be submitted in the form prescribed for Schedule B-10 of the MFRs.

APPROVED

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Issue 49: Should the utility's proposed pro forma adjustments to customer accounting and administrative charges due to acquisition of Lehigh Utilities be approved?
Recommendation: No reduction is necessary to remove the pro forma adjustments.

APPROVED

Issue 50: Should the Commission allow the utility's \$1,435,469 pro forma adjustment for post-retirement benefits, and, if not, what adjustments are appropriate?
Recommendation: The Commission should use SFAS 106 for ratemaking purposes. The appropriate total OPEB expense allowance, for both water and wastewater, is \$410,515, which has been allocated to the systems. Staff has reduced the Company's requested OPEB expense amount to reflect the Company's lowest cost proposed OPEB plan, to reflect a discount rate of 8.25%, and to reflect the capitalization of a portion of OPEB costs.

APPROVED

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Issue 51: Does SFAS 106 require SSU to incur any expense which it would otherwise (i.e., in the absence of SFAS 106) not incur?

Recommendation: No. SFAS 106 does not change the ultimate amount of OPEB costs but changes the period in which such costs are recognized due to the change from pay-as-you-go accounting to accrual accounting.

APPROVED

Issue 52: Are SSU's alleged OPEB obligations certain enough to justify recovery of expenses related thereto?

Recommendation: Yes. With the adjustments recommended in Issue 50, the Company's OPEB obligation is appropriate for determining a reasonable SFAS 106 expense allowance.

APPROVED

Issue 53: Is the transition adjustment a request to recover expenses incurred in prior periods?

Recommendation: No. The amortization of the transition obligation is a necessary component of the Company's SFAS 106 expense and is necessary for the transition from pay-as-you-go accounting to accrual accounting.

APPROVED

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Issue 54: If the Commission approves the accrual method for post-retirement benefits, should that portion of benefits related to construction be removed?

Recommendation: Yes, 18.2% of the allowed provision for post-retirement benefits should be removed. This excluded portion should not be added to rate base since accrual of post-retirement benefits will not commence until 1993, which is subsequent to the test year.

APPROVED

Issue 55: If the Commission approves the accrual method for post-retirement benefits, should pay-as-you-go expenses be removed?

Recommendation: Yes. The parties stipulated at hearing that expenses should be reduced by \$32,806 to reflect removal of pay-as-you-go post-retirement benefits if accrued amounts were allowed.

APPROVED

Issue 56: Should the Commission allow the utility's 3.63% escalation factor for operating and maintenance expenses other than payroll and rate case expense, and, if not, what adjustments are appropriate?

Recommendation: Yes, Staff recommends that the 3.63% escalation factor for expenses is reasonable and should be allowed.

APPROVED

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Issue 57: Should the Commission allow the utility's 5.00% increase to payroll expense, and, if not, what adjustments are appropriate?

Recommendation: No, SSU should be allowed a 4.54% payroll increase. This is a reduction to salary expense of \$15,571 for water and \$8,104 for wastewater for the FPSC filed systems.

APPROVED

Issue 58: Should the gain realized upon sale of the St. Augustine utility system be considered in determining operating revenues for the systems in this proceeding?

Recommendation: No, but the A&G expenses should be reduced by \$254,917 and allocated among all systems.

APPROVED

Issue 59: Should the costs associated with the merger of the SSU companies be removed from test year results?

Recommendation: The test year operating and maintenance expense should be reduced by \$9,312. The merger costs should be amortized over five years.

APPROVED with the clarification that \$9,312 is a "total company" amount.

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Issue 60: Should common expenses be reduced to reflect projected savings due to consolidation or closing of customer service offices?
Recommendation: Yes, common expenses for the SSU filed systems should be reduced by \$47,955.

APPROVED with the clarification that the annualized reduction amount is \$70,024.

Issue 61: Should the Commission reduce the expense allowed for remittance processing to reflect anticipated savings, on a going-forward basis, as a result of in-house processing?
Recommendation: No adjustment should be made.

APPROVED

Issue 62: Should the Commission reduce postage costs to reflect savings to perform postage services in-house?
Recommendation: No, there should be no reduction to postage costs.

APPROVED

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Issue 63: What is an acceptable level of unaccounted for water?
Recommendation: Staff recommends that 10% of the water pumped or purchased is an acceptable level of unaccounted for water.

APPROVED

Issue 64: Should interest income earned on utility deposits made by Southern States be moved above the line for ratemaking purposes?
Recommendation: No. Interest income should remain below the line for ratemaking purposes.

APPROVED

Issue 65: Should an adjustment be made to remove chamber of commerce dues and other public relations expenses from the test year?
Recommendation: An adjustment of \$3,023 should be made to remove chamber of commerce dues and public relations expenses.

APPROVED

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Issue 66: Should an adjustment be made to the Company's membership dues?

Recommendation: Yes, membership dues should be reduced by \$3,137.

APPROVED

Issue 67: Should an adjustment be made to reduce the Company's test year bad debt expense?

Recommendation: Yes. An adjustment should be made to reduce test year bad debt expense by \$38,570.

APPROVED

Issue 68: Should an adjustment be made to reduce the Company's test year legal expenses?

Recommendation: Yes, legal fees should be reduced by \$12,551 for excessive acquisition adjustment policy research and by \$5,499 related to the sale of the Shadowbrook system. This results in a total expense reduction for legal fees of \$18,050.

APPROVED with the amendment that the reductions be taken fully in the test year and not amortized over five years.

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Issue 69: Should an adjustment be made to reduce the Company's test year aircraft expenses?

Recommendation: Yes. An adjustment should be made to reduce test year aircraft expenses by \$3,400.

APPROVED

Issue 70: Should an adjustment be made to advertising expenses?

Recommendation: Yes. Advertising expenses should be reduced by \$7,352.

APPROVED

Issue 71: Should an adjustment be made to remove expenses associated with professional studies and contractual services?

Recommendation: Yes. No adjustment should be made to remove expenses associated with professional studies and the Cambridge Reports customer survey study. However, test year organizational development charges of \$19,698 should be amortized over five years. This results in a reduction to test year expenses of \$15,758.

APPROVED

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Issue 72: Should an adjustment be made to remove expenses associated with the Price Waterhouse audit of the employee savings plan?
Recommendation: No adjustment is necessary.

APPROVED

Issue 73: Should an adjustment be made to remove test year relocation expenses?
Recommendation: Yes, relocation expenses should be reduced by \$11,781.

APPROVED

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System Specific Issues (by County)

Citrus County

Issue 74: Should an adjustment be made to reduce property taxes at Sugar Mill Woods?

Recommendation: Yes. Property taxes for the Sugarmill Woods systems should be reduced by \$33,063 to remove out-of-period expense. This amount should be allocated on the basis of reported taxes, or \$11,978 and \$21,085 reductions for the water and wastewater systems, respectively.

APPROVED

Duval County

Issue 75: Is an adjustment necessary to the purchased water expense of Beacon Hills?

Recommendation: Yes. The \$14,925 out of period billing of purchased water should be removed from test year expenses.

APPROVED

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Issue 76: Is an adjustment necessary to reduce property taxes associated with Marion Oaks property held for future use.
Recommendation: Yes. The recommended adjustments related to land held for future use are:

	<u>Water</u>	<u>Wastewater</u>
Citrus Springs	\$279	
Deltona Lakes	\$369	\$316
Marion Oaks	\$393	\$435
Pine Ridge Utilities	\$88	
Spring Hill		\$2,241
Sunny Hills	<u>\$19</u>	<u> </u>
Totals	<u>\$1,148</u>	<u>\$2,992</u>

APPROVED

Martin County

Issue 77: Should the cost of the reuse feasibility study for Leilani Heights be amortized over five years instead of being expensed in the test year?

Recommendation: This issue was stipulated at the hearing. All parties agreed that the test year expenses should be reduced \$10,150 and the cost of the reuse feasibility study should be amortized over 4 years.

APPROVED

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Orange County

Issue 78: Should test year NOI be increased for the gain on the sale of University Shores properties?

Recommendation: No, no adjustment is necessary.

APPROVED

Volusia County

Issue 79: Should the \$14,326 test year expense in the Jungle Den system to televise and repair wastewater collection lines be amortized?

Recommendation: Yes, this expense should be amortized over three years. A reduction of \$9,551 to test year expenses is appropriate.

APPROVED

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Issues Applying To More Than One System

Issue 80: Which systems have excessive unaccounted for water and what adjustments are appropriate as a result?

Recommendation: Systems with excessive unaccounted for water and the recommended adjustments for chemicals, electricity and purchased water are as follows:

<u>SYSTEM</u>	% EXCESSIVE UNACCOUNTED FOR WATER*	<u>ADJUSTMENT</u>		
		<u>CHEM</u>	<u>ELEC.</u>	<u>PURCH WATER</u>
Beechers Point	25	\$ 22	\$ 347	0
Harmony Homes	5	\$ 55	\$ 19	0
Intercession City	7	\$ 25	\$ 166	0
Interlachen Lake Est.	13	\$ 6	\$ 277	0
Keystone Heights	6	\$ 6	\$ 689	0
Kingswood	15	0	0	\$1,086
Lake Harriet Estates	7	\$ 41	\$ 267	0
Oakwood	2	0	\$ 475	0
Palisades	17	0	\$ 69	0
River Grove	32	\$ 21	\$ 404	0
Saratoga Harbour/Welaka	5	\$ 4	\$ 77	0
Stone Mountain	43	\$ 44	\$ 294	0

*Actual percentages are reduced by Staff's recommended acceptable level of 10%.

APPROVED

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Issue 81: Which systems have excessive infiltration and what adjustments are appropriate as a result?

Recommendation: No systems currently have excessive infiltration; therefore, no adjustments are appropriate.

APPROVED

Issue 82: Should property taxes be reduced in relation to corresponding used and useful adjustments to plant?

Recommendation: Yes, property taxes should be reduced to remove taxes associated with non-used and useful plant and should be included in the calculation of AFPI charges.

APPROVED

Issue 83: Should test year expenses for property taxes be reduced due to appraisals of Deltona Utilities and United Florida properties?

Recommendation: No adjustment is necessary.

APPROVED

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Issue 84: What is the appropriate provision for test year income taxes?
Recommendation: The appropriate amount of income tax expense to be included in the test year is (\$429,153) and (\$697,977), for water and wastewater, respectively.

APPROVED

Issue 85: Should ITC amortization be above-the-line and in what amount?
Recommendation: Yes, ITC amortization should be above the line. Only the amortization from SSU should be allocated among the systems. The amount of amortization should be \$10,793.

APPROVED

Issue 86: Is a parent debt adjustment appropriate, and, if so, what is the proper amount?
Recommendation: Yes, a parent debt adjustment is appropriate in accordance with Rule 25-14.004, Florida Administrative Code. The amount of the adjustment should be \$264,977.

APPROVED

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Issue 87: Is an ITC interest synchronization adjustment appropriate, and, if so, what is the proper amount?

Recommendation: Yes, since the ITCs are included in the capital structure at a net positive cost rate. The amount of this adjustment should be \$4,123.

APPROVED

Issue 88: Has the Company properly included reuse revenue in the test year revenue?

Recommendation: No, \$9,308 should be included in test year revenues for the Deltona Lakes system.

APPROVED

Issue 89: Should revenues be imputed for water estimated as attributable to unmetered and stuck meters?

Recommendation: No revenues should be imputed for water estimated as attributable to unmetered and stuck meters. The Utility should be ordered to submit quarterly reports for a period of one year from the date of the final order on the results of the stuck meter program recently instituted.

APPROVED

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Issue 90: What is the adjusted operating income amount before any revenue increase?

Recommendation: The recommended appropriate levels of operating income are shown in the individual operating income schedules by system in staff's memorandum dated February 3, 1993.

APPROVED as amended to reflect the used and useful adjustments noted by the staff as well as the Commission's decisions modifying the staff's recommendations on issues 43 and 68.

Revenue Requirement

Issue 91: What are the systems' revenue requirements?

Recommendation: The recommended revenue requirements for the test year ended December 31, 1991 are shown in the schedules in staff's memorandum dated February 3, 1993.

APPROVED with the same amendment noted under issue 90.

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Rates and Charges

Generic Issues

Issue 92: Should SSU's final rates be uniform within counties, regions, or statewide?

Recommendation: SSU's final rates should be a uniform water rate and modified stand-alone wastewater rates capped at \$45.00.

DENIED

Alternate Recommendation 1: SSU'S final rates should be calculated based on a uniform statewide basis.

APPROVED

Alternate Recommendation 2: SSU'S final rates should be calculated based on a modified individual system basis, with the exception of the following water systems which are combined for ratemaking purposes: Interlachen Estates and Park Manor, Rosemont and Rolling Green, Saratoga Harbor and Welaka, Silver Lake Estates and Western Shores. All other existing uniform rates should be unbundled.

DENIED

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Issue 93: Should systems with advanced water or wastewater treatment have a surcharge added to their rates if uniform rates are approved?
Recommendation: Water systems with advanced treatment should not have surcharges based on treatment type added to the uniform rate.

DENIED

Alternate Recommendation 1: Systems with advanced water and wastewater treatment should not have surcharges based on treatment type added to the uniform rate.

APPROVED

Alternate Recommendation 2: This issue is not applicable to the alternate recommendation since the staff is recommending modified stand-alone rates.

DENIED

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Issue 94: Should SSU's proposal that customer bills be capped at \$52 for water and \$65 for wastewater for 10,000 gallons for water usage be approved?

Recommendation: No. A statewide uniform water rate with a \$5.00 base facility and \$1.24 gallonage charge, and wastewater rates designed to generate a maximum bill of \$45.00 at 6,000 gallons of usage should be approved.

DENIED

Alternate Recommendation 1: This issue is not applicable to Alternate Recommendation 1 since the Staff is recommending uniform rates.

APPROVED

Alternate Recommendation 2: No. The rates should be developed based on a water cap of \$30.00 at 10,000 gallons of water usage and a wastewater cap of \$46.75 with a 6,000 gallon cap for a maximum bill of \$76.75.

DENIED

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Issue 95: How should the revenue deficiencies caused by the utility's proposed cap on bills at 10,000 gallons be recovered?

Recommendation: Revenue deficiencies created by the capped wastewater rates should be recovered through a \$0.05 surcharge on water gallonage charges.

DENIED

Alternate Recommendation 1: Any revenue deficiencies resulting from a comparison of a statewide rate to the rates developed with a strict system-specific requirement should be recovered through each industries' customers.

APPROVED

Alternate Recommendation 2: Revenue deficiencies resulting from capped water and wastewater rates should be recovered through each industries' customers.

DENIED

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Issue 96: Should the Commission adopt the Utility's proposed rate structure, and, if not, what is the appropriate rate structure?

Recommendation: The recommended rates should be designed to produce total annual operating revenues for all 127 systems of \$15,828,704 for water and \$10,179,468 for wastewater. This results in a net increase of \$3,325,992 (26.60%) for water and \$3,323,530 (48.48%) for wastewater. SSU's final rates should be calculated based on a statewide rate of a \$5.00 base facility charge and \$1.24 gallonage charge for water and on a modified individual system basis for wastewater. All existing uniform rates for wastewater should be unbundled. The rates for wastewater should be based on a cap of \$45.00 at 6,000 gallons of water usage. Separate charges for public fire protection should be eliminated. Rates for private fire protection should be calculated by dividing the approved base facility charges for each comparable meter size by one-third. Revenue deficiencies caused by the Staff recommended water rate should be recovered from water customers and deficiencies from the wastewater "cap" on bills should be recovered from wastewater customers and a nickel increase in water gallonage charges. The Utility should uniformly implement the base facility and gallonage charge rate structure. Residential wastewater base facility charges should be calculated on one ERC to recognize that additional usage of water requiring a larger meter size would be due to water used for irrigation purposes, which is not returned to the wastewater collection system. A rate differential between the residential and general service wastewater gallonage charge should be established to recognize that 80% of water sold up to the maximum cap to residential customers and 96% of all water sold to general service customers is returned to the wastewater system. Rates for wastewater-only customers should be calculated by multiplying the average usage of metered customers for that system by the gallonage charge and adding this to the new base facility charge. The rates should be billed on a monthly basis, effective for service rendered on or after the stamped approved tariff effective date.

DENIED

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Alternate Recommendation 1: The rate should be a statewide uniform water and wastewater rate constructed as a base facility and gallonage charge designed to generate water revenues of \$15,828,704 and wastewater revenues of \$10,179,468. This results in a net increase of \$3,325,992 (26.60%) for water and \$3,323,530 (48.48%) for wastewater. The rate should be set at \$5.00 base facility charge and \$1.19 gallonage charge for water, and \$12.01 base facility charge and \$3.41 gallonage charge for wastewater. Any revenue deficiencies resulting from a comparison of a statewide rate to the rates developed with a strict system specific revenue requirement should be recovered from each industry's customers. Systems with advanced water and wastewater treatment should not have surcharges based on treatment type added to the uniform rate. Separate rates for public fire protection should be eliminated. Rates for private fire protection should be calculated by dividing the approved base facility charges of the comparable meter sizes by one-third. Residential wastewater base facility charges should be calculated on one ERC to recognize that additional usage of water requiring a larger meter size would be due to water used for irrigation purposes, which is not returned to the wastewater collection system. The residential wastewater gallonage cap should be set at 6,000 gallons for all systems. A rate differential between the residential and general service gallonage charge should be established to recognize that 80% of water sold up to the maximum cap to residential customers and 96% of all water sold to general service customers is returned to the wastewater system. Rates for wastewater-only customers should be calculated by multiplying the average usage of metered customers for that system by the gallonage charge and adding this to the new base facility charge. The rates should be billed on a monthly basis, effective for service rendered on or after the stamped approved tariff effective date.

APPROVED with the modification adjusting the stated revenue amounts based on decisions on earlier issues affecting revenue requirements.

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Alternate Recommendation 2: The recommended rates should be designed to produce total annual operating revenues for all 127 systems of \$15,828,704 for water and \$10,179,468 for wastewater. This results in a net increase of \$3,325,992 (26.60%) for water and \$3,323,530 (48.48%) for wastewater. SSU's final rates should be calculated based on a modified individual system basis, with the exception of Welaka and Sarasota Harbor, Silver Lake Estates and Western Shores, Park Manor and Interlachen Lakes, and Rosemont and Rolling Green which are combined for water ratemaking purposes. All other existing uniform rates should be unbundled. The rates should be developed based on a water cap of \$30.00 at 10,000 gallons of water usage and a wastewater cap of \$46.75 for a maximum bill of \$76.75. The residential wastewater gallonage cap should be set at 6,000 gallons for all systems. Separate charges for public fire protection should be eliminated. Rates for private fire protection should be calculated by dividing the approved base facility charges for each comparable meter size by one-third. Revenue deficiencies caused by the staff recommended "cap" on bills for water should be recovered from each industry's customers. The Utility should uniformly implement the base facility and gallonage charge rate structure, increasing the gallonage rate to a minimum of \$1.00 in those systems that would be less than \$1.00 with stand alone rates. Residential wastewater base facility charges should be calculated on one ERC to recognize that additional usage of water requiring a larger meter size would be due to water used for irrigation purposes, which is not returned to the wastewater collection system. A rate differential between the residential and general service gallonage charge should be established to recognize that 80% of water sold up to the maximum cap to residential customers and 96% of all water sold to general service customers is returned to the wastewater system. Rates for wastewater-only customers should be calculated by multiplying the average usage of metered customers for that system by the gallonage charge and adding this to the new base facility charge. The rates should be billed on a monthly basis, effective for service rendered on or after the stamped approved tariff effective date.

DENIED

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Issue 97: Should conservation rates be implemented for systems in critical use areas with excessive water consumption and if so, how should the conservation rates be structured?

Recommendation: No. The Utility should implement a uniform water rate using the base facility and gallonage charge rate structure, which is considered to be a conservation rate structure.

DENIED

Alternate Recommendation 1: No. The Utility should implement a uniform rate, developed as a base facility and gallonage charge structure, which is considered to be a conservation rate structure.

APPROVED

Alternate Recommendation 2: No. The Utility should uniformly implement the base facility and gallonage charge structure, increasing the water gallonage rate to a minimum of \$1.00 in those systems that would be less than \$1.00 with stand alone rates.

DENIED

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Issue 98: Should private fire protection rates be calculated by dividing the approved base facility charges for each comparable meter size by 1/3 ?
Recommendation: Yes, private fire protection rates should be developed by dividing the approved base facility charge for the comparable meter size by 1/3.

APPROVED

Issue 99: Should a private fire protection rate be approved for lines less than 4" in diameter?
Recommendation: No, private fire protection rates should not be approved for any line size less than 4 inches in diameter, unless the service provided is strictly sprinkler system service and not hydrant service. Requests for service provided through a meter smaller than 2" should be evaluated on a case by case basis.

APPROVED

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Issue 100: Should the residential wastewater base facility charge be increased by the American Waterworks Association factors?

Recommendation: No. Residential wastewater base facility charges should be calculated on one ERC to recognize that additional usage of water requiring a larger meter size would be due to water used for irrigation purposes, which is not returned to the wastewater collection system.

APPROVED

Issue 101: Is a wastewater gallonage cap of 10,000 gallons appropriate for all systems, and, if not, what is (are) the appropriate cap(s)?

Recommendation: The residential wastewater gallonage cap should be set at 6,000 gallons for all systems.

APPROVED

Issue 102: Should the wastewater gallonage charges be calculated assuming 80% of water sold to residential customers and 96% of water sold to general service customers is returned to the wastewater systems?

Recommendation: Yes, a rate differential between the residential and general service gallonage charge should be established to recognize that 80% of water sold up to the maximum cap to residential customers and 96% of all water sold to general service customers is returned to the wastewater system.

APPROVED

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Issue 103: Should SSU be required to file a service availability case for all its systems?

Recommendation: Yes, the Utility should be required to file a service availability case for its systems within two (2) years from the date of the Commission order.

APPROVED

Issues Applying To More Than One System

Issue 104: What are the appropriate rates for reuse of reclaimed water for each of SSU's systems?

Recommendation: The appropriate rates for reuse should be determined on a system by system basis. Factors such as the availability of reuse water and the alternatives of the end users should be considered. The Utility should be required to file a tariff for approval of the effluent rate identified in the contract between the Deltona Lakes system and the Deltona Lakes Golf and Country Club.

APPROVED

Issue 105: What adjustments, if any, to the Bills and Gallons identified in Schedules Nos. E-2A of the MFRs are appropriate?

Recommendation: No adjustments should be made to the bills and gallons identified in Schedules Nos. E-2A of the MFRs.

APPROVED

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Issue 106: What are the appropriate final rates?

Recommendation: The appropriate final rates should be a uniform statewide water rate of a \$5.00 base facility charge and a \$1.24 gallonage charge and modified individual system wastewater rates designed to produce a maximum bill of \$45.00 with a 6,000 gallon wastewater cap.

DENIED

Alternate Recommendation 1: The appropriate final rates should be a uniform statewide water and wastewater rate. The rate should be set at a \$5.00 base facility charge and a \$1.19 gallonage charge for water, and a \$12.01 base facility charge and a \$3.41 gallonage charge for wastewater with a 6,000 gallon wastewater cap.

APPROVED

Alternate Recommendation 2: The appropriate final rates should be rates developed to generate a maximum water bill of \$30.00 at 10,000 gallons of water usage, and a maximum wastewater bill of \$46.75 with a 6,000 cap.

DENIED

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Issue 107: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

Recommendation: The base facility charges and gallonage charges recommended by Staff in Issue 106 should be reduced by 1.62% and .87% respectively, at the expiration of the four-year period, in compliance with Section 367.0816, Florida Statutes. The actual decrease amounts will be identified in the final order. The Utility should be required to file tariffs no later than one month prior to the actual date of the required rate reduction. The Utility also should be required to file a proposed "customer letter" setting forth the lower rates and the reason for the reduction to be included with the proposed tariffs.

APPROVED

Issue 108: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The final revenue requirement should be adjusted for items not representative of the period interim rates were in effect before comparing the final revenue requirement with the interim revenue requirement to determine whether a refund is necessary. Since the adjusted interim calculation is less than the amount of interim rates approved, refunds of 6.68% and 2.82% are necessary for the water and wastewater systems, respectively. The water and wastewater refunds should be calculated using the same procedure under which the interim increases were calculated. The interim water and wastewater base facility and gallonage charges should be reduced to the extent that the appropriate refund amount will be accomplished. The refund revenues should be split 40% to the base facility charge and 60% to the gallonage charge and calculated on a per ERC and gallonage basis. Wastewater systems with flat rates should be decreased by the flat rate per ERC amount plus the average usage of metered customers multiplied by the gallonage charge decrease amount. The Utility should be required to submit the water and wastewater refund rates to be used in calculating the refunds and the supporting data demonstrating how the refund rates were calculated to the Commission for Staff's approval prior to proceeding with the refund. The interim refund shall be made with interest and in conformity with Rule 25.30.360, Florida Administrative Code.

APPROVED with the modification that due to decisions on earlier issues affecting revenue requirements, refunds of 6.55% and 2.73% were approved for water and wastewater systems respectively, rather than 6.68% and 2.82%.

Other or Miscellaneous Issues

Issue 109: Should the Commission adjust the utility's proposed allowance for funds prudently invested (AFPI) charges?

Recommendation: Yes. Adjustments are needed to reflect net plant, the increased amount of non-used and useful plant, the return on equity using the current leverage graph and non-used and useful property taxes. The AFPI calculations for Sugarmill Woods water and Burnt Store water and wastewater systems should be reduced to reflect prepaid CIAC. No AFPI should be allowed for the Sugarmill Woods wastewater system, since it has a negative rate base.

APPROVED

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Issue 110: Should the Commission adjust the utility's proposed allowance for funds used during construction (AFUDC) calculation?

Recommendation: Yes. The annual AFUDC rate should be 10.63% and the discounted monthly AFUDC rate should be 0.845109%, consistent with Rule 25-30.116, Florida Administrative Code. The AFUDC rate should be effective as of January 1, 1992.

APPROVED

Legal Issues

Issue 111: Do the pronouncements of the Financial Accounting Standards Board legally compel the Commission to any specific accounting methodology for rate making procedures under Florida Statutes?

Recommendation: No. The Financial Accounting Standards Board does not legally compel the Commission to use any specific accounting methodology.

APPROVED

Issue 112: May the Commission substitute SFAS 106 as the standard by which it judges whether Company expenses are incurred, and if incurred, whether reasonably incurred?

Recommendation: No. The Commission may not substitute SFAS 106 as the standard by which it judges whether utility expenses are incurred and reasonable.

APPROVED

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Issue 113: Does SSU's requested recovery of the transition adjustment violate the prohibition against retroactive ratemaking?

Recommendation: No. The amortization of the transition obligation is a necessary part of the Company's FAS 106 expense. Including it in the allowance for FAS 106 expense is appropriate and does not result in retroactive ratemaking.

APPROVED

Issue 114: Should this docket be closed?

Recommendation: Yes. This docket should be closed after the final order has been issued, the interim refund has been completed by the utility and verified by staff and the proper revised tariff sheets have been filed by the utility and approved by staff.

APPROVED