

**ORIGINAL  
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**ST. GEORGE ISLAND UTILITY COMPANY, LTD.**

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
REGARDING THE APPLICATION FOR INCREASED RATES FOR  
ST. GEORGE ISLAND UTILITY COMPANY, LTD.**

**IN FRANKLIN COUNTY**

**DOCKET NO. 9 [REDACTED] TU**

**REBUTTAL TESTIMONY OF**

**FRANK SEIDMAN**

DOCKET NUMBER-DATE

06774 JUL-78

FPSC-RECORDS/REPORTING

Rebuttal Testimony of Frank Seidman  
Docket No. 940109-WU

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1                                   REBUTTAL TESTIMONY OF FRANK SEIDMAN  
2                                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
3                                   REGARDING THE APPLICATION FOR INCREASED RATES FOR  
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6                                   DOCKET NO. 940109-WU  
7

8           **Q.    Please state your name, profession and address.**

9           A.    My name is Frank Seidman.    I am President of  
10           Management and Regulatory Consultants, Inc.,  
11           consultants in the utility regulatory field.  My  
12           office is located at 11380 Prosperity Farms Road,  
13           Suite 211, Palm Beach Gardens, Fl 33410.

14  
15           **Q.    Have you previously filed direct testimony in this**  
16           **proceeding?**

17           A.    Yes I have.

18  
19           **Q.    What is the purpose of your rebuttal testimony?**

20           A.    The purpose of my rebuttal testimony is to respond  
21           to the direct testimony of OPC witness Dismukes and  
22           PSC Staff witnesses Gaffney and Abbott.  
23  
24  
25

1            DISMUKES - COMPARISON OF PRESENT CASE TO  
2            DISMISSED CASE

3            Q.    **Would you please proceed with your response to the**  
4            **testimony of OPC witness Dismukes?**

5            A.    Yes. My responses will follow issues in the same  
6            order they appear in Ms. Dismuke's testimony. At  
7            page 3 of her prefiled testimony, she makes a  
8            comparison of the instant rate case to the one  
9            requested in Docket No. 930770-WU.

10

11           Q.    **What is Docket No. 930770-WU?**

12           A.    That is the docket in which the utility filed for  
13           a rate increase in September, 1993 and which was  
14           subsequently dismissed by the Commission for  
15           procedural errors. The test year in that filing was  
16           the 12 months ended December 31, 1992 - the same as  
17           in this case.

18

19           Q.    **Did that docket ever go to hearing?**

20           A.    No.

21

22           Q.    **Was any part of that filing presented as evidence**  
23           **before this Commission?**

24           A.    No.

25

1 Q. Were interim rates granted and/or collected from  
2 customers under that docket?

3 A. No.

4

5 Q. Have any schedules from Docket No. 930770-WU been  
6 presented as evidence in this proceeding?

7 A. No.

8

9 Q. From your reading of Ms. Dismukes's testimony, what  
10 do you discern as her reason for comparing the  
11 filings in the two cases?

12 A. Apparently to show, that although both filings used  
13 the same test year, the increase requested in the  
14 instant case is significantly greater than that  
15 requested in the dismissed case, and therefore,  
16 must be suspect.

17

18 Q. Do you consider the comparison to be relevant?

19 A. No. It is interesting, it is easily explained, but  
20 it is not relevant. This is especially true when  
21 one considers that the information in Docket No.  
22 930770-WU was never presented to this Commission as  
23 evidence and therefore has never been determined by  
24 the Commission to be a valid basis for comparison.

25

1 Q. Did you prepare the Minimum Filing Requirement  
2 schedules for both of the dockets that Ms. Dismukes  
3 is comparing?

4 A. Yes.

5

6 Q. You stated that the differences are easily  
7 explained. Has anyone from OPC asked you to  
8 explain the differences?

9 A. No.

10

11 Q. Were you deposed by OPC prior to the time that Ms.  
12 Dismukes filed her testimony?

13 A. Yes.

14

15 Q. And you were not asked to explain the differences  
16 discussed by her in her testimony?

17 A. No.

18

19 Q. If you had been asked would you have provided an  
20 explanation?

21 A. Of course.

22

23 Q. I understand that you believe that comparing this  
24 case to one that never was presented to the  
25 Commission is not relevant, but since the

1           **Commission only has Ms. Dismukes's inferences**  
2           **regarding those differences before it, would you**  
3           **please explain the differences to which she has**  
4           **made reference?**

5           **A. Yes. Ms. Dismukes points out that in comparing the**  
6           **two cases, rate base decreased by a small amount,**  
7           **test year revenues remained unchanged, and the**  
8           **requested operation and maintenance expenses**  
9           **increased significantly.**

10

11           **Q. Please describe the changes in rate base.**

12           **A. The decrease in rate base is the net result of**  
13           **several minor increases and decreases in rate base**  
14           **components. The increases were primarily related to**  
15           **(1) the cost of a new generator to replace one that**  
16           **was knocked out by lightning after the MFR for**  
17           **Docket No. 930770-WU was filed; (2) capitalization**  
18           **of some engineering fees related to the elevated**  
19           **tank that had not been previously accounted for;**  
20           **(3) revisions in the cost of well no. 3; (4) a**  
21           **decrease in accumulated depreciation, primarily**  
22           **resulting from the retirement of the generator; and**  
23           **(5) an increase in working capital related to the**  
24           **increase in proposed proforma O&M expenses.**

25

1           The decreases were primarily related to (1) a  
2           decision not to capitalize some test year labor  
3           costs in response to concerns expressed by the  
4           audit staff to Mr. Brown during the audit under  
5           Docket No. 930770-WU; (2) a correction of a  
6           typographical error in the beginning balance of one  
7           of the plant accounts; (3) and the most significant  
8           change - removing deferred debits from rate base in  
9           compliance with the rule revisions in Order No.  
10          931704, which did not become effective until  
11          December, 1993.

12  
13          **Q.    Please explain why test year revenues remained**  
14          **unchanged.**

15          A.    Test year revenues remained unchanged because they  
16          correctly reflect 1992 revenues - the common test  
17          year in both filings.

18  
19          **Q.    Please explain why the operation and maintenance**  
20          **(O&M) expenses requested in this case are**  
21          **significantly higher than requested in the**  
22          **dismissed case.**

23          A.    The requested O&M expenses are significantly higher  
24          simply because, in the additional time made  
25          available to the utility to refile its case, Mr.



1           Brown was able to more fully evaluate and consider  
2           the ongoing expenses associated with providing the  
3           quality of service which this Commission and the  
4           utility have been striving to attain since 1989  
5           when the Commission set forth 19 areas of  
6           compliance in its last rate order. As both I and  
7           Mr. Brown have discussed in our direct testimony,  
8           it is no secret that when the last rate order was  
9           issued in 1989, additional plant was needed,  
10          additional and better qualified personnel were  
11          needed, additional maintenance was needed, and  
12          improvements in accounting and record keeping were  
13          needed. The expenses requested in Docket No.  
14          930770-WU captured some of the costs associated  
15          with maintaining quality service on an ongoing  
16          basis, but not all of them. It was not that Mr.  
17          Brown was not aware, during preparation of the  
18          first filing, of all of the costs brought into this  
19          filing, but he was constrained as to his time and  
20          some of those costs just did not get addressed.

21  
22  
23

1 Q. Had Docket No. 930770-WU not been dismissed, would  
2 you have amended the filing to capture those  
3 additional costs?

4 A. No. That would not have been acceptable to the  
5 Commission. The Commission has considered even  
6 small changes made to the revenue requirement after  
7 a filing has been officially accepted, as  
8 tantamount to a filing a new case. However, since  
9 that docket was dismissed, the utility exercised  
10 its prerogative to revise the filing as it believed  
11 was necessary to get all of the facts before the  
12 Commission related to providing quality service on  
13 an ongoing basis.

14

15 Q. Could we return to the issue of relevancy? Why is  
16 any change from the dismissed docket not relevant?

17 A. Because the expenses requested in that docket were  
18 never established as being reasonable. If they had  
19 been, then it would be relevant to ask why expenses  
20 in excess of that established reasonable level  
21 would still be reasonable. Of course, if OPC is  
22 stipulating that the \$344,684 requested in the  
23 dismissed docket is reasonable, than indeed, a  
24 comparison becomes relevant.

25

1 Q. Ms. Dismukes concludes that the differences between  
2 the instant request and the dismissed request is  
3 largely, if not entirely, related to additional  
4 proforma adjustments. Is that a correct conclusion?  
5 A. Yes. The proforma adjustments in this case are  
6 critical. Gaining recognition of those adjustments  
7 by the Commission is the whole point of this case.  
8 There has been no shortage of criticism of the  
9 operation of this utility over the years, and not  
10 without cause. But if one is objective, it must  
11 also be recognized that significant strides have  
12 been made. It is now time to recognize that there  
13 is a cost associated with maintaining quality  
14 service on an ongoing basis; and that there is a  
15 cost associated with preventing the backsliding  
16 that has become an all too frequent a criticism of  
17 the mode of operation of this utility. The  
18 proforma adjustments in this case present those  
19 costs to the Commission for its evaluation, and  
20 hopefully for its recognition.

21

22 DISMUKES - COMPARISON OF PRESENT CASE TO JASMINE  
23 LAKES CASE

24 Q. At page 5 of her prefiled testimony, Ms. Dismukes  
25 compares SGI's requested O&M expenses to those

1           allowed by the Commission in two recent Class B  
2           rate cases - Jasmine Lakes Utilities Corp. and Mad  
3           Hatter Utility, Inc. Is there any validity to the  
4           comparison with Jasmine Lakes?

5           A.    I have no idea. I am not familiar with the manner  
6           in which Jasmine Lakes is operated nor if there are  
7           any similarities between the systems. Although Ms.  
8           Dismukes apparently testified in that case, she has  
9           not shared any information regarding the number of  
10          employees, scope of work, salary levels, size of  
11          service area, etc. that would need to be  
12          considered.

13

14           DISMUKES - COMPARISON OF PRESENT CASE TO MAD HATTER  
15           CASE

16          Q.    Is there any validity to the comparison with Mad  
17          Hatter Utility, Inc.?

18          A.    Based on the discussion in the final order of that  
19          case, there may be some basis for comparing  
20          employee salaries, in general. For example the  
21          final order (PSC-93-0295-FOF-WS) says that Ms.  
22          Dismukes, a witness in that case, agrees that a  
23          salary provision of \$108,457 for four employees was  
24          reasonable.    That is an average of \$27,114 per  
25          employee, based on a 1990 test year. In this case,

1 SGI requested proforma salary for six employees -  
2 three field and three administrative - in the  
3 amount of \$123,120 or an average of \$20,520 per  
4 employee, based on a 1992 test year. Without any  
5 further information as to the employee positions or  
6 duties, the comparison does suggest that the salary  
7 ranges requested by SGI are in line with those  
8 found reasonable by Ms. Dismukes in the Mad Hatter  
9 case. The final order in the Mad Hatter case also  
10 discusses an allowable amount for a resident  
11 engineer. The Commission determined that an  
12 allocated portion of his salary, \$6,842, would be  
13 appropriate. SGI has requested an allowance of  
14 \$6,000 for a contract engineer to provide ongoing  
15 assistance and advise on operating matters -  
16 matters not relating to the engineering of a  
17 specific project. That appears to be in line with  
18 the amount the Commission found reasonable in the  
19 Mad Hatter case.

20  
21 Other than the above comparisons of salary levels,  
22 there is not sufficient information to compare the  
23 overall expenses of SGI and Mad Hatter.

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DISMUKES - COMPARISON OF PRESENT CASE TO CLASS B UTILITIES

Q. At page 5 of her prefiled testimony, Ms. Dismukes provides a comparison of this utility's requested expense level to those of other Class B utilities in Florida. Do these comparisons provide any useful information to the Commission in evaluating the reasonableness of the requested expense of SGI?

A. No they do not. It is tempting to use comparative statistics to support or refute the reasonableness of expenses, but in reality, raw data provides absolutely no information from which to make valid comparison of the costs to operate various systems. The data provides no information regarding salary levels, job descriptions, or the similarities or dissimilarities of any other factors regarding these utilities. All we know is that they are all Class B water utilities, which means their annual water revenues fall in the very wide range between \$150,000 per year and \$750,000 per year. We don't know if any of them have service characteristics similar to those of SGI. We don't know if any of them serve a barrier island necessitating the location of the well some seven miles away on the

1           mainland. We don't know if any of them have a  
2           service area with a length to width ratio  
3           approaching 40 to 1. We don't know if any of them  
4           have a high proliferation of uncontrolled private  
5           well construction necessitating constant vigilance  
6           for cross connection violations. We don't know if  
7           any of these utilities have large segments of  
8           customers that only use service during weekends or  
9           holidays or on a relatively short term basis. We  
10          don't know if any of these utilities are part of a  
11          group from which they receive allocation economies.  
12          These are all examples of factors that effect the  
13          costs of providing service and that make each  
14          utility unique. Without some knowledge of these  
15          types of factors, it is difficult, if not  
16          impossible, to make any valid comparisons of  
17          relative costs.

18

19       **Q. Are you personally familiar with any of the**  
20       **utilities on Ms. Dismuke's list?**

21       **A. Yes. I am familiar with Sailfish Point Utility**  
22       **Company (SPUC). I prepared their last rate case. I**  
23       **still provide some consulting services and I have**  
24       **some knowledge of their service circumstances and**  
25       **their personnel costs.**

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Q. Can you share information regarding the expenses of SPUC that might be helpful to the Commission in evaluating the reasonableness of the requested expenses of SGI?

A. Yes. Sailfish Point Utility provides both water and wastewater services to a self contained developer related community in Martin County. The service area is approximately one mile square and has a build out customer base of less than 600 customers. Many of the customers are concentrated in condominium apartments. It has water and wastewater treatment plants that are adjacent to each other and the water source is in close proximity to the plants. The field staff consists of three persons - an operations manager, an assistant plant operator and a field person. If the utility served water only or wastewater only, I doubt that it would have much effect on the size of the field staff. Perhaps one of the operators could be part time, if competent personnel can be found to work on a part time basis. But, if for no other reason than to be able cover weekends, evenings and vacations, it would take 2 1/2 - 3 persons to operate this utility. Logistically, Sailfish Point is much



1 simpler to operate. There are no great distances to  
2 be covered. There are no private wells. There is no  
3 uncontrolled or unplanned growth. There are few  
4 dead ends or low usage mains that require flushing  
5 on a daily basis. Therefore, Sailfish is less  
6 labor intensive than SGI on a day by day, field  
7 operation basis.

8

9 Q. How do the salaries of SGI field personnel compare  
10 to those of Sailfish Point personnel?

11 A. The salaries of SGI field personnel, at the  
12 requested level, are lower than current salaries at  
13 Sailfish Point. They generally compare as follows:

14

	<u>Annual Salaries</u>	
	<u>SGI</u>	<u>SPUC</u>
15		
16		
17	Op. Manager	\$32,500 \$46,000
18	Asst. #1	17,500 36,000
19	Asst. #2	16,640 22,000

20

21 There are several things that can explain the  
22 differences in salary levels. First is location.  
23 Salaries on the southeast coast of Florida tend to  
24 be higher than for the panhandle. That would  
25 explain most of the difference in salaries for

1 Asst. #2, since the job requirement for both  
2 utilities requires similar levels of skill. The  
3 lower salaries for the SGI manager and Asst. #1  
4 more than likely reflect the fact that SGI  
5 personnel are operating a water facility only  
6 rather than a combined facility. However, it must  
7 be considered that although the salary level for  
8 SGI personnel are lower, its three person staff is  
9 covering substantially more territory and more  
10 customers than the three person staff at Sailfish  
11 Point, and substantially more flushing and testing.  
12 And Sailfish Point is considered by many, to be an  
13 efficiently run and well maintained utility plant.

14

15 Q. Can you similarly compare the managerial and  
16 administrative salaries for SGI to those of SPUC?

17 A. No. Whereas the salary levels for field personnel  
18 can be compared one for one, managerial and  
19 administrative costs cannot. That is because SPUC  
20 benefits from being a subsidiary of the Mobil Land  
21 Development group of companies. SPUC does not have  
22 an administrative staff. It does not have to hire  
23 a full time manager just for the utility, nor does  
24 it have to hire full time clerical personnel and  
25 bookkeepers, nor contract for accountants,

1 attorneys or engineers for day to day services.  
2 The functions performed by all of those personnel  
3 are made available through Mobil's staffing for  
4 which SPUC pays a minimal allocation of the total  
5 cost. Obviously, a stand alone single area utility  
6 like SGI does not have access to the economies of  
7 that type of pooling of personnel. Therefore the  
8 salaries paid by SGI for administrative personnel  
9 cannot be directly compared to the allocated  
10 amounts paid by SPUC.

11

12 Q. How should the Commission judge whether the costs  
13 proposed by SGI for operational, managerial and  
14 administrative personnel are reasonable?

15 A. The Commission really needs to look at two things -  
16 the necessity of the positions and the salary  
17 levels for those positions.

18

19 DISMUKES - AFFILIATED TRANSACTIONS

20 Q. Beginning at page 8 of her prefiled testimony, Ms.  
21 Dismukes addresses what she refers to as affiliated  
22 transactions. Has she properly described the  
23 transactions at issue?

24 A. Yes. SGI shares office space with Mr. Brown's law  
25 office. As Ms. Dismukes points out, Mr. Brown is

1 affiliated with eight entities, however, as a  
2 practical matter, and as indicated on the doors to  
3 the offices, the functioning entities are the  
4 utility and the law office. With regard to SGI  
5 personnel, all of the employees at this office work  
6 100% of the time for the utility, with the  
7 exception of Mr. Brown's administrative assistant.  
8 Her time is allocated and a portion of her salary  
9 is paid by the law firm.

10

11 Q. At page 13 of her prefiled testimony, Ms. Dismukes  
12 has allocated a 25% portion of the health benefits  
13 of Mr. Brown's assistant to non-affiliates. Do you  
14 take exception to that recommendation?

15 A. No. I agree with Ms. Dismukes that personnel  
16 benefits should follow salaries, and SGI pays only  
17 75% of the salary of Mr. Brown's assistant.

18

19 Q. At page 13 of her prefiled testimony, Ms. Dismukes  
20 allocates 50%, or \$5,400, of what she refers to as  
21 office rent to Mr. Brown's affiliates and 50% to  
22 SGI. Do you agree with that recommendation?

23 A. No. I disagree because Ms. Dismukes is not  
24 allocating office rent. She is allocating the out  
25 of pocket costs under a third party lease/purchase

1 agreement as if that were the rental rate to the  
2 occupants. The third party in this case is Armada  
3 Bay Company, an affiliate. Because it is an  
4 affiliate, the rent charged to SGI is certainly  
5 subject to close scrutiny to ensure that SGI is not  
6 being charged more than the market rate - the rate  
7 it would have to pay to a non-affiliate. SGI is  
8 paying \$750 per month rent for 750 sq. ft. of  
9 space. That equates to \$12.00 per sq. ft. Rental  
10 rates for comparable office space in the  
11 Tallahassee area is \$10.00 to \$12.00 per sq. ft,  
12 without any other considerations. In this case,  
13 there are other considerations, which Mr. Brown  
14 will address. If Ms. Dismukes recommendation is  
15 accepted, it will result in a rental rate of \$7.20  
16 per sq. ft., far below the market rate and low  
17 enough to encourage Armada Bay to begin looking for  
18 another tenant. The rental rate paid by SGI is  
19 reasonable and should not be adjusted.  
20  
21  
22  
23  
24

1 Q. At page 14 of her prefiled testimony, Ms. Dismukes  
2 recommends allocating 10% of the salaries and  
3 benefits of the utility bookkeeper and office staff  
4 assistant to the affiliates. Do you agree with that  
5 allocation?

6 A. No. I understand that these personnel answer the  
7 non-utility telephone line or send a fax or run an  
8 errand from time to time. Ms. Dismukes has  
9 characterized these activities as "assisting with  
10 the management and operations of Mr. Brown's other  
11 companies." But in fact, these activities are  
12 incidental events, at most. In their depositions by  
13 OPC, the referenced personnel indicated that such  
14 actions as answering the non-utility phone were  
15 done as a courtesy, not as a part of the job. And  
16 even in those cases, they indicate that such calls  
17 are usually utility connected. With regard to  
18 errands, these employees indicate that special  
19 trips are not made for non-utility purposes, but  
20 may be part of a trip already being made for the  
21 utility. These two employees are truly utility  
22 employees and it is just reaching, to allocate any  
23 portion of their time to non-utility entities.

24

1 Q. Also, at page 14 of her prefiled testimony, Ms.  
2 Dismukes recommends that 10% of the cost of SGI's  
3 office furniture, and related depreciation costs,  
4 be allocated to affiliates. Do you agree?  
5 A. No. Account 340.5, Office Furniture and Equipment,  
6 for the test year, includes four items, a utility  
7 computer, the utility financial software package,  
8 leasehold equipment, and a new copier. Only 10% of  
9 the copier should be allocated to affiliates. The  
10 leasehold equipment is allocated on a 50/50 basis.  
11 The remaining equipment is used only by the  
12 utility. The adjusted average balance for this  
13 account is \$8,285. The portion allocated to  
14 affiliates is \$562 or 6.8 %.

15

16 DISMUKES - GROWTH ADJUSTMENTS

17 Q. At page 14 of her prefiled testimony, Ms. Dismukes  
18 recommends adjusting test year revenues and  
19 expenses for growth. Do you agree with this  
20 recommendation?

21 A. No. Adjustments for growth would be appropriate if  
22 SGI had filed for a projected test year. However,  
23 SGI requested, and was granted, permission to file  
24 for a historic test year. SGI elected to use a  
25 historic test year with proforma adjustments for

1 very specific reasons. Since 1989, SGI has been  
2 subject to Commission directives to make additions  
3 to plant serving existing customers, to upgrade its  
4 operations in order to improve the quality of  
5 service to existing customers, to improve its  
6 records and to bring about an overall improvement  
7 in its operations for existing customers. Slowly,  
8 but surely it has been doing that, but SGI contends  
9 it has not had and does not have sufficient  
10 revenues to maintain the quality of service for its  
11 existing customers. It has presented a historic  
12 test year to show the deficiency in funds for  
13 existing customers. It has also made non-revenue  
14 producing proforma adjustments to investment and  
15 expenses to show the level of costs necessary to  
16 provide quality service to existing customers. Ms.  
17 Dismukes has assumed that the purpose of the  
18 utility's proforma adjustments is to bring 1992  
19 expenses up to the 1993 or 1994 level. That is not  
20 the purpose. With the exception of salary increase,  
21 the purpose of the proforma adjustments is to bring  
22 1992 expenses up to the level necessary to serve  
23 1992 customers properly. A small portion of the  
24 salary adjustments do reflect annual cost of living  
25 increases. The major increase is for much needed



1 additional personnel and to adjust the salaries of  
2 some individuals to a level commensurate with their  
3 job responsibilities.

4  
5 Ms. Dismukes would like to see the test year  
6 updated to 1993, and states at page 15 of her  
7 testimony, "I believe the Commission should update  
8 the Company's test year level of revenue, expenses  
9 and rate base to be more consistent with a 1993  
10 test year." The ability to revise the test year  
11 after the rate application is noticed is a luxury  
12 not available to the applicant, even when the  
13 results may reduce the revenue requirement. As both  
14 the Commission and OPC know, such an action is  
15 considered by them to be a revision of the rate  
16 case application, and subjects the case to  
17 dismissal because it prejudice parties by  
18 introducing material not subject to the audit or to  
19 timely discovery. The adjustments recommended by  
20 Ms. Dismukes introduce substantial revenues  
21 associated with growth, and inconsequential  
22 expenses associated with growth on top of an  
23 average test period, with no concern that  
24 additional plant investment and expenses may also  
25 have to be incurred to serve growth. But with all

1 her posturing with regard to matching revenues and  
2 expenses because of growth, further into her  
3 testimony, and as shown on Schedule 27 of her  
4 Exhibit \_\_\_\_\_, Ms. Dismukes will finally match her  
5 growth revenue with a level of expenses below the  
6 actual level of expenses incurred in 1992. This may  
7 play well to the audience at the hearing, but if  
8 the Commissioners are concerned with the ability of  
9 the utility to provide quality service under  
10 present rates, they should well consider the  
11 consequences to customers of OPC's recommendations,  
12 after the excitement of the hearing has faded.

13

14

15 DISMUKES - SALARY ADJUSTMENTS

16 Q. At page 18 of her prefiled testimony, Ms. Dismukes  
17 holds the level of pay increases to 5% annually.  
18 She states that is the level allowed by the  
19 Commission in recent cases. Do you agree with her  
20 adjustment?

21 A. No. I don't disagree with holding the line on pay  
22 increases to approximately the cost of living if  
23 the base pay of an individual is already at an  
24 appropriate level. However, in this case, for two  
25 individuals the current level is not commensurate

1 with their responsibilities or their value to the  
2 company. The test year pay levels of the operations  
3 manager and administrative assistant do not  
4 reflect the level of their responsibilities, their  
5 longevity of service or their knowledge of the  
6 system. With regard to the operations manager, Mr.  
7 McKeown, a drinking water inspector for FDEP has  
8 testified in this proceeding that "the treatment  
9 plant in the time since Mr. Hank Garrett  
10 [operations manager] has been the lead certified  
11 operator has been very well maintained. I hope this  
12 situation will continue." It would be irresponsible  
13 not to do what is reasonably necessary to assure  
14 that this situation will continue. Restricting  
15 their salary increases to a cost of living level  
16 will perpetuate an inequitable situation. Ms.  
17 Dismukes also states that such increases are  
18 "unnecessary given today's economic environment."  
19 By that I assume she means that the utility should  
20 take advantage of people because of high  
21 unemployment rates, since they will not be able to  
22 find employment at comparable pay elsewhere. Even  
23 if the utility were so inclined, that is not the  
24 situation. The individuals in question can find  
25 employment elsewhere and the utility cannot replace

1           them at any price with persons that have their  
2           knowledge of the system and the company.

3

4           **Q.   At page 15 of her prefiled testimony, Ms. Dismukes**  
5           **has recommended that the field assistant be**  
6           **included only on a part time basis. Do you agree**  
7           **with her recommendation?**

8           **A.   No. Ms. Dismukes's recommendation is not based on**  
9           **the facts in this situation. She states that prior**  
10          **to the rate case the utility was operating with**  
11          **1.75 to persons. But she does not correlate the**  
12          **number of workers to the utility's ability to**  
13          **provide a satisfactory level of operation. Nor does**  
14          **she consider that with 1.75 persons, the manager**  
15          **must work seven days a week on a regular basis and**  
16          **cannot take the vacation time to which he is**  
17          **entitled. Throughout her testimony, Ms. Dismukes**  
18          **makes it clear that she thinks the utility has been**  
19          **poorly managed and operated in the past. Yet here**  
20          **is a cost effective means to improve the level of**  
21          **operations and she recommends that the Commission**  
22          **reject it. Surveys by FDEP during the last year**  
23          **give credence to the fact that with the complement**  
24          **of employees available during the test year, the**  
25          **utility is having difficulty maintaining its**

1 maintenance and inspection logs in a timely manner,  
2 keeping up with its flushing program, monitoring  
3 for cross connection violations and sampling for  
4 hydrogen sulfide.

5  
6 Ms. Dismukes also says that an additional assistant  
7 isn't needed at all during the off-peak system. But  
8 that is not true. It during the off-peak season,  
9 when flows in many lines are minimal, that water  
10 quality is the most difficult to maintain. It is  
11 during that period that the need for main flushing  
12 is the greatest. It is a time consuming, labor  
13 intensive activity and it will require a full time  
14 person to accomplish it.

15  
16 I must express concern with the recommendations of  
17 OPC to cut the utility staff to a bare bones level  
18 or reduce salaries to levels that insure frequent  
19 turnover. SGI comes into this hearing with a  
20 reputation for not being responsive to directives  
21 to improve service. Such a reputation is difficult  
22 to turn around. This utility is trying, and as I  
23 have previously pointed out, the improvements have  
24 been significant. But the utility is not going to  
25 be able to maintain quality service or move forward

1 without the necessary personnel. OPC's  
2 recommendation ignore this reality.

3

4 Q. Beginning at page 19 of her prefiled testimony, Ms.  
5 Dismukes discusses adjustments that she claims  
6 effectively reduce the management fee for the  
7 services provided by Mr. Brown. Do you agree with  
8 her comments?

9 A. No. First, Ms. Dismukes states that she has  
10 effectively reduced the management fee by  
11 disallowing a portion of Ms. Chase's pay increase.  
12 Ms. Chase is paid by SGI and her salary level has  
13 nothing to do with the level of the management fee.  
14 As previously pointed out, we believe her salary  
15 level is fair. In addition, Ms. Chase is not a  
16 manager and a significant amount of her time is now  
17 required just to administer the cross connect  
18 control program for the utility. I do not consider  
19 that to be a function covered under a management  
20 fee. Ms. Dismukes's proposal is a back door  
21 approach to adjusting the management fee that  
22 unfairly penalizes Ms. Chase. Should the  
23 Commission determine that an adjustment to the  
24 management fee is warranted, it should be a direct  
25 adjustment. If Ms. Chase's allowed salary is

1 reduced for that purpose it impacts future rate  
2 cases by establishing an artificially low salary  
3 level as the benchmark against which the  
4 reasonableness of future increases will be  
5 measured. One of the difficulties we are  
6 encountering in this case is justifying the  
7 reasonableness of current wage levels against  
8 inadequate or understated wages in the prior case.

9  
10 Second, Ms. Dismukes states that the management fee  
11 should be reduced because Mr. Brown should not be  
12 compensated for dealing with past problems. She  
13 believes the stockholders should absorb these  
14 costs. I fail to understand her logic. If a manager  
15 isn't paid to deal with problems or to prevent  
16 problems from occurring or reoccurring, then what  
17 is he paid for? The only difference between  
18 solving problems and preventing problems is the  
19 timing. Management is an ongoing process. A manager  
20 is paid for his management ability, both preventive  
21 and corrective. A manager is not paid on a "per  
22 incident" basis. In any case, the customers of the  
23 utility have not paid Mr. Brown or any other  
24 manager for what has occurred in the past, except  
25 to the extent such costs were minimally included in

1 the expenses of the last case. During the years  
2 since the last rate case, the utility has operated  
3 at a deficit, and to the extent of that deficit,  
4 stockholders have absorbed the cost.

5

6 DISMUKES - MANAGEMENT FEES

7 Q. At page 21, Ms. Dismukes states that Mr. Brown's  
8 total compensation package is excessive for a  
9 utility the size of SGI. Do you agree?

10 A. I don't agree or disagree because I don't think it  
11 is a function of the size of the utility. But I  
12 understand her concern. It is difficult when you  
13 are dealing with a small utility to recognize  
14 adequate management compensation because of its  
15 impact on rates. Nevertheless, the Commission must  
16 recognize a level of compensation commensurate with  
17 the job to be performed and not base it solely on  
18 the size of the utility or the impact on rates.

19

20 Incidentally, in the two cases which Ms. Dismukes  
21 previously cited (Mad Hatter and Jasmine Lakes) as  
22 being somewhat comparable to SGI, the Commission  
23 allowed salaries for the presidents of those  
24 company's of approximately \$50,000 compared to Mr.  
25 Brown's management fee of \$48,000. The actual



1 salaries for those officers were in the \$65,000 to  
2 \$75,000 range. Although those two companies  
3 provide both water and wastewater service, the  
4 numbers of customers served are similar.

5  
6 Finally, in SGI's last case, based on a 1987 test  
7 year, the Commission found \$29,765 to be a  
8 reasonable salary for a manager of a utility the  
9 size of SGI. If that salary were to be increased by  
10 the combined growth - CPI factor utilized in the  
11 MFR benchmark analysis, the equivalent salary in  
12 1992 would be \$66,352 compared to the \$48,000  
13 management fee paid by SGI and the combined fee of  
14 \$72,000 for management and legal services.

15

16 Q. Ms. Dismukes also considers the management  
17 compensation excessive because the utility has  
18 "consistently" been in violation of PSC and FDEP  
19 rules and regulations. Do you agree with her  
20 evaluation?

21 A. No. First, Ms. Dismukes's remarks regarding  
22 violations are allegations and not conclusions. SGI  
23 is not presently operating under any show cause  
24 order of this Commission. And, since Mr. Brown  
25 assumed management of SGI, it has not been found

1 guilty of nor fined for violating any rule or  
2 regulation of this Commission. SGI was ordered to  
3 comply with certain directives of this Commission  
4 under Docket No. 871177-WU. It has done so and that  
5 docket has been closed. SGI has been operating  
6 under a consent order of the FDEP to which it  
7 agreed as a resolution of certain allegations of  
8 violations. As Ms. Dismukes knows or should know,  
9 a consent order is a mutual resolution of  
10 differences, not a finding of violations. SGI has  
11 complied with and continues to comply with the  
12 terms of that Consent Order. The net result of all  
13 of this is the utility and its customers are in  
14 better shape now than they have been for years.  
15 That does not seem like a basis to penalize this  
16 utility any further than is has already been  
17 penalized indirectly through inadequate income.

18

19 DISMUKES - LEGAL FEES

20 Q. At page 21 of her prefiled testimony, Ms. Dismukes  
21 refers to \$20,000 which she assumes will be  
22 additional compensation to Mr. Brown for legal fees  
23 for this rate case. Is that a correct conclusion?

24 A. No. Schedule B-10 of the MFR, the analysis of rate  
25 case expense, includes \$20,000 for a rate attorney,

1 yet to be determined. The schedule does not  
2 designate Mr. Brown. The amount was an estimate for  
3 an outside rate attorney, who had not been hired at  
4 the time the MFR was filed. Mr. Brown was initially  
5 the attorney of record, but since he is also a  
6 witness in this proceeding, an outside attorney is  
7 also necessary. Regardless of whether the legal  
8 expenses incurred for this case are attributed to  
9 Mr. Brown or an outside attorney, they represent  
10 rate case expense subject to recovery through rates  
11 over a four year period.

12

13 Q. Ms. Dismukes takes issue with the retainer fee paid  
14 to Mr. Brown for ongoing legal services in the  
15 amount of \$24,000 per year? Do you consider this an  
16 extraordinary amount?

17 A. No. This represents two days or less of  
18 consultation time per month at Mr. Brown's fee  
19 level or at any competitive fee level. This is not  
20 an extraordinary amount of time for a business that  
21 is subject to the oversight of several regulatory  
22 agencies and for one engaged in contractual  
23 negotiations with developers and vendors on a  
24 regular basis.

25

1 Q. Ms. Dismukes asserts that some of the time spent by  
2 Mr. Brown on legal matters did not require the  
3 expertise of a lawyer. Do you agree?

4 A. I am not in a position to agree or disagree. I do  
5 think she has made a dangerous assertion. As a non-  
6 lawyer consultant, I am very hesitant to advise a  
7 client not to seek legal expertise. Even though I  
8 feel very competent in regulatory matters because  
9 of my experience, I almost always advise a client  
10 to seek legal advise in any regulatory or contract  
11 matter.  
12

13 Q. At page 24 of her prefiled testimony, Ms. Dismukes  
14 expresses the opinion that customers should not  
15 have to pay for legal matters related to the  
16 settlement of FDEP problems or PSC show cause  
17 responses. Do you agree?

18 A. No. The legal expenses incurred by a utility to  
19 defend itself in show cause proceedings,  
20 proceedings resulting from notices of violations,  
21 or even proceedings resulting from customer  
22 complaints are all legitimate costs of doing  
23 business and are subject to recovery through rates.  
24 To deny all legal expenses of this nature requires  
25 the assumption that an accusation equates to guilt

1           and that all issues emanating from these types of  
2           proceedings are black and white. That is just not  
3           the case. If it were, there would no show cause or  
4           similar proceedings - there would just be  
5           accusations and penalties, without recourse. It is  
6           the nature of regulation that issues of importance  
7           are handled through the formality of a show cause  
8           and response. To deny recovery of the related  
9           expenses is to deny the protection afforded by the  
10          law.

11

12          **Q. On page 25 of her prefiled testimony, Ms. Dismukes**  
13          **argues that the level of legal expense requested is**  
14          **not reasonable. Do you agree with her argument?**

15          **A. No. She argues that Mr. Brown's hourly fee equates**  
16          **to \$312,000 annually. She argues that the**  
17          **equivalent salary is considerably more than the**  
18          **salary of in-house legal counsel, and that is how**  
19          **he should be viewed. I might agree with the**  
20          **argument if SGI were requesting \$312,000 for legal**  
21          **fees. It is not. It is requesting \$24,000.**

22

23           It is misleading to multiply the hourly fee of an  
24           attorney times the hours in a year and say that it  
25           equates to an annual salary. As Ms. Dismukes knows

1 from her own experience as a consultant, fees  
2 charged cover more than salaries. They hopefully  
3 cover all expenses of operating a business. And  
4 fees are collected only for hours billed, which may  
5 or may not equal the hours in a year. It is  
6 irrelevant that a fee of \$150 per hour equates to  
7 \$325,000 per year.

8  
9 What is relevant is how the total amount charged to  
10 the utility would compare to what SGI would have to  
11 pay an independent outside counsel for like  
12 services or what it would pay if Mr. Brown's legal  
13 services should be viewed as in-house counsel as  
14 argued by Ms. Dismukes. On that basis I would have  
15 to conclude that Mr. Brown's hourly rate is in line  
16 with that of other independent attorneys and the  
17 \$24,000 annual charge is in line with the annual  
18 salary of an in-house counsel at the entry level.

19  
20 However, after arguing that Mr. Brown should be  
21 considered as in-house legal counsel, Ms. Dismukes  
22 then argues that only \$3,000 should be allowed for  
23 legal services. So apparently the in-house argument  
24 is spurious. Apparently, what is really important  
25 to Ms. Dismukes is that the charge is too high,

1           regardless of whether it is fair. Well since you  
2           can't hire an in-house counsel for \$3,000, we are  
3           back to determining the equivalent of a reasonable  
4           amount of time required by an outside attorney at  
5           prevailing rates. On that basis, and as previously  
6           discussed, the \$24,000 charge appears reasonable.

7

8           **Q. At page 21 of her prefiled testimony, Ms. Dismukes**  
9           **talks about Mr. Brown's total compensation plus**  
10           **benefits. Is that a fair approach for evaluating**  
11           **his salary?**

12           **A. No. Just like the attorney fee/annual salary**  
13           **analogy, it is misleading. This "loaded cost"**  
14           **approach has not been applied to employees nor have**  
15           **I seen it applied to officers or managers of any**  
16           **other water or wastewater utility in a rate case**  
17           **before this Commission. Ms. Dismukes states that**  
18           **the Mr. Brown's total package is \$80,700. I think**  
19           **that number is overstated. Nevertheless without the**  
20           **loading, the requested annual fees for management**  
21           **and legal services are \$72,000. This compares to**  
22           **the salaries of approximately \$65,000 to \$75,000,**  
23           **without loading, paid to the presidents of Jasmine**  
24           **Lakes and Mad Hatter, as previously discussed.**

1           Those salaries are for management only and do not  
2           include legal services.

3

4           DISMUKES - PENSIONS & BENEFITS

5           Q.    At page 27 of her prefiled testimony, Ms. Dismukes  
6           points out that SGI's MFR includes a health benefit  
7           expense for the four salaried employees, the two  
8           hourly employees and the manager. She also says,  
9           "It is interesting to note" the workpapers do not  
10          include the hourly employees. Can you explain this  
11          "interesting" disparity?

12          A.    Yes. I prepared the MFR's and I had assumed that  
13          all employees would be covered, including hourly  
14          employees. That was a misunderstanding on my part.  
15          Ms. Dismukes is correct in removing the expense for  
16          benefits for the hourly employees.

17

18          Q.    Ms. Dismukes also removes the health benefit for  
19          Mr. Brown because he is not an employee of SGI. Do  
20          you agree with that adjustment?

21          A.    Yes. I agree that any benefits for Mr. Brown are  
22          the responsibility of Armada Bay Company.

23



1 Q. At page 28 of her prefiled testimony, Ms. Dismukes  
2 disallows any expense for pension benefits for  
3 several reasons. Do you agree with that adjustment?

4 A. No. Ms. Dismukes gives four reasons for  
5 disallowing the expense: 1) the plan didn't become  
6 effective until January, 1994; 2) although the  
7 company has committed to the plan in writing, it  
8 has no contractual obligation to make the  
9 contribution; 3) the company has been operating for  
10 years without a plan; and 4) one of the employees  
11 had little knowledge of the plan.

12

13 It is difficult to know which reason to respond to  
14 first, they are all so disingenuous. Look for  
15 example at reason no. 3 - the expense should be  
16 disallowed because the utility got along without it  
17 before. But did it? How many of the people employed  
18 in 1987 are still with the company? None. Was the  
19 quality of the employees in the last case  
20 satisfactory? Apparently not -in the last case, the  
21 Commission cited everything from quality of records  
22 to quality of service as being unsatisfactory. It  
23 is only since 1991 that there has been any  
24 continuity of employment, and, coincidentally,  
25 improvements in all of the factors cited by the

1 Commission. There certainly is no law requiring  
2 this company to offer pension benefits to its  
3 employees, but aside from being the right thing to  
4 do, it seems like a cost effective means of  
5 enticing good employees to stay on.

6  
7 Then there is reasons no. 1 - the plan didn't  
8 become effective until January, 1994. This would  
9 lead one to think that maybe this plan was  
10 instituted to coincide with this rate application.  
11 And that is correct. But what is wrong with that?  
12 The company has been operating at a loss. Its  
13 revenues are inadequate to cover current expenses,  
14 never mind a pension plan. Why not initiate the  
15 plan in the same year that rate relief might be  
16 expected? I understand that OPC may consider that  
17 providing all services in a satisfactory manner  
18 while operating at a loss is an act of good faith,  
19 but it is a poor business decision. As I indicated  
20 earlier in my rebuttal testimony, proforma  
21 adjustments such as the cost of a pension plan were  
22 included just so the Commission can be aware of the  
23 full cost of providing satisfactory service to  
24 existing customers.

25

1           Then there is reason no. 2 - the company has  
2           committed to its employees in writing that it will  
3           contribute to a plan but there is no legal or  
4           contractual obligation to contribute. There is  
5           something wrong with that statement. The Random  
6           House dictionary defines "commitment" as "a pledge  
7           or promise; an obligation." I think SGI does have  
8           an obligation. The question is, whether it can or  
9           will fulfill that obligation. A legal or  
10          contractual obligation, as preferred by Ms.  
11          Dismukes, does not guarantee that the plan will be  
12          funded any more than a written memo does. And a  
13          guarantee of that funding is really what is what  
14          she is looking for. At page 30 of her testimony,  
15          she says, "... I am concerned that the Commission  
16          will allow recovery of this pension expense through  
17          customer rates but the Company will never make the  
18          contributions." That is a legitimate concern for  
19          SGI or any other utility. This utility has no  
20          history for funding its plan. However, SGI has now  
21          instituted a qualified investment plan and has made  
22          the initial contribution. Additional contributions  
23          are to be made every six months. If the Commission  
24          recognizes this expense for ratemaking purposes, it  
25          has every right to expect and require continued

1 funding. If the expense is not recognized, however,  
2 than continued funding should not be assumed.

3  
4 Finally, there is reason no. 4 - an employee had  
5 little knowledge of the plan. That is hardly  
6 surprising when a plan is first initiated. A  
7 pension plan is not usually discussed with  
8 employees until it is fully formulated and an  
9 action on their part is necessary. In fact, the  
10 initial notice to employees of the plan indicated  
11 that details would be provided at a later date. In  
12 any case, it is not a reason to disallow the  
13 expense. I suspect Ms. Dismukes considered the  
14 employee's lack of knowledge as just another  
15 indicator that SGI will not fund the plan.

16

17 **Q. Did Ms. Dismukes take issue in her testimony with**  
18 **the cost of the plan?**

19 **A. No. None of the reasons she gave for disallowance**  
20 **addressed the real issues of whether it is**  
21 **reasonable and proper to provide a pension plan**  
22 **and, is the cost reasonable. She disallowed it**  
23 **merely on the supposition that the company might**  
24 **not actually fund it. I dare say that it would be**  
25 **difficult to take issue with the cost, because the**

1 plan is only set up to be funded at 5% of base  
2 salary.

3

4 DISMUKES - CONTRACTUAL SERVICES, ACCOUNTING

5 Q. At page 31 of her prefiled testimony, Ms. Dismukes  
6 recommends that the proforma expense of \$6,000 per  
7 year for tax and other accounting services  
8 performed by Ms. Barbara Withers, CPA, be  
9 disallowed. Do you agree with her recommendation?

10 A. No. This expense is fully justified on a continuing  
11 basis. It is based on Ms. Withers providing 5 hours  
12 of service per month at \$100.00 per hour. Ms.  
13 Withers has performed work for the utility from  
14 time to time since its inception. Because of this  
15 she is more familiar with the organization of the  
16 utility, its tax matters and its general accounting  
17 matters than any other accountant working with the  
18 utility. Her services provide some continuity to  
19 its accounting procedures.

20

21 Q. Why has Ms. Dismukes recommended that the expense  
22 for Ms. Withers' services be disallowed?

23 A. If I understand her testimony correctly, it is  
24 primarily because SGI allegedly did not use her  
25 services in 1992 or 1993 and that allegedly Ms.

1 Withers used a retainer payment toward other  
2 outstanding bills for services she had rendered to  
3 the utility in earlier periods.

4

5 **Q. Is it relevant whether Ms. Withers perform services**  
6 **for SGI in 1992 or 1993?**

7 **A. No.** What is relevant is that Ms. Withers' services  
8 have been and continue to be available and used by  
9 utility on a regular basis.

10

11 As I previously stated, Ms. Withers has performed  
12 work for this utility on an as needed basis since  
13 its inception, is knowledgeable of the utility and  
14 is in a good position to render informed advise.  
15 According to Ms. Withers, she did all of the  
16 paperwork to get the utility's initial franchise in  
17 1978 and 1979 [Withers Deposition, p. 28], has  
18 worked with the utility as-needed, on a constant  
19 basis since that time [Withers Deposition, p. 28],  
20 participated in the IRS tax audit of the utility's  
21 books [Withers Deposition, p. 24], participated as  
22 a witness for the utility in 1989 in the last rate  
23 case [PSC Order No. 21122], prepared and filed the  
24 monthly reports required by the Commission in 1990  
25 [Withers Deposition, p. 8], provided advice on

1 reorganization and capitalization [Withers  
2 Deposition, p.12], testified for the utility  
3 regarding NARUC accounting procedures in December,  
4 1991 [PSC Order 92-0487], provided services to the  
5 utility in 1993 (although she did not submit any  
6 bills) [Withers Deposition, p. 9] and has performed  
7 34 1/2 hours of work for the utility in the first  
8 quarter of 1994 [Withers Deposition p. 10].

9  
10 Clearly Ms. Withers has provided valuable ongoing  
11 services to this utility and continues to do so.  
12 The question is, whether this Commission will  
13 recognize the cost of these services as an ongoing  
14 expense, or let each separate expense fall through  
15 the cracks by treating each of them as a non-  
16 recurring event. Obviously, we believe the expense  
17 should be recognized as ongoing. And for that  
18 purpose, SGI has memorialized what had been a  
19 verbal arrangement regarding availability for  
20 ongoing services, through a retainer agreement. And  
21 apparently, Ms. Withers understood that to be the  
22 preference of the Commission staff [Withers  
23 Deposition, p.30].

24

1 Q. Would you respond to the allegation that Ms.  
2 Withers performed no services in 1993 and instead  
3 used the 1993 retainer payment against other  
4 outstanding bills?

5 A. Yes. Ms. Dismukes makes the following statement at  
6 page 31 of her testimony: "Ms. Withers testified in  
7 her deposition that the 1993 retainer was used to  
8 pay old outstanding bills of the Utility that had  
9 never been paid--she actually rendered no services  
10 to the utility in 1993."

11

12 This is the actual exchange in Ms. Withers'  
13 deposition upon which Ms. Dismukes bases her  
14 allegation:

15

16 Q. Okay. You were on retainer for 1993,  
17 right?

18 A. That's correct.

19 Q. How many times did you exceed the five  
20 hours, do you know?

21 A. I don't. I didn't actually submit any  
22 bills. I had a lot of old outstanding  
23 bills that had never been paid, so I just  
24 didn't bill it.

25

[Withers Deposition, 4/6/94. p.9]



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It is clear that Ms. Dismukes either misinterpreted or misquoted Ms. Withers. Ms. Withers did not say she did not perform any services in 1993. She says she didn't bill for them and therefore did not know how many times she exceeded the five hour per month retainer allowance. In fact, if we turn to an exchange from Ms. Withers' deposition that preceded the one relied on by Ms. Dismukes, we find that Ms. Withers did indeed perform services for the utility in 1993:

Q. During the year 1993, I gather that the advice that you provided to the utility is primarily matters of tax, is that correct?

A. Primarily tax, but also accounting, assisting with reviewing the -- not reviewing in the technical sense of performing a review, but helping them to be sure that their accounting records are being kept properly.

[Withers Deposition, 4/6/94, p. 8]

1 With the benefit of hindsight, we may conclude that  
2 not billing was a poor way to handle it, but we  
3 can't conclude that services were not performed. As  
4 Ms. Withers indicates at page 10 of her deposition,  
5 she is keeping track of her time and billing for it  
6 in 1994.

7

8 Q. At pages 31 and 32 of her prefiled testimony, Ms.  
9 Dismukes implies that the retainer may be designed  
10 to recover prior period expenses. Do you agree with  
11 that interpretation?

12 A. No. Ms. Withers indicated in her deposition that  
13 the utility owed her \$22,000 for service from prior  
14 years. In order for the retainer agreement to be  
15 used to recover prior period expenses, Ms. Withers  
16 would have to accept the \$6,000 annual retainer  
17 payment and perform no additional services for the  
18 utility for 3 1/2 years. She has already billed  
19 over \$3,400 for services performed in the first  
20 quarter of 1994. There is no indication that the  
21 retainer is anything but what it is purported to  
22 be.

23

24 What is critical in this case is that the utility  
25 has a need for continuing accounting services.

1           Whether those services are provided in part by Ms.  
2           Withers, in part by Ms. Drawdy or in part or in  
3           whole by any other competent accountant, is not as  
4           important as the fact that the Commission  
5           recognizes an adequate accounting expense so that  
6           the utility has the means to meet the requirements  
7           of the Commission with regard to accounting.

8

9           DISMUKES - PROFORMA MAINTENANCE & TESTING EXPENSES

10          Q.    At page 33 of her prefiled testimony, Ms. Dismukes  
11               proposes to disallow a portion of the proforma  
12               expense for ground storage maintenance because some  
13               of the cost is remedial. Do you agree?

14          A.    No. It is Ms. Dismukes' opinion that remedial work  
15               is necessary because of poor management and  
16               maintenance and therefore should not be charged to  
17               the customer. This is a common theme running  
18               through many of her proposed adjustments. It may  
19               sound good, but it only makes sense if you assume  
20               that timely maintenance is free.

21

22               Assume that a utility carries out some level of  
23               maintenance on a regular basis, such that  
24               "remedial" work is not necessary. That regular  
25               maintenance has a cost associated with it. Assume

1           also that the cost of regular maintenance has been  
2           properly recognized in a rate case. It is a  
3           recurring annual expense recovered from the  
4           customers through rates.

5  
6           Now assume regular maintenance has not been carried  
7           out. There is no recurring annual expense passed on  
8           to the customers and recovered through rates.  
9           During the period when regular maintenance is not  
10          carried on, the customers gets nothing and pays  
11          nothing.

12  
13          Now assume that we come along with some remedial  
14          work. The maintenance that would have been carried  
15          out year to year in small amounts is now done in  
16          one large amount. If the Commission were to allow  
17          recovery of the total cost of that remedial work as  
18          a single year recurring expense, the customer would  
19          of course be penalized by paying an annual expense  
20          equal to the one time, higher remedial cost. But  
21          that is not what happens. What happens is, the  
22          higher cost is amortized over several years, so  
23          that on an annual basis all that is expensed and  
24          recovered through rates is an amount similar to the  
25          cost of regular annual maintenance. From a customer

1 perspective the effect on future rates is no  
2 different than if maintenance were being performed  
3 every year on a regular basis. One way or another,  
4 the maintenance has to be performed at some cost.  
5 On a historical basis, the rates were lower than  
6 otherwise would have been the case if regular  
7 maintenance had been occurring.

8  
9 There is no basis for disallowing the cost of  
10 remedial work, as long as it is recovered on an  
11 amortized basis. The amortization of deferred  
12 maintenance is a recognized ratemaking and  
13 accounting principle. As far as Ms. Dismukes'  
14 desire to see some cost passed on the stockholder  
15 for deferring maintenance, that does in fact happen  
16 to Class B utilities under the present Commission  
17 rules. The unamortized portion of the deferred  
18 maintenance is not recognized in rate base.  
19 Therefore the cost to carry that portion of the  
20 expense over the amortization period is borne by  
21 the stockholder.

22  
23 **Q. Ms. Dismukes has recommended that if the expense is**  
24 **approved, the monies collected should be placed in**

1           **an escrow account and disbursed as the expense is**  
2           **incurred. Is that a practical solution?**

3       A.   No. If the funds are escrowed, it will take 12  
4       months to build up sufficient funds to cover the  
5       expense. That almost certainly assures that there  
6       will be a year delay in implementing this  
7       maintenance program. This will be true for any of  
8       the programs for which the escrowing of funds would  
9       be required.

10

11       **Q.   At page 35 of her prefiled testimony, Ms. Dismukes**  
12       **recommends that the cost of the distribution system**  
13       **cleaning program not be allowed because there was**  
14       **only one bid and no signed contract. Do you agree?**

15       A.   No. In principle, I have no problem with the  
16       Commission requiring assurances that the proposed  
17       programs are actually done and at a reasonable  
18       cost. But disallowing the expense does not  
19       accomplish that goal. All it does is assure that  
20       the programs are not done because there is no money  
21       for them. I realize that we are essentially  
22       requesting that the Commission pre-approve these  
23       programs by allowing the associated expense to be  
24       recovered in rates. But the utility does not have  
25       much choice. These programs are expenses; they are

1           not investments which the utility can pre-fund,  
2           accrue AFUDC for, and recover the total cost of, in  
3           future rates. There is no mechanism to  
4           retroactively recover expenses. If they are not  
5           included in this case, they will either not be  
6           incurred or will be incurred by the utility without  
7           compensation.

8  
9           **Q.** At page 36 of her prefiled testimony, Ms. Dismukes  
10           makes a similar argument for disallowing the cost  
11           of the testing program. Are your comments the same  
12           as for the distribution system cleaning program?

13          **A.** Yes.

14  
15          **Q.** With regard to the testing program, Ms. Dismukes  
16           points out that the cost estimate included some  
17           triennial testing costs on an annual basis, and an  
18           adjustment should be made to correct this. Do you  
19           agree?

20          **A.** Yes. Her observation is correct. Some triennial  
21           testing requirements were inadvertently costed on  
22           an annual basis. Her proposed adjustment is proper.

23

24

25

1                    DISMUKES - INSURANCE EXPENSE

2            Q.    At page 36 of her prefiled testimony, Ms. Dismukes  
3                    has recommended all proforma expense for insurance  
4                    be disallowed because SGI got only one bid and  
5                    because it has not maintained any insurance since  
6                    the last case. Do you agree that this expense  
7                    should be disallowed?

8            A.    No. The fact that SGI has not been carrying  
9                    insurance does not mean that it should not be  
10                   carrying it. It has been fortunate for company and  
11                   customer alike that there have been no liability  
12                   claims or property losses. SGI needs insurance. It  
13                   should be required to carry it. Admittedly, the  
14                   company got only one bid and that was fairly  
15                   generic. But the company has now pursued a full  
16                   insurance package from a reputable agent, familiar  
17                   with the specific needs of water utilities. SGI has  
18                   contracted for that package and paid the initial  
19                   premium. Mr. Brown has addressed that in his  
20                   rebuttal testimony. The cost of that insurance  
21                   package should be included in this case.

22

23                    DISMUKES - TRANSPORTATION ALLOWANCES

24            Q.    At page 37 and Schedule 13 of her prefiled  
25                    testimony, Ms. Dismukes reduces the requested



1            transportation allowance from \$15,600 to only  
2            \$3,900. Do you agree with that adjustment?

3            A.    No. That allowance is totally unrealistic.  
4            Apparently, Ms. Dismukes is so upset because  
5            employees have not been keeping mileage records,  
6            that she has lost all perspective. In the last rate  
7            case, with a 1987 test year, the company owned its  
8            vehicles and did not have a Tallahassee office. Yet  
9            the allowed transportation expense was \$7,800. If  
10           the carrying costs of the vehicles on the book in  
11           that year are included, the allowed transportation  
12           cost to the utility was \$10,300. Ms. Dismukes  
13           would only allow one-third of that.

14  
15           SGI no longer owns any vehicles. It depends on its  
16           employees to provide their vehicles, even in the  
17           field. This puts a burden on the employees but  
18           saves the company the initial investment in  
19           transportation equipment and the costs associated  
20           with operating and insuring the equipment. The  
21           transportation allowance is intended to compensate  
22           employees for the burden they incur in using their  
23           own vehicles. In the MFR, I outlined the monthly  
24           allowances being paid by SGI and tested those  
25           allowances based on equivalent mileage. From my

1 observation of the activities of employees, the  
2 allowances, overall, seemed reasonable. However,  
3 that is not the only test of whether the  
4 transportation allowance is reasonable. A more  
5 direct test is to measure the allowance against the  
6 costs the utility would incur if it owned its own  
7 vehicles instead of paying an allowance. As a  
8 minimum, SGI would need two trucks in the field and  
9 one administrative vehicle. On Schedule 1 of my  
10 Exhibit \_\_\_\_\_, I have estimated, very  
11 conservatively, the cost the company would incur to  
12 own and operate its own vehicles. Based on Ms.  
13 Dismukes's concerns regarding the mileage used for  
14 the allowance, I cut the estimated mileage back  
15 considerably for the equivalent mileage associated  
16 with the allowances. Even with that capitulation,  
17 and with only the most minimum maintenance, the  
18 cost to the company would be about \$18,100, or  
19 about \$2,500 more than the amount requested. Also  
20 note, that on Schedule 1 of Exhibit \_\_\_\_\_, I have  
21 detailed the components of the \$10,316 the  
22 Commission allowed for transportation costs in the  
23 1987 test year.

24

1 As I said, Schedule 1 of Exhibit \_\_\_\_\_ is the  
2 minimum cost the company would incur if it owned  
3 its own vehicles instead of paying a transportation  
4 allowance. If it owned the vehicles, it have to pay  
5 for any maintenance over and above oil change and  
6 minor repairs. Under the allowance alternative,  
7 that is the employee's responsibility. Also, if  
8 the company owned the vehicles and only had one  
9 administrative vehicle available, it would probably  
10 still end up paying some mileage expenses for  
11 employees, as only one employee could be using the  
12 vehicle at a time.

13  
14 Clearly the Commission should allow the requested  
15 transportation allowance.

16  
17 DISMUKES - MISC. EXPENSES

18 Q. Beginning at page 41 of her prefiled testimony, Ms.  
19 Dismukes suggests several adjustments to  
20 miscellaneous expenses. Would you please address  
21 those suggestions?

22 A. Her first suggested adjustment is to disallow any  
23 expense for a cellular phone for Mr. Brown because  
24 it is not necessary for him "to function in a  
25 (sic) effective and efficient manner." And,

1           necessary or not, it should be paid for by Armada  
2           Bay Company. I don't know the basis for Ms.  
3           Dismukes's conclusion that the use of a cellular  
4           phone does not improve efficiency and  
5           effectiveness, but I must disagree. I have  
6           personally discussed utility business several times  
7           with Mr. Brown via his cellular phone. I found that  
8           to be effective and an efficient use of time. I  
9           have ridden with him when it was advantageous for  
10          him to make utility related calls from the car and  
11          to receive utility related messages which he was  
12          able to return in a timely manner. On the basis of  
13          effectiveness and efficiency, I believe the need  
14          for the cellular phone is well supported. Whether  
15          the cost for utility related costs should be paid  
16          for by SGI or be included in the management fee is  
17          debatable. Personally, I do not believe that the  
18          management fee was meant to, or should, include  
19          this expense. The level of the management fee, as  
20          previously discussed, is equivalent to a manager's  
21          salary. Only 50% of the phone expense has been  
22          allocated to the utility. I think that is too small  
23          an allocation, as it has been pretty well  
24          established that Mr. Brown now spends nearly all of  
25          his time managing the utility.

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Next Ms. Dismukes disallows the annual report fee for the general partner, Leisure Properties, LTD because she doesn't see where the organizational structure benefits the customer. I am not sure what that means. In each rate case, are we now going to evaluate whether the customer is best served by a utility that is organized as a partnership or a "C" corporation or a sub "S" corporation and then make a determination as to whether the expense for filing annual reports with the state should be allowed? What are the criteria? There are certainly no statutory limitations. I would think that Ms. Dismukes would find the \$576.00 fee a good trade off against the 34% income tax that would be passed on the customers if SGI was organized as a "C" corporation.

Next, Ms. Dismukes has adjusted miscellaneous expense by the amount of \$3,544 for a mix of expenses that the PSC staff identified in its audit as being non-recurring, non-utility or non-supported. In its response to the Staff audit, SGI did not take issue with the adjustment. It will not take issue with it here.

1

2

Finally, Ms. Dismukes has suggested that a non-recurring telephone installation charge be amortized and that charges related to the law office telephone be disallowed. We will not take issue with those adjustments, even though the law office telephone line has probably been used more for utility business than law business in the past couple of years.

3

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DISMUKES - AMORTIZED EXPENSES

12

**Q. Beginning at page 43 of her prefiled testimony, Ms. Dismukes discusses proposed proforma adjustments for various studies being performed by or about to be performed by SGI. Do you have any remarks on her comments?**

13

14

15

16

17

**A. No. Mr. Brown will address the comments in this area.**

18

19

20

DISMUKES - UNACCOUNTED FOR WATER

21

**Q. At page 47 of her prefiled testimony, Ms. Dismukes discusses an adjustment for unaccounted for water. Do you agree with her adjustment?**

22

23

24

**A. No. I don't agree with her adjustment or with her understanding of the measurement of unaccounted for**

25

1 water or of her understanding of Commission policy  
2 with regard to unaccounted for water.

3  
4 First Ms. Dismukes makes a statement that it is her  
5 understanding that the Commission usually finds  
6 that unaccounted for water in excess of 10% is  
7 unacceptable. That is simply not true. In fact, the  
8 Commission stated its policy in Order No. 21122,  
9 the rate order for this utility's last rate case,  
10 as follows: "However, our past decisions in  
11 previous cases indicate that a fair average for  
12 unaccounted for water might range from 10-20  
13 percent." The Commission then allowed a level of  
14 15% unaccounted for water for this utility.

15  
16 Ms. Dismukes then takes out of context, a single  
17 month water audit performed for SGI, to establish  
18 the average annual unaccounted for water level for  
19 SGI as only 2%. This water audit performed in  
20 August, 1993 for SGI by the Florida Rural Water  
21 Association (FRWA), was referred to by Mr. Brown in  
22 a response to a Staff Interrogatory as king why SGI  
23 had an unaccounted for water level of 15% for the  
24 1992 test year. That audit showed a corrected,  
25 unaccounted for water level of only 2% for the

1 month of July, 1993. Ms. Dismukes apparently chose  
2 to assume that the average annual unaccounted for  
3 water level for SGI was also 2%. That assumption is  
4 incorrect. It was also incorrect to assume that the  
5 FRWA format for determining unaccounted for water  
6 is compatible with the format used the Commission  
7 to evaluate average annual unaccounted for water.

8  
9 The Commission looks at the average annual  
10 unaccounted water level rather than the level for  
11 any single month. One primary reason is that  
12 customer billing periods don't coincide with  
13 monthly pumping periods. This tends to distort  
14 single month readings causing some to be either  
15 high or sometimes negative. Although the test year  
16 average annual unaccounted was 15%, some months  
17 were as low as 2% or as high as 42% The annual  
18 average tends to even out monthly disparities.

19  
20 As I previously indicated the FRWA method of  
21 auditing water loss is not compatible with the  
22 Commission reporting method. The format used by the  
23 Association includes corrections for errors in flow  
24 and customer meters. The Commission format does not  
25 consider those corrections or errors. This can



1 make a difference of about 4% when compared to  
2 calculations using the Commission format.

3

4 Q. Do you know what the annual unaccounted for water  
5 level is for SGI in 1993 as compared to the 1992  
6 test year?

7 A. Yes. It is 9.54%

8

9 Q. Should any adjustment be made to chemical and  
10 electric expense because unaccounted for water is  
11 less in 1993 than in 1992?

12 A. No. As long as the loss stays in the 10-20% range,  
13 no adjustments should be made. An adjustment is  
14 necessary only if the test year losses were  
15 determined to be excessive.

16

17 DISMUKES - RATE CASE EXPENSE

18 Q. Beginning at page 49 of her prefiled testimony, Ms.  
19 Dismukes discusses proposed adjustments to  
20 estimated rate case expense. Do you agree with her  
21 proposed adjustments?

22 A. No.

23

1 Q. Ms. Dismukes proposes that recovery of the  
2 consulting fee for your firm be limited to \$25,000  
3 rather than \$50,000. Do you agree?

4 A. No. There is no valid basis to limit the fees of my  
5 firm to anything other than what the actual cost  
6 is. Schedule B-10 of the MFR shows my estimate of  
7 fees to be \$50,000. Ms. Dismukes compares this to  
8 my estimate of costs in the dismissed Docket No.  
9 930770-WU, which was \$25,000 and concludes that we  
10 should be held to the first estimate and alleges  
11 that their have been no unusual circumstances  
12 warranting the change.

13

14 First, the Commission does not authorize recovery  
15 simply on the basis of the estimate of cost. It  
16 bases recovery on the actual costs reasonably  
17 incurred to the hearing plus an estimate of  
18 reasonable hearing and post hearing costs.

19

20 Secondly, I revised the estimate of my fees  
21 because, based on the intensity of the audit and  
22 discovery phase of the dismissed case, it was  
23 evident that the case was becoming significantly  
24 more complex and would require more of my time. My  
25 estimate in Docket No. 930770-WU reflected my

1 expectations of that case at the time of filing of  
2 that case. And my estimate in Docket No. 940109-WU  
3 reflected my expectations of the case at the time  
4 of the filing of this case. These were separate  
5 dockets. The second docket is in evidence; the  
6 first is not.

7

8 Q. Given that observation, will you please explain the  
9 basis for your estimate in dismissed Docket No.  
10 930770-WU?

11 A. When I first contracted for this assignment, the  
12 intent was to keep my participation at a minimum in  
13 order to put as little strain as possible on SGI's  
14 cash flow. I therefore anticipated that preparing  
15 the MFR and direct testimony would represent the  
16 bulk of my participation. Therefore my original  
17 estimate left little room for hearing and post-  
18 hearing activities. Rate base had been established  
19 in the last case. Additions to plant since the last  
20 case were fairly well documented. Very few  
21 adjustments were made to the book numbers. I had  
22 expected that the only real issues would be the  
23 proforma adjustments to expenses. In preparing the  
24 MFR's I was able to utilize a substantial amount of  
25 work already done, but I also took the time

1           necessary to feel knowledgeable about the utility,  
2           its operations and books. The initial MFR was  
3           prepared quickly and economically.

4

5       **Q.    What caused you to increase your estimate for**  
6       **Docket No. 940109-WU?**

7       A.    During the audit and discovery phase of Docket No.  
8           930770-WU, it became evident that both the  
9           Commission staff and the OPC were dedicating  
10          enormous blocks of time to reviewing even the  
11          smallest expenditures of this utility. Apparently,  
12          because of the controversy surrounding this utility  
13          since the last case, the parties were exercising  
14          extreme caution and making sure there were no  
15          surprises. It became apparent to me that  
16          substantially more time was going to be necessary  
17          on my part, to prepare rebuttal and to work with  
18          SGI in helping them prepare for the hearing. I  
19          therefore revised my estimate of fees to  
20          conservatively reflect this increased  
21          participation.

22

23

1 Q. Ms. Dismukes states that she believes the utility  
2 should have obtained a firm bid. Would you have  
3 provide a firm bid for a rate case?  
4 A. No. And I don't know of any other consultant that  
5 would work under a firm bid for an applicant in a  
6 matter requiring litigation before this Commission  
7 and in which the OPC is an intervenor.  
8  
9 Q. Why would you not work under a firm bid in a case  
10 being litigated?  
11 A. Because the applicant has no control over the  
12 circumstances that cause costs to increase. A firm  
13 bid may be workable with regard to preparing the  
14 MFR and direct testimony. But that is all. The  
15 costs for the rest of the case are controlled by  
16 intervenors. The applicant cannot control the  
17 amount and intensity of discovery, the depth of  
18 intervenor testimony or the need for rebuttal.  
19 These are all factors requiring a response.  
20  
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24

1 Q. Ms. Dismukes says that the failure of a utility to  
2 obtain firm bids does nothing to encourage  
3 consultants to hold down their fees. Is that  
4 correct?

5 A. No. It sounds as if Ms. Dismukes assumes that  
6 clients give their consultants a free reign to just  
7 run up costs. Maybe that is how she operated when  
8 she was a consultant. That is not what I do. I am  
9 very conscious of the client's costs and make every  
10 effort to keep them down. In this particular case,  
11 I have kept travel to a minimum, and where travel  
12 is necessary I have tried to time it to coincide  
13 with other work so costs can be shared. I am well  
14 aware of my client's ability to pay, or lack  
15 thereof. But there is only so much you can do,  
16 without jeopardizing the client's rights.

17

18 Q. At page 52 of her prefiled testimony, Ms. Dismukes  
19 recommends that 3/4th's of the fees for Rhema  
20 Business Services be disallowed because they are  
21 duplicative. Do you agree?

22 A. No. Ms. Dismukes estimates that 75% of the Rhema  
23 fees were duplicative. I estimate that 25% were  
24 duplicative or not pertinent. My estimate is based  
25 on an examination of the bills. I include \$14,402

1 of Rhema's fees in this case. That is the portion  
2 that is pertinent and not duplicative. I have  
3 prepared Schedule 2 of Exhibit \_\_\_\_\_, which  
4 includes a summary of the Rhema charges included in  
5 this case, which were incurred prior to filing, and  
6 copies of Rhema's bills with the charges related to  
7 the rate case and/or included in this case,  
8 separately identified.

9

10 Q. At page 53 of her prefiled testimony, in support of  
11 her charge of duplicated work, Ms. Dismukes says  
12 you obtained an electronic version of Rhema's MFR  
13 but did not use it because you preferred your own  
14 format and style. Is she correct?

15 A. Yes. I did obtain a diskette with the MFR  
16 schedules. The diskette had been prepared by Rhema  
17 for a 9/30/92 test period. It had been updated by  
18 SGI through 12/31/92. She is also correct in that  
19 I chose not to use it, or at least not to use  
20 portions of it. But it was not just because I  
21 preferred my own style. I told OPC that I did not  
22 use some of the schedules because they were not  
23 interactive. My format is set up for interactive  
24 schedules.

25

1 Q. What do you mean by interactive and why does it  
2 matter?

3 A. Many of the MFR schedules are interdependent. A  
4 change made in one schedule will effect numbers in  
5 several other schedules. For example, if you  
6 change the dollar amount of a plant item in a Plant  
7 in Service schedule, it effects the rate base  
8 summary, depreciation expense, accumulated  
9 depreciation, used and useful, return and capital  
10 reconciliation, taxes, net income, the revenue  
11 requirement and the rate design. If the MFR  
12 spreadsheet is designed to tie all of these  
13 schedules together electronically, then any change  
14 in one schedules flows through to the others.  
15 Therefore, additions, changes and corrections can  
16 be made without a large investment in time. And  
17 many changes may be made before the final MFR is  
18 prepared. If the schedules are not interactive,  
19 then calculations between schedules must be done  
20 separately each time a change is made. This is time  
21 consuming and prone to error. The diskette  
22 provided to me used the schedule format created by  
23 the PSC but the schedules were not tied together.  
24 It was basically useless. The minimal time I spent  
25 copying numbers to my format paid for itself ten



1 times over compared to having used the original  
2 format and calculating the change in each schedule  
3 every time a change was made in one schedule. That  
4 truly would have been a waste of time and money.

5

6 Q. Did you have to copy the numbers for every  
7 schedule?

8 A. No. Only for the interactive schedules. The  
9 historic schedules, such as those listing plant  
10 additions since the last case, were used as is, as  
11 were some of the capital, engineering and rate  
12 schedules. I made good use of the work previously  
13 done by Rhema and updated by SGI.

14

15 Q. Was there any duplication in your work in going  
16 from the dismissed docket to the present one.

17 A. There was some. After all both the dismissed docket  
18 and the present one had the same test year. The  
19 primary work that was done for this case was to  
20 update the proforma expenses to reflect all of the  
21 costs necessary to provide service to current  
22 customers. Other than that, a few corrections  
23 resulting from the original audit were made. Also,  
24 the direct testimony had to be expanded. My total  
25 cost to make all of those changes was \$5,329.

1           Probably no more than 40% of that cost was related  
2           to chores that I would consider duplicative.

3

4           **Q.   At page 55 of her prefiled testimony, Ms. Dismukes**  
5           **states that some of the legal services for this**  
6           **case provided by Mr. Brown should be disallowed. It**  
7           **should be considered as part of the expertise that**  
8           **he brings to the utility as a manager/owner. Do you**  
9           **agree?**

10          **A.  No. Ms. Dismukes' proposal implies that an owner**  
11          **should be willing to work for nothing or below**  
12          **market. But why? An owner brings capital. He is**  
13          **compensated through return on that capital. If he**  
14          **also brings time and expertise, but is not**  
15          **compensated, the effective rate of return on**  
16          **capital is reduced by the loss of pay for services.**  
17          **Perhaps what Ms. Dismukes says would make sense in**  
18          **a non-regulated market where there is an**  
19          **opportunity to earn a higher rate of return that**  
20          **substitutes for compensation for lost pay. But no**  
21          **such opportunity exists here. If an owner performs**  
22          **a service that would have had to have been**  
23          **performed by someone else, he is entitled to**  
24          **equivalent pay.**

25

1 Q. Have you prepared an exhibit of the actual rate  
2 case expenses incurred to date?

3 A. Yes. Schedule 3 of Exhibit \_\_\_\_ includes a summary  
4 sheet and copies of all invoices available through  
5 the date I prepared this rebuttal testimony. The  
6 expenses incurred to date are \$ 83,575. An update  
7 of actual expenses and an estimate of expenses  
8 remaining through the conclusion of this case will  
9 be provided at the hearing.

10

11 DISMUKES - GENERATOR REPAIR

12 Q. Next, at page 56, Ms. Dismukes recommends  
13 disallowing a generator repair cost because the  
14 generator was replaced. Do you agree with that  
15 adjustment?

16 A No. The repair had nothing to do with the  
17 replacement of the generator. The generator was  
18 replaced because it was struck by lightning. The  
19 repair had nothing to do with the lightning damage.  
20 It was a normal repair, the type of which can be  
21 expected to recur, regardless of whether the  
22 generator is new.

23

24

25

1            DISMUKES - ORIGINAL COST

2            Q.    Beginning at page 56 of her prefiled testimony, Ms.  
3                    Dismukes addresses the issue of the original cost  
4                    of the water system as determined in Docket No.  
5                    871177-WU. Are you familiar with the premise for  
6                    her position?

7            A.    Yes. She points out the Commission determined the  
8                    original cost of the system as of December 31,  
9                    1987, based on an original cost study, because of  
10                   the lack of detailed records. She also points out  
11                   that the Commission left the door open to  
12                   reconsider its conclusions. The Commission, in  
13                   Order No. 21122 stated, "Further, if at any time in  
14                   the future, evidence is produced which reflects  
15                   that our analysis of SGI's investment is incorrect,  
16                   we may, of course, readdress the issue of SGI's  
17                   level of investment."

18

19           Q.    Does Ms. Dismukes claim to have evidence to support  
20                   a lower investment in rate base than that  
21                   previously determined by the Commission?

22           A.    Yes, she does.

23           Q.    Have you reviewed the "evidence" to which she  
24                   refers?

25           A.    Yes, I have.

1 Q. Would you please comment on that "evidence"?

2 A. Yes. Ms. Dismukes reviewed several documents which  
3 she claims indicate that the cost of the water  
4 system is less than previously determined. She has  
5 examined a 1979 financial statement of Leisure  
6 Properties, LTD, the entity from which SGI  
7 purchased the system. She also examined an  
8 affidavit of Ms. Barbara Withers, including  
9 attachments, from Docket No. 871177-WU. That  
10 affidavit was a reaffirmation of the testimony she  
11 had given in the hearing and a reconciliation of  
12 the financial statements and federal tax returns of  
13 SGI and Leisure Properties. Ms. Dismukes also  
14 examined an engineers appraisal of the water system  
15 as July, 1978, prepared by William Bishop, P.E.  
16

17 Q. Is the first document, the Leisure Properties 1979  
18 financial statement a new source which the  
19 commission has never considered?

20 A. No. OPC requested the Commission take judicial  
21 notice of that statement and of related income tax  
22 returns in Docket No. 871177-WU. The Commission  
23 acted upon OPC's motion and took administrative  
24 notice of the documents. In so doing, the  
25 Commission specifically stated that "administrative

1 notice does not include recognition of the truth of  
2 the statements in the copies of the 1979 Federal  
3 Income Tax Return and Financial Statements of the  
4 Leisure Properties, LTD."

5

6 Q. Ms. Dismukes is asking the Commission to accept  
7 certain numbers from that financial statement as a  
8 basis for part of the original cost of the water  
9 plant. Should the Commission accept those numbers?

10 A. No. The Commission should reaffirm its decision not  
11 to rely on numbers from this statement, as it has  
12 not recognized the truth of the financial  
13 statement.

14

15 Q. So this is not new evidence?

16 A. No. In its Motion for Reconsideration, filed May 9,  
17 1989, in Docket No. 871177-WU, OPC appealed to the  
18 Commission to accept numbers from this very same  
19 Leisure Properties financial statement as a basis  
20 for the cost of the water system. The Commission,  
21 in Order No. 21741 reaffirmed its opinion from  
22 Order No. 20913 that administrative notice "does  
23 not include recognition of the truth of the  
24 statements." The Commission then stated that the  
25 truth of the statements cannot be relied on to

1 support OPC's position. Nothing has changed. OPC  
2 is just making the same argument to a different  
3 panel of commissioners.

4

5 **Q. Does the second document, the affidavit of Ms.**  
6 **Withers, provide any information not formerly**  
7 **considered by the Commission?**

8 **A.** No. The second document is an affidavit of Ms.  
9 Barbara Withers, an accounting witness for SGI,  
10 given after the close of the hearings in the last  
11 case. During the hearing, Ms. Withers provided a  
12 reconciliation of the financial statements and tax  
13 returns of SGI. After the hearing, OPC presented  
14 Ms. Withers with copies of the financial statements  
15 and tax returns of Leisure Properties. These are  
16 the same documents for which judicial notice was  
17 sought and administrative notice granted. Ms.  
18 Withers' affidavit reconciled the tax returns of  
19 SGI and Leisure Properties for the purposes of  
20 affirming that the cost of the water system was not  
21 written off for tax purposes. All of the numbers  
22 used by Ms. Withers in her affidavit were either  
23 made part of the record during the hearing or were  
24 administratively noticed, but not recognized as  
25 true statements. Again, Ms. Dismukes is rearguing

1 the very same facts and information that the  
2 Commission considered in Docket No. 871177-WU.

3

4 **Q. Does Ms. Dismukes's argument have merit?**

5 A. No. Ms. Dismukes is arguing that numbers from a  
6 financial statement, unsupported by detailed  
7 records, be allowed as the basis for original cost.  
8 Not only that, she is arguing that numbers from a  
9 financial statement of an entity other than the  
10 utility be accepted as the basis for part of the  
11 original cost of the plant of the utility. In  
12 Docket No. 871177-WU, the Commission would not  
13 accept the utility's book plant balance without  
14 detailed support. Why should it accept the book  
15 balance of a different entity without support? SGI  
16 would have been willing, and is still willing, to  
17 accept the book balance on SGI's books at December  
18 31, 1987, of \$2,820,891. In fact, that is what Ms.  
19 Withers' affidavit supports. But Ms. Dismukes very  
20 cleverly "lifts" one number from Ms. Withers'  
21 affidavit, takes it out of context, as pointed out  
22 by Ms. Withers in her rebuttal testimony, and  
23 attaches it to another unsupported number from the  
24 financial statement of a totally different entity.



1 She then tries to sell the Commission on the  
2 proposition that  $2 + 2 = 3$ .

3

4 Q. If the Commission accepts Ms. Dismukes' premise  
5 that when underlying documents are not available,  
6 it should rely on contemporaneous financial  
7 statements, do you have any suggestions as to how  
8 the Commission should implement that policy?

9 A. Yes. First it should increase the plant in service  
10 at 1987 from the \$2.2 million allowed in Docket No.  
11 871177-WU, to \$2.8 million, the book value on SGI's  
12 books which were reconciled by Ms. Withers.  
13 Second, it should recognize as plant in service in  
14 the test year, all of the amounts which the Staff  
15 Audit Report claims to be unsupported by detailed  
16 checks or invoices. These amounts are included on  
17 the contemporaneous books of the utility.

18

19 Q. What is the third document introduced by Ms.  
20 Dismukes?

21 A. The third document is an engineering appraisal of  
22 the replacement cost of the water system, as of  
23 July, 1978. It was prepared by firm of William M.  
24 Bishop, Consulting Engineers, Inc. for Leisure  
25 Properties, LTD a year and a half before the

1 utility assets were sold to St. George Island  
2 Utility Company, LTD.

3

4 Q. Has this appraisal been presented as evidence in  
5 any other proceeding?

6 A. No. It has not.

7

8 Q. Has Mr. Bishop, or any member of his firm sponsored  
9 this appraisal in this proceeding or any other  
10 proceeding?

11 A. No. The only entry of this document into the record  
12 of any formal proceeding is as an exhibit of Ms.  
13 Dismukes.

14

15 Q. What is the significance of this appraisal?

16 A. It doesn't have any. As I pointed out, it was  
17 prepared for Leisure Properties, LTD. It was  
18 prepared a year and a half before the utility was  
19 sold. It has never been subjected to cross  
20 examination. The first valuation against which it  
21 can be checked was that performed at the time of  
22 sale, a year and a half later. According to the  
23 IRS, the depreciable tax basis at that time, as  
24 confirmed by Ms. Withers, was \$2.2 million.

25

1                    DISMUKES - RATE BASE GROWTH ADJUSTMENTS

2            Q.    At page 66 of her prefiled testimony, Ms. Dismukes  
3                    recommends some adjustments to rate base to change  
4                    the 1992 test year to a 1993 test year. Do you  
5                    agree that the rate base should be adjusted for  
6                    that reason?

7            A.    No. I previously discussed this matter at page 17  
8                    of my rebuttal testimony in response to Ms.  
9                    Dismukes' proposal to adjust test year revenues and  
10                    expense to 1993 levels. This case was filed with a  
11                    1992 test year. The Commission approved a 1992 test  
12                    year. OPC is ignoring that fact and is proposing a  
13                    1993 test year. As previously stated, changing the  
14                    test year in the middle of a proceeding is a  
15                    procedure that would never be allowed if proposed  
16                    by the applicant. It should not be allowed when  
17                    proposed by OPC.

18  
19            Q.    Ms. Dismukes recommends \$10,875 associated with a  
20                    future storage tank be removed from plant in  
21                    service. Do you agree?

22            A.    Yes. As Ms. Dismukes indicated this amount has  
23                    already be moved to CWIP. PSC Staff made this  
24                    recommendation in Exception No. 12 of the Staff  
25                    audit and we did not take exception to it.

1 Q. Ms. Dismukes recommends adjusting accumulated  
2 depreciation to reflect the Commission depreciation  
3 rates. Do you agree?

4 A. Yes. As pointed out in Exception No. 15 of the PSC  
5 Staff audit, in the last case the Commission  
6 approved the use of guideline depreciation rates  
7 for a Class B utility. We take no exception to  
8 adjusting accumulated depreciation to reflect those  
9 rates.

10

11 It should be noted that neither of these  
12 adjustments have anything to do with shifting test  
13 years. They are corrections to the 1992 test year.

14

15 Q. Ms. Dismukes proposed to include 1993 CIAC  
16 additions do you agree?

17 A. No. For reasons previously discussed, I do not  
18 agree to any adjustments to change test years. 1993  
19 CIAC additions should not be recognized in 1992.

20

21 DISMUKES - CIAC ADJUSTMENTS

22 Q. At page 69 of her prefiled testimony, Ms. Dismukes  
23 proposes that \$65,000 received by Mr. Brown and  
24 affiliates other than the utility, and advanced to

1 SGI for construction purposes, be considered as  
2 CIAC. Do you agree with that proposal?

3 A. Definitely not. Ms. Dismukes' interpretation of a  
4 law suit settlement agreement that resulted in the  
5 availability of those funds is just wrong. SGI  
6 disagrees that the \$65,000 advanced under the  
7 referenced agreement can in any way be construed as  
8 a contribution to the utility.

9  
10 In her prefiled testimony at page 68, Ms. Dismukes  
11 quotes part of Paragraph 6 of the settlement  
12 agreement. Paragraph 6 in its entirety, states:

13  
14 6. The Association will pay Brown and  
15 affiliates the sum of \$100,000.00 as follows:  
16 \$20,000 upon the closing of this agreement;  
17 \$10,000 on November 1, 1992; \$10,000 on  
18 December 1, 1992; \$10,000 on January 1, 1993;  
19 \$20,000 on March 1, 1993; \$5,000 on April 1,  
20 1993; \$5,000 on May 1, 1993; \$5,000 on June 1,  
21 1993; \$5,000 on July 1, 1993; \$5,000 on August  
22 1, 1993; and \$5,000 on September 1, 1993.  
23 These funds will be used as follows: (a)  
24 \$35,000 will be paid to Stanley Bruce Powell  
25 for his legal fee in representing Brown and

1 affiliates in the above referenced litigation;  
2 and (b) \$65,000 will be advanced to the St.  
3 George Island Utility Company, Ltd. to be used  
4 strictly for capital improvements to enhance  
5 and increase the flow and pressure of the St.  
6 George Island water system, including the  
7 installation of a new altitude valve and high  
8 speed turbine pump pursuant to the  
9 recommendations of Baskerville-Donovan, the  
10 utility's engineers.

11  
12 Reading the paragraphs referenced by Ms. Dismukes,  
13 in the context of the entire Agreement, it is clear  
14 that the Agreement intends the \$65,000 to be  
15 advanced and not contributed by Brown and  
16 Affiliates to the utility so that it may move  
17 forward with capital improvements that will  
18 alleviate flow and pressure problems. There is no  
19 implication that the money be given to SGI.  
20 Certainly, if the intention was to give money to  
21 the utility, the agreement would have said \$65,000  
22 will be "given" or "donated" or "contributed". The  
23 parties to this agreement had knowledge of the  
24 terms available for their use in formulating the  
25 agreement. Further, Mr. Brown, a signatory of the

1 referenced Agreement avers that the intent of the  
2 Agreement was for Brown and Affiliates to advance  
3 and not donate funds to the utility, so that it  
4 could move forward with capital improvements. By  
5 any stretch of the imagination, an advance is not  
6 a contribution.

7  
8 Both the common and legal definitions of the term  
9 "advance" support SGI's contention that an advance  
10 is not a contribution. Please note the following  
11 definitions:

12  
13 advance - to furnish or supply (money or goods) on  
14 credit. a sum of money or quantity of  
15 goods furnished on credit. The Random  
16 House Dictionary of the English Language,  
17 College Edition, 1968.

18  
19 advance - to loan; to furnish capital in aid of a  
20 projected enterprise, in expectation of  
21 return from it; to furnish money for a  
22 specific purpose understood between the  
23 parties, the money or sum equivalent to  
24 be returned; furnishing money or goods  
25 for others in expectation of

1 reimbursement. Black's Law Dictionary,  
2 Revised Fourth Edition, 1968.

3  
4 advances for construction - This account shall  
5 include advances by or in behalf of  
6 customers for construction which are to be  
7 refunded either wholly or in part. 1984  
8 Uniform System of Accounts for Class  
9 B Water Utilities.

10  
11 It should also be noted that the flow of funds  
12 outlined in the Agreement would result in no more  
13 than \$5,000 being available during the 1992 test  
14 period. That is because only \$40,000 was to be  
15 received by the end of 1992, and of that amount,  
16 the first \$35,000 appears committed to payment of  
17 Stanley Bruce Powell. According to the Agreement,  
18 the utility did not have access to the full \$65,000  
19 advance until September 1, 1993. Based on the flow  
20 of funds outlined in the Agreement, and recognizing  
21 that we are using a beginning/ending balance  
22 average test year, the impact would be to reduce  
23 the 1992 test year rate base by \$2,500 if the funds  
24 now shown as part of loans from G. Brown are



1            separated out and treated as a repayable non-  
2            interest bearing advance.

3

4            Q.    Ms. Dismukes proposes a \$44,440 adjustment to CIAC  
5            for fees received in 1991 but not booked until  
6            1993. Do you agree with that adjustment?

7            A.    Yes. That is a proper adjustment. That CIAC should  
8            be reflected for the full 12 months of the test  
9            year.

10

11           Q.    Do you have any further comments regarding the  
12           direct testimony of Ms. Dismukes?

13           A.    Yes. I have a comment regarding an error in her  
14           Schedule 27, which is a summary of her adjustments  
15           and the impact on revenue requirements. In the OPC  
16           Adjustment Column she shows an adjustment to  
17           Operation & Maintenance Expense of \$238,440. On  
18           her Schedule 25 she details the components of the  
19           adjustments to expense. The total of adjustments  
20           related only to O&M is \$210,695. The difference  
21           between the amounts on Schedules 25 and 27 is  
22           \$27,745 which, as shown on Schedule 27, is the  
23           amount of her adjustment to amortization of  
24           extended studies and maintenance projects. The  
25           adjustment for amortization has been double counted

1 and her adjustments to O&M are therefore overstated  
2 by \$27,745.

3  
4 Finally, I have a general comment regarding the her  
5 overall approach to adjusting the expenses for this  
6 utility that shows a lack of sensitivity to the  
7 real world situation. SGI came out of its last rate  
8 case severely reprimanded with regard to the status  
9 of construction, the status of maintenance, the  
10 status of record keeping and reporting. The  
11 Commission and FDEP mandated a flushing program, a  
12 leak detection program, specific maintenance  
13 programs, a cross connect control program and  
14 additional testing. There was recognition at that  
15 time that management and staffing was inadequate in  
16 quantity and quality. SGI has substantially  
17 complied with these mandates, but as the Commission  
18 knows, it has taken a long time to do it. The  
19 reason is very simply that the staffing and funds  
20 necessary to accomplish this is in a timely manner  
21 have not been available. If one examines the change  
22 in expenses from 1987 to the test year, they will  
23 see that unadjusted expenses increased 124% since  
24 1987. This compares to an increase in the combined  
25 customer - CPI index of 123% for the same period.

1 In other words, SGI has maintained the status quo  
2 since 1987. And the status quo was and is  
3 inadequate. The status quo means SGI will continue  
4 to be inadequately staffed and inadequately funded  
5 and will most likely continue to have a borderline  
6 operation. The proforma level of expenses, if  
7 granted, will allow SGI to climb out of a hole,  
8 hire and retain a competent staff, and initiate  
9 maintenance programs as needed rather than in  
10 response to citations. The percent increase of the  
11 requested expenses is high compared to the 1987  
12 level, but it are necessary if the utility is to  
13 operate better than it did in 1987.

14  
15 What has this to do with the OPC adjustments? OPC  
16 has recommended O&M expenses for a 1993 growth  
17 adjusted test year, of \$300,328. This is only 139%  
18 higher than the 1987 level of expenses and compares  
19 to a 141% increase in the combined customer - CPI  
20 index between 1993 and 1987. So, in addition to  
21 ignoring SGI's plea to dig itself out of a hole,  
22 OPC's recommended level of expenses do not even  
23 allow SGI to keep up with the status quo. OPC has  
24 expressed several times in its testimony, its  
25 concern that SGI will fail to perform. The level of

1 expenses it has recommended will result in a self  
2 fulfilling prophecy.

3

4 GAFFNEY - STAFF AUDIT

5 Q. I would now like you to direct your attention to  
6 the prefiled testimony of the Commission staff  
7 witness Nancy Gaffney. Have you reviewed her  
8 testimony?

9 A. Yes I have.

10

11 Q. Do you have any comments regarding Ms. Gaffney's  
12 testimony?

13 A. Yes. Miss Gaffney's testimony sponsors the staff  
14 audit report. However, I believe the report she has  
15 attached to her testimony is incomplete.

16

17 Q. Why is that?

18 A. The report does not contain the timely filed  
19 response of the utility. When the staff completes  
20 an audit report, the utility is formally notified.  
21 Commission procedure is for the Division of Records  
22 and Reporting to forward the report to the utility  
23 for comment. The utility is told that any responses  
24 filed with the office of Records and Reporting will  
25 be forwarded to the staff analyst for consideration

1 in the preparation of a recommendation. In this  
2 case, the audit was so detailed that SGI requested,  
3 and was granted, an extension for the time to  
4 respond. Schedule 4 of Exhibit \_\_\_\_\_ contains  
5 copies of the notice from the Division of Records  
6 and Reporting, the request for an extension and the  
7 letter granting the extension.

8  
9 I consider the utility's response to be an integral  
10 part of the audit report. I have therefore included  
11 a copy of the utility response to the audit as  
12 Schedule 5 of Exhibit \_\_\_\_\_. The response speaks for  
13 itself.

14  
15 SGI responded to all of the audit exceptions. In  
16 many cases it agreed with the exceptions. But more  
17 importantly, it provides a positive response to  
18 many of the exceptions that Ms. Gaffney has  
19 summarized in her testimony. Our response includes  
20 copies of supporting documents for many of the  
21 instances which Ms. Gaffney says support was not  
22 available. Our response includes rebuttal to the  
23 allegations regarding the condition and maintenance  
24 of records.

25

1           The staff spent an extraordinary amount of time  
2           compiling this audit. The exceptions it compiled  
3           significant and warrant a review of the utility's  
4           response.

5

6           **Q.    You stated that the staff spent an extraordinary**  
7           **amount of time compiling its audit. How much time**  
8           **did it spend?**

9           **A.    According to its time records, over 1200 hours.**  
10           That equates to over seven months at 40 hours per  
11           week. And I would guess that additional time was  
12           spent that may not have been recorded. During all  
13           of that time, SGI staff had to be available to  
14           provide information and responses to staff  
15           inquiries, to provide information and responses to  
16           OPC personnel who were auditing at the same time,  
17           and to carry out the day to day business of the  
18           utility, as well as reasonably possible under the  
19           circumstances. I know that the staff of SGI  
20           sometimes spent nights and weekends compiling  
21           information for staff so that it could carry on  
22           normal business during the day.

23

24

1 Q. I note that Ms. Gaffney commented several times  
2 about the lack of support for plant on the  
3 utility's books. Just how much "lack of support"  
4 was there?

5 A. Not a great deal. The staff audited 100% of plant  
6 additions since 1987, the test year for the last  
7 case. SGI books show approximately \$592,000 in  
8 plant additions, including proforma plant, during  
9 that period. The Staff audit shows that some, but  
10 not all, of the documentation was lacking on about  
11 13% of plant additions, or about \$75,000. In SGI's  
12 response to the audit report, it provides support  
13 for all but \$13,000. Despite all of the allegations  
14 about SGI's poor record keeping, it has documented  
15 98% of its plant additions.

16

17 Q. What about test year expenses? Did the staff find  
18 much wrong with those?

19 A. No. SGI had \$280,000 in per book O&M expenses. The  
20 audit report proposes adjustments of \$14,000 or 5%.  
21 Most of these are for lack of adequate support or  
22 because they are non-recurring.

23

1 Q. Do you have any other specific comments that are  
2 not covered in Schedule 5 of Exhibit \_\_\_\_\_, SGI's  
3 response to the audit report?  
4 A. I think it is noteworthy that at page 7 of her  
5 prefiled testimony, Ms Gaffney says that SGI is in  
6 violation of the Limited Partnership Agreement  
7 because it does not have insurance, Ms. Dismukes at  
8 page 37 of her prefiled testimony, recommends  
9 disallowing all proforma insurance expense.  
10  
11 Q. I note that you are sponsoring SGI's response to  
12 the Staff audit. Are you the author of all of the  
13 responses?  
14 A. No. The responses were prepared by me, Mr. Brown,  
15 Ms. Drawdy and Ms. Withers. All are witnesses in  
16 this case, are co-sponsors of Schedule 5 of Exhibit  
17 \_\_\_\_\_, and are available to answer questions.  
18  
19 ABBOTT - CONTRIBUTIONS FOR HYDRANT ADDITIONS  
20 Q. Please turn now to the testimony of staff witness  
21 Abbott. At page 3 of his prefiled testimony, Mr.  
22 Abbott provides support for all of the  
23 contributions made to SGI for hydrant additions  
24 requested by the St. George Island Volunteer Fire



1 Department (SGIVFD). Do you take issue with that  
2 accounting?

3 A. No. We are in agreement with Mr. Abbott's  
4 accounting for contributions from 1988 forward. And  
5 we do not dispute the contributions paid in 1986  
6 and 1987. Based on the information obtained by SGI,  
7 staff auditors and Mr. Abbott, we recognize  
8 \$29,758.59 in contributions which should be  
9 reflected as CIAC.

10

11 Q. Do you propose any other adjustments?

12 A. Yes. These contributions, when collected, were  
13 recorded as misc. revenue and the cost of  
14 installing the hydrants was expensed. If these  
15 contributions are to be recorded as CIAC, then  
16 offsetting adjustments must be made to plant in  
17 service, otherwise rate base will be understated.  
18 I have determined that an adjustment of \$13,423.00  
19 should be made to plant to recognize hydrant  
20 additions for which contributions have been  
21 received, but for which plant was not debited. This  
22 takes into consideration the facts that (1)  
23 hydrants installed prior to 1988 are already  
24 recorded as plant via the original cost study; (2)

1 and only \$2,400 in hydrant additions are reflected  
2 on the books since 1987.

3

4 ABBOTT - FIRE FLOWS

5 Q. At page 5 of his prefiled testimony, Mr. Abbott  
6 states that 1000 gpm of fire flow, on a continuous  
7 basis, would be necessary in order to achieve  
8 adequate fire protection. Is a reasonable  
9 requirement?

10 A. No. No utility could afford the investment  
11 necessary to provide fire flows of 1000 gpm on a  
12 continuous basis, and I am not aware of any  
13 governmental agency or any ISO standard requiring  
14 such flows.

15

16 This Commission has typically recognized flows of  
17 500 gpm for two hours as adequate for single family  
18 housing. Proposals for the used and useful rules  
19 now being considered by the Commission recognize  
20 flows of 500 gpm for single family housing and 1500  
21 gpm for multifamily and commercial areas, again, to  
22 be sustained for two hours. It is also considering  
23 the need to meet flows for three hours in those  
24 special cases requiring flows of 3000 gpm or  
25 higher. I am not arguing with Mr. Abbott's opinion

1           as what he believes is necessary. I only want to  
2           point out that it is not economically feasible to  
3           provide continuous flows and that the Commission  
4           has neither required nor approved the costs  
5           associated with such a requirement.

6

7       Q.    Does that conclude your rebuttal testimony?

8       A.    Yes it does.

St. George Island Utility Company, LTD  
Alternative Cost to Transportation Allowance

The alternative to paying its employees a transportation allowance is to purchase, maintain and insure company vehicles.

This estimate is based on the minimum requirement for two trucks in the field and one administrative vehicle.

This is a CONSERVATIVE estimate. It assumes the purchase of basic vehicles. It also assumes minimal mileage requirements of 30,000 miles total for all vehicles as opposed to the 55,000 miles included in the proforma transportation allowance.

Estimated cost of basic vehicles  
-----

Truck, 4WD - Heavy Duty	18,000
Truck, 4WD - Medium Duty	11,000
Auto	12,000
	-----
Add to Plant in Service	41,000

Annual costs to SGI:  
-----

Return at 8.07%	3,309
Depr, 6 yr life	6,833
Insurance at \$1,600 per veh.	4,800
Gas, 30k miles all vehicles *	2,567
Minimum maintenance **	600
	-----
	18,109

\* Assumes: 25,000 miles per yr total for trucks  
5,000 miles per yr total for auto  
Gas at \$1.10 per gallon  
Trucks - 12 miles per gallon  
Auto - 20 miles per gallon

\*\* Assumes: 4 oil changes per yr per vehicle at \$25.00  
plus \$100.00 per yr per vehicle for misc.

-----  
Cost of Transportation Allowed in Docket No. 871177-WU  
1987 Test Year

Transp. Plant in service	10,717
Annual costs to SGI:	
-----	
Return at 6.97%	747
Depr, 6 yr life	1,786
Transp. Exp allowed	7,783
	-----
Transp. cost Allowed	10,316

St. George Island Utility Company, Ltd  
Summary of Rhema Rate Case Expense  
Applicable to Present Case  
Based on Review of Invoices

1992	Applicable Amount
-----	-----
Jun	163.40
Jul	203.30
Aug	4,510.60
Oct	310.65
Nov	4,561.43
Dec	4,463.10
1993	
-----	
Jan	190.00
	-----
Total	14,402.48
Hours @ \$95.00/Hr	151.61

Legend for Attached Invoices

- Rate case related
- ▭ Included in Rate Case Expense

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

**S T A T E M E N T**

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: \$2,000 Minimum by the 15th

June 8, 1992  
#2446

	HOURS	AMOUNT
	-----	-----
05/02/92 NFM PREPARATION OF MONTHLY ACCOUNTING OF FUNDS RECEIVED	0.42	39.90
05/05/92 NFM PREPARATION OF EVALUATION OF POSITION	17.95	1,705.25
05/11/92 NFM TEL R BRILEY	0.38	36.10
05/14/92 NFM COSIGN CHECKS	0.08	7.60
05/15/92 NFM TEL R BRILEY	0.17	16.15
05/18/92 NFM RECONCILE BANK STATEMENT	0.18	17.10
05/26/92 NFM ANALYZE NON-UTILITY CASH FLOW	1.13	107.35
NFM COSIGN CHECKS	0.08	7.60
05/27/92 NFM RET TEL R BRILEY	0.27	25.65
NFM REVIEW MAY 21, 1992 STAFF RECOMMENDATION	0.80	76.00
05/29/92 NFM MEETING WITH FPSC STAFF CONCERNING STAFF RECOMMENDATION	2.50	237.50
06/08/92 NFM RET TEL G BROWN	0.20	19.00
05/19/92 NFM PREPARATION OF REQUEST FOR TEST YEAR APPROVAL; REVIEW 367.081	0.32	30.40 ●
05/20/92 NFM TEL C BEDELL CONCERNING FILING OF APPLICATION FOR RATE INCREASE	0.08	7.60 ●
NFM PREPARATION OF REQUEST FOR TEST YEAR APPROVAL	0.63	59.85 ●
05/21/92 NFM TEL S SUMMERLIN CONCERNING FILING OF APPLICATION FOR RATE INCREASE WITH DOCKET CURRENTLY OPEN	0.15	14.25 ●
NFM TEL M WILLIS CONCERNING REQUEST FOR TEST YEAR APPROVAL	0.03	2.85 ●
	-----	-----
Total Professional Fees	25.37	\$2,410.15

ST. GEORGE ISLAND UTILITY COMPANY

June 8, 1992

AMOUNT  
-----

04/30/92-UTILITY ACCOUNTING SERVICE FOR MARCH	175.00
05/29/92-UTILITY ACCOUNTING SERVICE FOR APRIL	175.00
06/01/92-FAX COMMUNICATIONS--26 PAGES	19.50
05/08/92-PHOTOCOPIES OF EVALUATION OF POSITION	11.65

Total Service Fees and Other Costs	----- \$381.15
------------------------------------	-------------------

Total amount of this invoice	----- \$2,791.30
------------------------------	---------------------

06/08/92-Payment from account	( \$2,791.30)
-------------------------------	---------------

PLEASE PAY THIS AMOUNT	----- \$0.00 =====
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=====	
Previous balance of retainer account	\$853.75
Payments made from retainer account	( \$2,791.30)
Payments made into retainer account	\$2,000.00
New balance of retainer account	\$62.45

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: \$2,000 Minimum by the 15th

July 4, 1992  
#2460

	HOURS	AMOUNT
	-----	-----
06/08/92 NFM PREPARATION OF MONTHLY ACCOUNTING OF FUNDS RECEIVED	0.43	40.85
06/09/92 NFM REVIEW NOTES OF TELEPHONE DISCUSSIONS WITH FPSC STAFF	0.57	54.15
NFM COSIGN CHECKS	0.25	23.75
NFM TEL R BRILEY--LEFT MESSAGE	0.02	1.90
06/15/92 NFM TEL R BRILEY	0.08	7.60
NFM MEETING WITH G BROWN J DAWDRY AND A HILLS; FOLLOW-UP MEETING WITH J DAWDRY	2.75	261.25
06/16/92 NFM LETTER TO R BRILEY	0.10	9.50
06/22/92 NFM COSIGN CHECKS	0.12	11.40
06/23/92 NFM TEL R BRILEY	0.05	4.75
NFM TEL G BROWN CONCERNING SHOW CAUSE ORDER	0.03	2.85
06/25/92 NFM TEL R BRILEY; TEL FPSC ATTORNEY C BEDELL	0.12	11.40
NFM COSIGN CHECKS	0.07	6.65
06/29/92 NFM TEL R BRILEY CONCERNING MEETING WITH FPSC STAFF	0.12	11.40
NFM MEETING WITH R BRILEY, J WAHLEN AND FPSC STAFF CONCERNING COURT ACTION	1.00	95.00
NFM PREPARATION OF LETTER TO R BRILEY CONCERNING PROGRESS ON BUSINESS PLAN	0.60	57.00
07/01/92 NFM PREPARATION FOR COURT APPEARANCE	0.42	39.90
NFM TEL R BRILEY CONCERNING BUSINESS PLAN PROGRESS, MAY FINANCIAL STATEMENTS, PROPOSED MEETING ON JULY 3	0.18	17.10



July 4, 1992

	HOURS	AMOUNT
	-----	-----
07/01/92 NFM COSIGN CHECKS	0.25	23.75
07/02/92 NFM TEL J DAWDRY	0.12	11.40
07/03/92 NFM REVIEW MATERIALS FOR MEETING WITH R BRILEY	0.68	64.60
NFM MEETING WITH R BRILEY AND J WAHLEN	0.67	63.65
06/16/92 NFM ANALYZE EFFECT OF PROJECTED TEST YEAR	0.52	49.40 ●
NFM TEL M WILLIS CONCERNING NECESSARY EXPENSES NOT INCURRED IN TEST YEAR	0.13	12.35 ●
06/17/92 NFM OBTAIN MFRs FROM FPSC; SET UP RATE CASE DISKETTE AND FILES; REVIEW MFRs	1.72	163.40 ●
	-----	-----
Total Professional Fees	11.00	\$1,045.00

06/30/92-UTILITY ACCOUNTING SERVICE FOR MAY	175.00
07/04/92-FAX COMMUNICATIONS--21 PAGES	15.75
	-----
Total Service Fees and Other Costs	\$190.75

Total amount of this invoice \$1,235.75

07/04/92-Payment from account ( \$1,235.75)

PLEASE PAY THIS AMOUNT \$0.00

=====

=====	
Previous balance of retainer account	\$62.45
Payments made from retainer account	( \$1,235.75)
Payments made into retainer account	\$4,000.00
New balance of retainer account	\$2,826.70

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: \$2,000 Minimum by the 15th

August 1, 1992  
#2479

	HOURS	AMOUNT
	-----	-----
07/06/92 NFM TEL G BROWN; TEL ANNIE	0.15	14.25
07/07/92 NFM COSIGN CHECKS	0.12	11.40
NFM TEL J DRAWDY	0.05	4.75
07/09/92 NFM COSIGN CHECKS	0.28	26.60
07/10/92 NFM COSIGN CHECKS	0.25	23.75
07/17/92 NFM COSIGN CHECKS; CONFER WITH ANNIE CONCERNING UTILITY	0.53	50.35
07/20/92 NFM COSIGN CHECKS; DISCUSS CUSTOMER COMPLAINTS AND TARIFF COMPLIANCE WITH ANNIE	0.45	42.75
07/30/92 NFM COSIGN CHECKS; CONSULTATION WITH ANNIE REGARDING FEDERAL AND STATE UNEMPLOYMENT TAX DEPOSITS AND CALCULATION OF REG ASSESS FEE DEPOS	0.33	31.35
07/07/92 NFM TEL WAYNE COLONEY TO COORDINATE PREPARATION OF RATE CASE	0.12	11.40 ●
07/08/92 NFM MEETING WITH W COLONEY TO DISCUSS PREPARATION OF MFRs	1.07	101.65 ●
07/09/92 NFM LOCATE AND FAX COPY OF CHAPTER 367.111 GOVERNING PROVISION OF SERVICE	0.28	26.60 ●
NFM PREPARATION OF REQUEST TO AMEND APPROVED TEST YEAR	0.22	20.90 ●
07/10/92 NFM PREPARATION OF MINIMUM FILING REQUIREMENTS--WORK PERFORMED THROUGH JULY 31	0.95	90.25 ●
	-----	-----
Total Professional Fees	4.80	\$456.00

ST. GEORGE ISLAND UTILITY COMPANY

Page 2

August 1, 1992

AMOUNT  
-----

07/31/92-UTILITY ACCOUNTING SERVICE FOR JUNE  
08/01/92-FAX COMMUNICATIONS--3 PAGES

175.00  
2.25  
-----

Total Service Fees and Other Costs

\$177.25

Total amount of this invoice

-----  
\$633.25

08/01/92-Payment from account

( \$633.25)  
-----

PLEASE PAY THIS AMOUNT

\$0.00  
=====

=====

Previous balance of retainer account	\$2,826.70
Payments made from retainer account	( \$633.25)
New balance of retainer account	\$2,193.45

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: \$2,000 Minimum by the 15th

September 2, 1992  
#2493

	HOURS	AMOUNT
	-----	-----
08/01/92 NFM PREPARATION OF ACCOUNTING FOR PAYMENTS RECEIVED	0.68	64.60
08/03/92 NFM PREPARATION OF MINIMUM FILING REQUIREMENTS--WORK PERFORMED THROUGH AUGUST 31	47.48	<u>4,510.60</u>
08/07/92 NFM TEL R BRILEY TO DISCUSS PROGRESS ON RATE CASE	0.08	7.60
08/17/92 NFM COSIGN CHECKS	0.05	4.75
08/23/92 NFM COSIGN CHECKS	0.13	12.35
08/24/92 NFM TEL G BROWN CONCERNING COURT PROCEEDING ON 8/25; TEL F JOHNSON CONCERNING SAME	0.15	14.25
NFM PREPARATION FOR COURT PROCEEDING	1.57	149.15
08/25/92 NFM MEETING WITH ATTY F JOHNSON; ATTENDENCE OF COURT HEARING	2.00	190.00
08/28/92 NFM TEL G BROWN--LEFT MESSAGE	0.02	1.90
NFM TEL R BRILEY	0.02	1.90
09/01/92 NFM TRAVEL TIME TO APALACHICOLA AND RETURN	3.50	332.50
NFM MEETING WITH APALACHICOLA STATE BANK BOARD OF DIRECTORS	0.75	71.25
	-----	-----
Total Professional Fees	56.43	\$5,360.85

ST. GEORGE ISLAND UTILITY COMPANY

Page 2

September 2, 1992

AMOUNT  
-----

08/31/92-UTILITY ACCOUNTING SERVICE FOR JULY  
09/01/92-FAX COMMUNICATIONS--7 PAGES

175.00  
5.25  
-----

Total Service Fees and Other Costs

\$180.25

Total amount of this invoice

-----  
\$5,541.10

09/02/92-Payment from account

( \$4,193.45)  
-----

PLEASE PAY THIS AMOUNT

\$1,347.65  
=====

=====  
Previous balance of retainer account  
Payments made from retainer account  
Payments made into retainer account  
New balance of retainer account

\$2,193.45  
( \$4,193.45)  
\$2,000.00  
\$0.00

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: \$2,000 Minimum by the 15th

October 1, 1992  
#2507

	HOURS	AMOUNT
	-----	-----
09/02/92 NFM COSIGN CHECKS	0.05	4.75
NFM PREPARATION OF ACCOUNTING FOR PAYMENTS RECEIVED	0.68	64.60
09/04/92 NFM COSIGN CHECKS	0.20	19.00
09/10/92 NFM TEL C JOHNS WITH PEAT MARWICK--LEFT MESSAGE	0.02	1.90
09/14/92 NFM TEL R BRILEY	0.08	7.60
NFM TEL G BROWN	0.13	12.35
09/17/92 NFM TEL G BROWN CONCERNING EXTENSION AND PREHEARING CONFERENCE	0.13	12.35
NFM PREPARATION OF EXTENSION LETTER	0.32	30.40 ●
NFM TEL M WILLIS CONCERNING EXTENSION	0.07	6.65 ●
NFM COSIGN CHECKS	0.12	11.40
09/21/92 NFM COSIGN CHECKS	0.05	4.75
09/24/92 NFM ATTEND PREHEARING CONFERENCE	0.25	23.75
10/01/92 NFM COSIGN CHECKS	0.08	7.60
	-----	-----
Total Professional Fees	2.18	\$207.10
10/01/92-FAX COMMUNICATIONS--8 PAGES		6.00
		-----
Total Service Fees and Other Costs		\$6.00
Total amount of this invoice		\$213.10
Balance from Previous Invoice		\$1,347.65
09/14/92-Payment - thank you	(	\$1,347.65)
10/01/92-Payment from account	(	\$213.10)

ST. GEORGE ISLAND UTILITY COMPANY

Page 2

October 1, 1992

AMOUNT

Total Payments Received . ( \$1,560.75)

PLEASE PAY THIS AMOUNT \$0.00

=====  
Previous balance of retainer account \$0.00  
Payments made from retainer account ( \$213.10)  
Payments made into retainer account \$652.35  
New balance of retainer account \$439.25

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: \$2,000 Minimum by the 15th

November 2, 1992

Invoice #2522

	<u>Hours</u>	<u>Amount</u>
10/01/92 NFM PREPARATION OF ACCOUNTING FOR PAYMENTS RECEIVED	0.53	50.35
10/05/92 NFM COSIGN CHECKS	0.02	1.90
10/07/92 NFM COSIGN CHECKS	0.17	16.15
10/09/92 NFM COSIGN CHECKS	0.10	9.50
10/13/92 NFM COSIGN CHECKS	0.34	32.30
10/15/92 NFM TEL JEANNIE CONCERNING BANK PAYMENT; TEL SANDY; TEL R BRILEY; COSIGN CHECKS	0.65	61.75
10/21/92 NFM COSIGN CHECKS	0.07	6.65
NFM PREPARATION OF MINIMUM FILING REQUIREMENTS	3.27	<u>310.65</u> ●
10/23/92 NFM COSIGN CHECKS	0.25	23.75
10/28/92 NFM COSIGN CHECKS	0.08	7.60
	-----	-----
Total Professional Fees	5.48	\$520.60
10/01/92-UTILITY ACCOUNTING SERVICE FOR AUGUST		175.00
10/29/92-UTILITY ACCOUNTING SERVICE FOR SEPTEMBER		175.00
10/30/92-FAX COMMUNICATIONS--3 PAGES		2.25
-PHOTOCOPIES OF GENERAL LEDGER		12.60
		-----
Total Service Fees and Other Costs		\$364.85
		-----
Total amount of this invoice		\$885.45



ST. GEORGE ISLAND UTILITY COMPANY

Page 2

Amount

11/02/92-Payment from account

(\$885.45)

---

PLEASE PAY THIS AMOUNT

\$0.00

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Previous balance of retainer account  
10/21/92-Payment to account  
11/02/92-Payment from account

\$439.25  
\$2,000.00  
(\$885.45)

---

New balance of retainer account

\$1,553.80

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
Post Office Box 1109  
Tallahassee, Florida 32302

-----  
TERMS: DUE AND PAYABLE ON THE 15th

December 2, 1992

Invoice #2537

	<u>Hours</u>	<u>Amount</u>
11/02/92 NFM PREPARATION OF ACCOUNTING FOR FUNDS RECEIVED	0.55	52.25
11/03/92 NFM PREPARATION OF MINIMUM FILING REQUIREMENTS, DIRECT TESTIMONY, TARIFF AND SERVICE AVAILABILITY POLICY, PETITION DRAFT; COORDINATE WITH W COLONEY BASKERVILLE-DONOVAN	96.03	<span style="border: 1px solid black; padding: 2px;">9,122.85 ●</span>
NFM COSIGN CHECKS	0.20	19.00
11/04/92 NFM COSIGN CHECKS	0.03	2.85
11/18/92 NFM TEL R BRILEY--LEFT MESSAGE	0.07	6.65
	<hr/>	<hr/>
Total Professional Fees	96.88	\$9,203.60
11/30/92-UTILITY ACCOUNTING SERVICE FOR OCTOBER		175.00
12/01/92-FAX COMMUNICTIIONS--26 PAGES		19.50
		<hr/>
Total Service Fees and Other Costs		\$194.50
		<hr/>
Total amount of this invoice		\$9,398.10
12/02/92-Payment from account		(\$3,553.80)
		<hr/>
PLEASE PAY THIS AMOUNT		\$5,844.30
		<hr/>

ST. GEORGE ISLAND UTILITY COMPANY

Amount

Previous balance of retainer account .	\$1,553.80
11/18/92-Payment to account	\$1,000.00
12/02/92-Payment to account	\$1,000.00
12/02/92-Payment from account	(\$3,553.80)
	<hr/>
New balance of retainer account	\$0.00

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
Post Office Box 1109  
Tallahassee, Florida 32302

-----  
TERMS: IMMEDIATELY DUE AND PAYABLE

December 18, 1992

Invoice #2540

	<u>Hours</u>	<u>Amount</u>
12/02/92 NM PREPARATION OF ACCOUNTING FOR FUNDS RECEIVED	0.57	54.15
12/03/92 NM PREPARATION OF MINIMUM FILING REQUIRMENTS	46.98	<b>4,463.10 ●</b>
12/10/92 NM TEL R BRILEY--LEFT MESSAGE	0.03	2.85
NM COSIGN CHECKS	0.13	12.35
12/18/92 NM PREPARATION OF ACCOUNTING FOR FUNDS RECEIVED	0.38	36.10
	-----	-----
Total Professional Fees	48.09	\$4,568.55
12/18/92-FAX COMMUNICATIONS--22 PAGES		16.50
		-----
Total Service Fees and Other Costs		\$16.50
		-----
Total amount of this invoice		\$4,585.05
Balance from Previous Invoice		\$5,844.30
12/11/92-Payment - thank you		(\$2,000.00)
		-----
PLEASE PAY THIS AMOUNT		\$8,429.35
		-----

**Rhema Business Services, Inc.**

P.O. Box 13705

Tallahassee, FL 32317

(904) 222-1192

**S T A T E M E N T**

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn court  
Tallahassee, Florida 32308

-----  
TERMS: IMMEDIATELY DUE AND PAYABLE

February 1, 1993

Invoice #2563

	<u>Hours</u>	<u>Amount</u>
01/11/93 NM TEL G BROWN CONCERNING COMPARISON OF CIAC RECEIPTS AND EXPENDATURES FOR IMPROVEMENTS SINCE LAST RATE CASE	0.18	17.10
01/12/93 NM COSIGN CHECKS	0.07	6.65
01/20/93 NM MEETING WITH G BROWN AND F SEIDMAN	2.00	<u>190.00 ●</u>
Total Professional Fees	2.25	\$213.75
02/01/93-FAX COMMUNICATIONS--3 PAGES		2.25
-UTILITY ACCOUNTING SERVICE FOR DECEMBER		175.00
-PHOTOCOPIES OF DECEMBER ACCOUNTING		<u>14.00</u>
Total Service Fees and Other Costs		\$191.25
Total amount of this invoice		\$405.00
02/01/93-Payment from account		(\$405.00)
PLEASE PAY THIS AMOUNT		<u>\$0.00</u>
Previous balance of retainer account		<u>\$3,643.05</u>

ST. GEORGE ISLAND UTILITY COMPANY

Page 2

Amount

01/15/93-Withdrawal from account  
02/01/93-Payment from account

(\$2,944.30)  
(\$405.00)

---

New balance of retainer account

\$293.75

ST. GEORGE ISLAND UTILITY  
DEFERRED RATE CASE EXPENSE  
FOR THE PERIOD ENDING 5/31/94

SUMMARY OF EXPENSES

ACCURATE STENOTYPE	431.15
APGAR, PELHAM & PHEIFER	10000.00
BASKERVILLE	2118.43
WAYNE COLONEY	3000.00
SANDY CHASE	1745.00
JEANIE DRAWDY	5945.00
FEDERAL EXPRESS	83.00
ANN HILLS	1154.00
KINKO'S	2362.97
MANAGEMENT & REGULATORY	30793.63
PSC	2900.00
RHEMA	23615.10
RHEMA - NOT RATE CASE RELATED	-4822.47
BARBARA WITHERS	3250.00
TMB ASSOCIATES	1000.00
TOTAL	83575.81

DETAIL OF SUMMARY

DATE	DESCRIPTION	AMOUNT
09/92	DRAWDY	2675.00
09/92	RHEMA	5138.55
12/92	RHEMA	9329.35
12/92	COLONEY	3000.00
01-93	MGMT. & REG.	2980.00
07/93	MGMT. & REG.	5346.52
07/93	MGMT. & REG.	4113.93
08/93	KINKO'S	850.72
08/93	PSC RATE FILING	900.00
10/93	HILLS	350.00
10/93	CHASE	700.00
10/93	HILLS	350.00
12/93	FEDERAL EXPRESS	26.00
12/93	MGMT. & REG.	9215.70
12/93	RHEMA	1144.00
12/93	BASKERVILLE	2012.50
01/94	FEDERAL EXPRESS	13.00
01/94	PSC	2000.00
01/94	KINKO'S	1512.25
01/94	BASKERVILLE	105.93
03/94	FEDERAL EXPRESS	24.00
04/94	WITHERS	3250.00
04/94	DRAWDY	1380.00
04/94	PHEIFER	10000.00
04/94	HILLS	100.00
04/94	CHASE	1045.00
04/94	HILLS	354.00
04/94	FEDERAL EXPRESS	20.00
04/94	DRAWDY	1350.00
04/94	ACCURATE STENOTYPE	431.15
05/94	CHASE	540.00
05/94	MGMT. & REG.	7421.54
05/94	TMS ASSOC.	1000.00
05/94	RHEMA	3423.25
05/94	RHEMA	4389.95
05/94	MGMT. & REG.	1715.94
05/94	RHEMA	190.00
05/94	RHEMA - NOT RATE CASE RELATED	-4822.47
	TOTAL	83575.81



ST. GEORGE ISLAND UTILITY COMPANY, LTD.

Classification of Billing Activity

For the Period January 3, 1992 to October 1, 1992

<u>Date</u>	<u>Invoice</u>	<u>Total</u>	<u>Business Plan</u>	<u>Valuation</u>	<u>Annual Report</u>	<u>Evaluation of Position</u>	<u>Accounting</u>	<u>Rate Case</u>	<u>Certificate Revocation</u>	<u>Other Consultation</u>	<u>Costs</u>
02/03/92	2383	\$2,427.50	\$803.70	\$1,576.05						\$38.00	\$9.75
03/03/92	2405	7.60	0.00	7.60						0.00	0.00
04/01/92	2410	1,155.65	180.50	598.50						360.05	16.60
05/02/92	2425	3,555.50			2,481.40	601.35	200.00			214.70	58.05
06/08/92	2446	2,791.30				1,705.25	350.00	114.95	332.50	257.45	31.15
07/04/92	2460	1,235.75					175.00	225.15	303.05	516.80	15.75
08/01/92	2479	633.25					175.00	250.80		205.20	2.25
09/02/92	2493	5,541.10					175.00	4,510.60	353.40	496.85	5.25
10/01/92	2507	213.10						37.05		170.05	6.00
Total		<u>17,560.75</u>	<u>984.20</u>	<u>2,182.15</u>	<u>2,481.40</u>	<u>2,306.60</u>	<u>1,075.00</u>	<u>5,138.55</u>	<u>988.95</u>	<u>2,259.10</u>	<u>144.80</u>

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: \$2,000 Minimum by the 15th

June 8, 1992  
2446

	HOURS	AMOUNT
	-----	-----
5/02/92 NFM PREPARATION OF MONTHLY ACCOUNTING OF FUNDS RECEIVED	0.42	39.90
5/05/92 NFM PREPARATION OF EVALUATION OF POSITION	17.95	1,705.25
5/11/92 NFM TEL R BRILEY	0.38	36.10
5/14/92 NFM COSIGN CHECKS	0.08	7.60
5/15/92 NFM TEL R BRILEY	0.17	16.15
5/18/92 NFM RECONCILE BANK STATEMENT	0.18	17.10
5/26/92 NFM ANALYZE NON-UTILITY CASH FLOW	1.13	107.35
NFM COSIGN CHECKS	0.08	7.60
5/27/92 NFM RET TEL R BRILEY	0.27	25.65
NFM REVIEW MAY 21, 1992 STAFF RECOMMENDATION	0.80	76.00
5/29/92 NFM MEETING WITH FPSC STAFF CONCERNING STAFF RECOMMENDATION	2.50	237.50
5/08/92 NFM RET TEL G BROWN	0.20	19.00
5/19/92 NFM PREPARATION OF REQUEST FOR TEST YEAR APPROVAL; REVIEW 367.081	0.32	30.40
5/20/92 NFM TEL C BEDELL CONCERNING FILING OF APPLICATION FOR RATE INCREASE	0.08	7.60
NFM PREPARATION OF REQUEST FOR TEST YEAR APPROVAL	0.63	59.85
5/21/92 NFM TEL S SUMMERLIN CONCERNING FILING OF APPLICATION FOR RATE INCREASE WITH DOCKET CURRENTLY OPEN	0.15	14.25
NFM TEL M WILLIS CONCERNING REQUEST FOR TEST YEAR APPROVAL	0.03	2.85
	-----	-----
Total Professional Fees	25.37	\$2,410.15

ST. GEORGE ISLAND UTILITY COMPANY

Page 2

June 8, 1992

AMOUNT  
-----

04/30/92-UTILITY ACCOUNTING SERVICE FOR MARCH	175.00
05/29/92-UTILITY ACCOUNTING SERVICE FOR APRIL	175.00
06/01/92-FAX COMMUNICATIONS--26 PAGES	19.50
05/08/92-PHOTOCOPIES OF EVALUATION OF POSITION	11.65

Total Service Fees and Other Costs	----- \$381.15
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Total amount of this invoice	----- \$2,791.30
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06/08/92-Payment from account	( \$2,791.30)
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PLEASE PAY THIS AMOUNT	----- \$0.00 =====
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=====	
Previous balance of retainer account	\$853.75
Payments made from retainer account	( \$2,791.30)
Payments made into retainer account	\$2,000.00
New balance of retainer account	\$62.45

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: \$2,000 Minimum by the 15th

July 4, 1992  
#2460

	HOURS	AMOUNT
	-----	-----
06/08/92 NFM PREPARATION OF MONTHLY ACCOUNTING OF FUNDS RECEIVED	0.43	40.85
06/09/92 NFM REVIEW NOTES OF TELEPHONE DISCUSSIONS WITH FPSC STAFF	0.57	54.15
NFM COSIGN CHECKS	0.25	23.75
NFM TEL R BRILEY--LEFT MESSAGE	0.02	1.90
6/15/92 NFM TEL R BRILEY	0.08	7.60
NFM MEETING WITH G BROWN J DAWDRY AND A HILLS; FOLLOW-UP MEETING WITH J DAWDRY	2.75	261.25
6/16/92 NFM LETTER TO R BRILEY	0.10	9.50
6/22/92 NFM COSIGN CHECKS	0.12	11.40
6/23/92 NFM TEL R BRILEY	0.05	4.75
NFM TEL G BROWN CONCERNING SHOW CAUSE ORDER	0.03	2.85
6/25/92 NFM TEL R BRILEY; TEL FPSC ATTORNEY C BEDELL	0.12	11.40
NFM COSIGN CHECKS	0.07	6.65
6/29/92 NFM TEL R BRILEY CONCERNING MEETING WITH FPSC STAFF	0.12	11.40
NFM MEETING WITH R BRILEY, J WAHLEN AND FPSC STAFF CONCERNING COURT ACTION	1.00	95.00
NFM PREPARATION OF LETTER TO R BRILEY CONCERNING PROGRESS ON BUSINESS PLAN	0.60	57.00
7/01/92 NFM PREPARATION FOR COURT APPEARANCE	0.42	39.90
NFM TEL R BRILEY CONCERNING BUSINESS PLAN PROGRESS, MAY FINANCIAL STATEMENTS, PROPOSED MEETING ON JULY 3	0.18	17.10

## ST. GEORGE ISLAND UTILITY COMPANY

Page 2

July 4, 1992

	HOURS	AMOUNT
	-----	-----
07/01/92 NFM COSIGN CHECKS	0.25	23.75
07/02/92 NFM TEL J DAWDRY	0.12	11.40
07/03/92 NFM REVIEW MATERIALS FOR MEETING WITH R BRILEY	0.68	64.60
NFM MEETING WITH R BRILEY AND J WAHLEN	0.67	63.65
06/16/92 NFM ANALYZE EFFECT OF PROJECTED TEST YEAR	0.52	49.40
NFM TEL M WILLIS CONCERNING NECESSARY EXPENSES NOT INCURRED IN TEST YEAR	0.13	12.35
06/17/92 NFM OBTAIN MFRs FROM FPSC; SET UP RATE CASE DISKETTE AND FILES; REVIEW MFRs	1.72	163.40
	-----	-----
Total Professional Fees	11.00	\$1,045.00

06/30/92-UTILITY ACCOUNTING SERVICE FOR MAY	175.00
07/04/92-FAX COMMUNICATIONS--21 PAGES	15.75
	-----
Total Service Fees and Other Costs	\$190.75

Total amount of this invoice	-----	\$1,235.75
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07/04/92-Payment from account	(	\$1,235.75)
	-----	

PLEASE PAY THIS AMOUNT		\$0.00
	=====	

=====		
Previous balance of retainer account		\$62.45
Payments made from retainer account	(	\$1,235.75)
Payments made into retainer account		\$4,000.00
New balance of retainer account		\$2,826.70

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: \$2,000 Minimum by the 15th

August 1, 1992  
#2479

	HOURS	AMOUNT
	-----	-----
07/06/92 NFM TEL G BROWN; TEL ANNIE	0.15	14.25
07/07/92 NFM COSIGN CHECKS	0.12	11.40
NFM TEL J DRAWDY	0.05	4.75
07/09/92 NFM COSIGN CHECKS	0.28	26.60
07/10/92 NFM COSIGN CHECKS	0.25	23.75
07/17/92 NFM COSIGN CHECKS; CONFER WITH ANNIE CONCERNING UTILITY	0.53	50.35
07/20/92 NFM COSIGN CHECKS; DISCUSS CUSTOMER COMPLAINTS AND TARIFF COMPLIANCE WITH ANNIE	0.45	42.75
07/30/92 NFM COSIGN CHECKS; CONSULTATION WITH ANNIE REGARDING FEDERAL AND STATE UNEMPLOYMENT TAX DEPOSITS AND CALCULATION OF REG ASSESS FEE DEPOS	0.33	31.35
07/07/92 NFM TEL WAYNE COLONEY TO COORDINATE PREPARATION OF RATE CASE	0.12	11.40
07/08/92 NFM MEETING WITH W COLONEY TO DISCUSS PREPARATION OF MFRs	1.07	101.65
07/09/92 NFM LOCATE AND FAX COPY OF CHAPTER 367.111 GOVERNING PROVISION OF SERVICE	0.28	26.60
NFM PREPARATION OF REQUEST TO AMEND APPROVED TEST YEAR	0.22	20.90
07/10/92 NFM PREPARATION OF MINIMUM FILING REQUIREMENTS--WORK PERFORMED THROUGH JULY 31	0.95	90.25
	-----	-----
Total Professional Fees	4.80	\$456.00

ST. GEORGE ISLAND UTILITY COMPANY

Page 2

August 1, 1992

AMOUNT  
-----

07/31/92-UTILITY ACCOUNTING SERVICE FOR JUNE	175.00
08/01/92-FAX COMMUNICATIONS--3 PAGES	2.25
	-----
Total Service Fees and Other Costs	\$177.25
	-----
Total amount of this invoice	\$633.25
08/01/92-Payment from account	( \$633.25)
	-----
PLEASE PAY THIS AMOUNT	\$0.00
	=====

=====	
Previous balance of retainer account	\$2,826.70
Payments made from retainer account	( \$633.25)
New balance of retainer account	\$2,193.45

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: \$2,000 Minimum by the 15th

September 2, 1992  
#2493

	HOURS	AMOUNT
	-----	-----
08/01/92 NFM PREPARATION OF ACCOUNTING FOR PAYMENTS RECEIVED	0.68	64.60
08/03/92 NFM PREPARATION OF MINIMUM FILING REQUIRMENTS--WORK PERFORMED THROUGH AUGUST 31	47.48	4,510.60
08/07/92 NFM TEL R BRILEY TO DISCUSS PROGRESS ON RATE CASE	0.08	7.60
08/17/92 NFM COSIGN CHECKS	0.05	4.75
08/23/92 NFM COSIGN CHECKS	0.13	12.35
08/24/92 NFM TEL G BROWN CONCERNING COURT PROCEEDING ON 8/25; TEL F JOHNSON CONCERNING SAME	0.15	14.25
NFM PREPARATION FOR COURT PROCEEDING	1.57	149.15
08/25/92 NFM MEETING WITH ATTY F JOHNSON; ATTENDENCE OF COURT HEARING	2.00	190.00
08/28/92 NFM TEL G BROWN--LEFT MESSAGE	0.02	1.90
NFM TEL R BRILEY	0.02	1.90
09/01/92 NFM TRAVEL TIME TO APALACHICOLA AND RETURN	3.50	332.50
NFM MEETING WITH APALACHICOLA STATE BANK BOARD OF DIRECTORS	0.75	71.25
	-----	-----
Total Professional Fees	56.43	\$5,360.85



ST. GEORGE ISLAND UTILITY COMPANY

Page 2

September 2, 1992

AMOUNT  
-----

08/31/92-UTILITY ACCOUNTING SERVICE FOR JULY

175.00

09/01/92-FAX COMMUNICATIONS--7 PAGES

5.25

Total Service Fees and Other Costs

-----  
\$180.25

Total amount of this invoice

-----  
\$5,541.10

09/02/92-Payment from account

( \$4,193.45)

PLEASE PAY THIS AMOUNT

-----  
\$1,347.65  
=====

=====

Previous balance of retainer account

\$2,193.45

Payments made from retainer account

( \$4,193.45)

Payments made into retainer account

\$2,000.00

New balance of retainer account

\$0.00

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308  
-----

TERMS: \$2,000 Minimum by the 15th

October 1, 1992

#2507

	HOURS	AMOUNT
	-----	-----
09/02/92 NFM COSIGN CHECKS	0.05	4.75
NFM PREPARATION OF ACCOUNTING FOR PAYMENTS RECEIVED	0.68	64.60
09/04/92 NFM COSIGN CHECKS	0.20	19.00
09/10/92 NFM TEL C JOHNS WITH PEAT MARWICK--LEFT MESSAGE	0.02	1.90
09/14/92 NFM TEL R BRILEY	0.08	7.60
NFM TEL G BROWN	0.13	12.35
09/17/92 NFM TEL G BROWN CONCERNING EXTENSION AND PREHEARING CONFERENCE	0.13	12.35
NFM PREPARATION OF EXTENSION LETTER	0.32	30.40
NFM TEL M WILLIS CONCERNING EXTENSION	0.07	6.65
NFM COSIGN CHECKS	0.12	11.40
09/21/92 NFM COSIGN CHECKS	0.05	4.75
09/24/92 NFM ATTEND PREHEARING CONFERENCE	0.25	23.75
10/01/92 NFM COSIGN CHECKS	0.08	7.60
	-----	-----
Total Professional Fees	2.18	\$207.10
10/01/92-FAX COMMUNICATIONS--8 PAGES		6.00
		-----
Total Service Fees and Other Costs		\$6.00
		-----
Total amount of this invoice		\$213.10
Balance from Previous Invoice		\$1,347.65
09/14/92-Payment - thank you	(	\$1,347.65)
10/01/92-Payment from account	(	\$213.10)

ST. GEORGE ISLAND UTILITY COMPANY

Page 2

October 1, 1992

AMOUNT

Total Payments Received

( \$1,560.75)

PLEASE PAY THIS AMOUNT

\$0.00

=====  
Previous balance of retainer account

\$0.00

Payments made from retainer account

( \$213.10)

Payments made into retainer account

\$652.35

New balance of retainer account

\$439.25

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

**ST. GEORGE ISLAND UTILITY COMPANY, LTD.**

Classification of Billing Activity

For the Period January 3, 1992 to December 18, 1992

<u>Date</u>	<u>Invoice</u>	<u>Total</u>	<u>Business Plan</u>	<u>Valuation</u>	<u>Annual Report</u>	<u>Evaluation of Position</u>	<u>Accounting</u>	<u>Rate Case</u>	<u>Certificate Revocation</u>	<u>Other Consultation</u>
02/03/92	2383	\$2,427.50	\$803.70	\$1,576.05						\$38.00
03/05/92	2405	7.60	0.00	7.60						0.00
04/01/92	2410	1,155.65	180.50	598.50						\$60.05
05/02/92	2425	3,555.50			2,481.40	601.55	200.00			214.70
06/08/92	2446	2,791.30				1,705.25	350.00	114.95	332.50	257.45
07/04/92	2460	1,235.75					175.00	225.15	303.05	516.80
08/01/92	2479	633.25					175.00	250.80		205.20
09/02/92	2493	5,541.10					175.00	4,510.60	353.40	496.85
10/01/92	2507	213.10						37.05		170.05
11/02/92	2522	885.45					350.00	310.65		209.95
12/02/92	2537	9,398.10					175.00	9,122.85		80.75
12/18/92	2540	4,585.05						4,463.10		105.4
<b>Total</b>		<u>32,429.35</u>	<u>984.20</u>	<u>2,182.15</u>	<u>2,481.40</u>	<u>2,306.60</u>	<u>1,600.00</u>	<u>19,035.15</u>	<u>988.95</u>	<u>2,655.2</u>

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: \$2,000 Minimum by the 15th

November 2, 1992

Invoice #2522

	<u>Hours</u>	<u>Amount</u>
10/01/92 NFM PREPARATION OF ACCOUNTING FOR PAYMENTS RECEIVED	0.53	50.35
10/05/92 NFM COSIGN CHECKS	0.02	1.90
10/07/92 NFM COSIGN CHECKS	0.17	16.15
10/09/92 NFM COSIGN CHECKS	0.10	9.50
10/13/92 NFM COSIGN CHECKS	0.34	32.30
10/15/92 NFM TEL JEANNIE CONCERNING BANK PAYMENT; TEL SANDY; TEL R BRILEY; COSIGN CHECKS	0.65	61.75
10/21/92 NFM COSIGN CHECKS	0.07	6.65
NFM PREPARATION OF MINIMUM FILING REQUIREMENTS	3.27	310.65
10/23/92 NFM COSIGN CHECKS	0.25	23.75
10/28/92 NFM COSIGN CHECKS	0.08	7.60
	-----	-----
Total Professional Fees	5.48	\$520.60
10/01/92-UTILITY ACCOUNTING SERVICE FOR AUGUST		175.00
10/29/92-UTILITY ACCOUNTING SERVICE FOR SEPTEMBER		175.00
10/30/92-FAX COMMUNICATIONS--3 PAGES		2.25
-PHOTOCOPIES OF GENERAL LEDGER		12.60
		-----
Total Service Fees and Other Costs		\$364.85
		-----
Total amount of this invoice		\$885.45

ST. GEORGE ISLAND UTILITY COMPANY

Page 2

Amount

11/02/92-Payment from account

(\$885.45)

PLEASE PAY THIS AMOUNT

\$0.00

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Previous balance of retainer account	\$439.25
10/21/92-Payment to account	\$2,000.00
11/02/92-Payment from account	(\$885.45)

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New balance of retainer account \$1,553.80

**Rhema Business Services, Inc.**  
 P.O. Box 13705  
 Tallahassee, Florida

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
 Post Office Box 1109  
 Tallahassee, Florida 32302

-----  
 TERMS: IMMEDIATELY DUE AND PAYABLE

December 18, 1992

Invoice #2540

	<u>Hours</u>	<u>Amount</u>
12/02/92 NM PREPARATION OF ACCOUNTING FOR FUNDS RECEIVED	0.57	54.15
12/03/92 NM PREPARATION OF MINIMUM FILING REQUIRMENTS	46.98	4,463.10
12/10/92 NM TEL R BRILEY--LEFT MESSAGE	0.03	2.85
NM COSIGN CHECKS	0.13	12.35
12/18/92 NM PREPARATION OF ACCOUNTING FOR FUNDS RECEIVED	0.33	36.10
	-----	-----
Total Professional Fees	48.03	\$4,568.55
12/18/92-FAX COMMUNICATIONS--22 PAGES		16.50
		-----
Total Service Fees and Other Costs		\$16.50
		-----
Total amount of this invoice		\$4,585.05
Balance from Previous Invoice		\$5,844.30
12/11/92-Payment - thank you		(\$2,000.00)
		-----
PLEASE PAY THIS AMOUNT		\$8,429.35
		-----

ST. GEORGE ISLAND UTILITY COMPANY

	<u>Amount</u>
Previous balance of retainer account	\$1,553.80
11/18/92-Payment to account	\$1,000.00
12/02/92-Payment to account	\$1,000.00
12/02/92-Payment from account	(\$3,553.80)
	<hr/>
new balance of retainer account	\$0.00



**Rhema Business Services, Inc.**

P.O. Box 13705

Tallahassee, FL 32317

(904) 222-1192

**S T A T E M E N T**

ST. GEORGE ISLAND UTILITY COMPANY  
 Post Office Box 1109  
 Tallahassee, Florida 32302

-----  
 TERMS: DUE AND PAYABLE ON THE 15th

December 2, 1992

Invoice #2537

	<u>Hours</u>	<u>Amount</u>
11/02/92 NFM PREPARATION OF ACCOUNTING FOR FUNDS RECEIVED	0.55	52.25
11/03/92 NFM PREPARATION OF MINIMUM FILING REQUIREMENTS, DIRECT TESTIMONY, TARIFF AND SERVICE AVAILABILITY POLICY, PETITION DRAFT; COORDINATE WITH W COLONEY BASKERVILLE-DONOVAN	96.03	9,122.85
NFM COSIGN CHECKS	0.20	19.00
11/04/92 NFM COSIGN CHECKS	0.03	2.85
11/18/92 NFM TEL R BRILEY--LEFT MESSAGE	0.07	6.65
	<hr/>	<hr/>
Total Professional Fees	96.88	\$9,203.60
11/30/92-UTILITY ACCOUNTING SERVICE FOR OCTOBER		175.00
12/01/92-FAX COMMUNICATIONS--26 PAGES		19.50
		<hr/>
Total Service Fees and Other Costs		\$194.50
		<hr/>
Total amount of this invoice		\$9,398.10
12/02/92-Payment from account		(\$3,553.80)
		<hr/>
PLEASE PAY THIS AMOUNT		\$5,844.30
		<hr/>

**The Coloney Company Consulting Engineers, Inc.**

P.O. BOX 668 / 1014 N. ADAMS STREET

TALLAHASSEE, FLORIDA 32302

904-222-8193 FAX 904-222-9824

Mr. Gene D. Brown, Esquire  
3848 Killearn Court  
Tallahassee, Florida 32308

06 January, 1993

CCCE Project Number 8822

Reference: Prefiled Testimony of  
Wayne H. Coloney, P.E., P.L.S.  
in Connection with P.S.C. Docket  
No. 920540 - WV. Application for  
Rate Increase

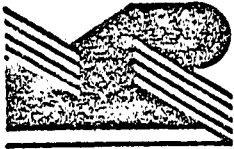
Professional Services Rendered

CCCE Tax ID Number: 59-1862453

INVOICE

FOR PROFESSIONAL SERVICES RENDERED

\$3,000.00



11380 Prosperity Farms Rd., Suite 211  
Palm Beach Gardens, FL 33410  
(407) 694-0220

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**Management & Regulatory Consultants, Inc.**

ST. GEORGE UTILITY  
MR. GENE D. BROWN  
3848 KILLEARN COURT  
TALLAHASSEE FL 32308

03/10/93  
20028.00

CONSULTING

HOURS

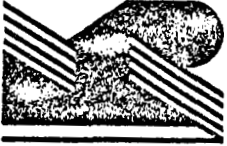
01/18/93	FS	CONSULTING - MEET WITH BROWN, ET AL; REVIEW BROWN FILES; REVIEW PSC FILES; MEET WITH PSC STAFF; MEET WITH GIRTMAN; DISCUSS OPTIONS WITH BROWN	15.00	1275.00
01/25/93	FS	CONSULTING - PREPARE REVIEW REQUEST FOR BROWN	3.00	255.00
		FOR CURRENT SERVICES RENDERED	18.00	\$1530.00

EXPENSES

01/18/93	AIRFARE	309.00
01/18/93	LODGING	92.87
01/18/93	CAR RENTAL	65.86
01/18/93	MEALS	52.95
02/28/93	PHOTOCOPYING	1.80
02/28/93	TELEPHONE	16.16
	TOTAL EXPENSES	\$538.64

PAYMENTS AND CREDITS FOR EXPENSES

01/21/93	PAYMENT	-2980.00
	BALANCE DUE	=====
		-\$911.36



11380 Prosperity Farms Rd., Suite 211  
Palm Beach Gardens, FL 33410  
(407) 694-0220

**Management & Regulatory Consultants, Inc.**

St. George Island Utility Co., Ltd.

9/8/93  
20031.00

FOR SERVICES RENDERED AND EXPENSES INCURRED IN AUGUST, 1993 RELATED TO DOCKET NO. 930770-WU, APPLICATION FOR RATE INCREASE.

Services rendered include: initial meeting with M. Willis re test year, research PSC files from Docket No. 871177-WU, initial meeting with G. Brown re procedure, on-site inspection of SGI facilities, discussions with SGI staff re operations and service, review draft MFR prepared by Mears and updated by SGI, obtain and review test year ledgers, obtain and review backup for capital additions and CIAC additions since last case, review depreciation and amortization rates and adjust as necessary, obtain and review test year backup including invoices for significant accounts, discuss entries with SGI staff, discuss and prepare adjustments to test year books, discuss need and basis for and prepare proforma capital and expense adjustments, prepare analysis of changes in expenses since last case, discuss capital structure, review engineering studies and reports related to capital improvements and service, review status of DEP consent order and PSC compliance order, convert draft MFR to interactive format, prepare billing analysis, complete MFR, direct compilation of additional engineering exhibits including preparation of maps, analyze used and useful and work with engineer to develop and support used and useful position, prepare direct testimony, advise on preparation of other testimony, accompany DEP on consent order compliance inspection of SGI system, assist in preparation of petition, oversee final preparation of documents for filing.

PERIOD, Week of:	HOURS	RATE	TOTAL
8/ 2/93	46.75	\$85.00	\$ 3973.75
8/ 9/93	69.00	85.00	5865.00
8/16/93	58.00	85.00	4930.00
8/23/93	22.50	85.00	1912.50
8/23/93	<u>9.00</u>	35.00	<u>315.00</u>
FOR CURRENT SERVICES RENDERED	205.25		\$16996.25

Deduct:

Advanced Minimum Fee	10000.00
Fee not expended from prior agreement (par. 9, see att. detail)	<u>911.36</u>
BALANCE DUE - SERVICES RENDERED	\$ 6084.89
EXPENSES (see next page)	<u>1304.16</u>
TOTAL DUE (within 10 days of receipt)	\$ 7389.05

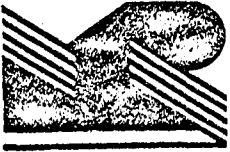
St. George Island Utility Co., Ltd.

9/8/93  
20031.00

FOR SERVICES RENDERED AND EXPENSES INCURRED IN AUGUST, 1993 RELATED TO DOCKET NO. 930770-WU, APPLICATION FOR RATE INCREASE.

EXPENSES

PERIOD, Week of:	DESCRIPTION	AMOUNT
8/ 2/93	Airfare	\$ 259.00
8/ 2/93	Meals	50.85
8/ 2/93	Lodging	90.26
8/ 2/93	Car Rental	69.25
8/18/93	Lodging	135.39
8/18/93	Mileage	252.00
8/18/93	Tolls	17.40
8/18/93	Meals	49.31
8/23/93	Lodging	90.26
8/23/93	Mileage	244.50
8/23/93	Tolls	17.40
8/23/93	Meals	<u>28.54</u>
		\$ 1304.16



11380 Prosperity Farms Rd., Suite 211  
Palm Beach Gardens, FL 33410  
(407) 694-0220

---

**Management & Regulatory Consultants, Inc.**

ST. GEORGE ISLAND UTILITY  
MR. GENE BROWN  
3848 KILLEARN COURT  
TALLAHASSEE FL 32308

10/13/93  
20031.00

CONSULTING

PREVIOUS BALANCE

\$7389.05

EXPENSES .

10/09/93 INTEREST THROUGH 10/09/93

109.32  
-----

TOTAL EXPENSES

\$109.32

BALANCE DUE

=====  
\$7498.37



11380 Prosperity Farms Rd., Suite 211  
Palm Beach Gardens, FL 33410  
(407) 694-0220

---

**Management & Regulatory Consultants, Inc.**

ST. GEORGE ISLAND UTILITY  
MR. GENE BROWN  
3848 KILLEARN COURT  
TALLAHASSEE FL 32308

10/13/93  
20031.00

CONSULTING

PREVIOUS BALANCE \$7389.05

EXPENSES .  
10/09/93 INTEREST THROUGH 10/09/93 109.32

TOTAL EXPENSES \$109.32

BALANCE DUE \$7498.37



11380 Prosperity Farms Rd., Suite 211  
Palm Beach Gardens, FL 33410  
(407) 694-0220

---

**Management & Regulatory Consultants, Inc.**

ST. GEORGE ISLAND UTILITY  
MR. GENE BROWN  
3848 KILLEARN COURT  
TALLAHASSEE FL 32308

11/05/93  
20031.00

CONSULTING

PREVIOUS BALANCE \$7498.37

HOURS

10/11/93 FS	CONSULTING - RESPONSE TO PSC AUDITOR INQUIRIES.	3.75	318.75
10/18/93 FS	CONSULTING - PREPARE MFR DISKETTE AND INDEX FOR PSC	1.50	127.50
		-----	-----
	FOR CURRENT SERVICES RENDERED	5.25	\$446.25

EXPENSES

10/31/93	PHOTOCOPYING		91.35
10/31/93	INTEREST THROUGH 11/5/93 ON PREVIOUS OUTSTANDING AMOUNT.		98.39
			-----

TOTAL EXPENSES \$189.74

BALANCE DUE

=====  
\$8134.36





11380 Prosperity Farms Rd., Suite 211  
Palm Beach Gardens, FL 33410  
(407) 694-0220

**Management & Regulatory Consultants, Inc.**

ST. GEORGE ISLAND UTILITY  
MR. GENE BROWN  
3848 KILLEARN COURT  
TALLAHASSEE FL 32308

12/07/93  
20031.00

CONSULTING

PREVIOUS BALANCE

\$8134.36

HOURS

11/01/93 FS CONSULTING - TELEPHONE CONFERENCES  
WITH BROWN, HILL AND CHASE RE DISCOVERY;  
RESPOND TO OPC AND STAFF RE DISCOVERY AND  
AUDIT INQUIRIES.

11.00 935.00

11/15/93 FS CONSULTING - TELEPHONE CONVERSATION  
WITH WILLIS RE RECOMMENDATION TO DISMISS

.25 21.25

FOR CURRENT SERVICES RENDERED

11.25 \$956.25

EXPENSES

11/30/93 INTEREST THROUGH 12/07/93 ON PREVIOUS  
OUTSTANDING PRINCIPLE.

125.09

TOTAL EXPENSES

\$125.09

BALANCE DUE

=====  
\$9215.70

paid \$2500  
on 3/8/94  
check #1857



11380 Prosperity Farms Rd., Suite 211  
Palm Beach Gardens, FL 33410  
(407) 694-0220

---

**Management & Regulatory Consultants, Inc.**

ST. GEORGE ISLAND UTILITY  
MR. GENE BROWN  
3848 KILLEARN COURT  
TALLAHASSEE FL 32308

01/17/94  
20031.00

CONSULTING

PREVIOUS BALANCE	\$9215.70
EXPENSES	
12/31/93 INTEREST THROUGH 1/17/94 ON PREVIOUS OUTSTANDING PRINCIPLE	179.60
	-----
TOTAL EXPENSES	\$179.60
PAYMENTS AND CREDITS FOR EXPENSES	
01/17/94 PAYMENT	-2500.00
	=====
BALANCE DUE	\$6895.30



MEMO

TO: St. George Island Utility Company

FROM: Ann Hillis

RE: Overtime - Rate Case Expense

---

Friday, 10/15/93	7.0
Monday, 10/18/93	2.0
Tuesday, 10/19/93	2.0
Wednesday, 10/20/93	10.5
Thursday, 10/21/93	0
Friday, 10/22/93	6.0
Sunday, 10/24/93	8.0
Monday, 10/25/93	2.5
Tuesday, 10/26/93	3.0
Wednesday, 10/27/93	0
Thursday, 10/28/93	0
Total Overtime Hours	41.0 hours

CR # 1434  
#350

St. George Island Utility Co., Ltd.

3848 Killcarn Court  
Tallahassee, Florida 32308  
(904) 668-0440 • (904) 927-2648

MEMO

TO: St. George Island Utility Company

FROM: Ann Hills

RE: Overtime - Rate Case Expense

---

Friday, 10/29/93	2.0
Saturday, 10/30/93	6.5
Sunday, 10/31/93	6.0
Monday, 11/01/93	6.0
Tuesday, 11/02/93	0
Wednesday, 11/03/93	6.0
Thursday, 11/04/93	3.0
Total Hours	29.5

## INVOICE

January 1, 1993

INVOICE NO.: 44271  
PROJECT NO.: 12801.00Mr. Gene Brown  
St. George Island Utilities, Ltd.  
3848 Killearn Court  
Tallahassee, FL 32308

For professional services in connection with preparation of layouts for Covington properties 30 acres at Bob Sikes Cut P.U.D. during December, 1992.

1.	Project Manager (Ted L. Bidy, P.E., P.L.S.)		
	30 hrs @ \$75.00	=	\$ 2250.00
2.	CADD Technicians (Nan Burton, Robert Latmore)		
	57 hrs @ \$37.50	=	<u>\$ 2137.50</u>
	SUBTOTAL	=	\$ 4387.50

Costs:

CADD Time	=	\$ 428.93
Printing & Travel	=	<u>\$ 61.24</u>
SUBTOTAL	=	\$ 4877.67

For professional services completed during December, 1992 in connection with preparation of Engineering Data for PSC rate increase case, preparation for expert testimony and cost estimates for PSC rate increase case and consultations with Norman Mears.

1.	Project Manager (Ted L. Bidy, P.E., P.L.S.)		
	6 hrs @ \$75.00	=	\$ 450.00
2.	Project Engineer (James Waddell, P.E.)		
	25 hrs @ \$50.00	=	<u>\$ 1250.00</u>
	SUBTOTAL	=	<u>\$ 1700.00</u>
	TOTAL INVOICE	=	\$ 6577.67

## INVOICE

February 1, 1993

 INVOICE NO.: 44400  
 PROJECT NO.: 12801.00

 Mr. Gene Brown  
 St. George Island Utilities, Ltd.  
 3848 Killearn Court  
 Tallahassee, FL 32308

For professional services in connection with preparation of layouts for Covington properties 30 acres at Bob Sikes Cut P.U.D. and area determinations of marsh land North of platted subdivisions during January, 1993.

1.	Project Manager (Ted L. Bidy, P.E., P.L.S.)		
	51 hrs @ \$75.00	=	\$3825.00
2.	Computer (Mike Cocking)		
	11 hrs @ \$40.00	=	\$ 440.00
3.	CADD Technician (Nan Burton)		
	37.5 hrs @ \$37.50	=	\$1406.25
4.	Clerical (J. Wallace)		
	1 hr @ \$27.50	=	\$ 27.50
5.	Costs:		
	CADD Time	=	\$ 281.25
	Printing	=	\$ 27.83
	<b>SUBTOTAL</b>	=	<b>\$6007.83</b>

For professional services completed during January, 1993 in connection with preparation of Engineering Data for PSC rate increase case, preparation for expert testimony and cost estimates for PSC rate increase case and consultations.

1.	Environmental Engineer (Kiran Kulkarni, P.E.)		
	1 hr @ \$65.00	=	\$ 65.00
2.	Project Engineer (James Waddell, P.E.)		
	4.5 hrs @ \$55.00	=	\$ 247.50
	<b>TOTAL INVOICE</b>	=	<b>\$6320.33</b>

**ST. GEORGE ISLAND UTILITY CO., LTD.**

PH 804-888-0440  
3846 KILLEARN COURT  
TALLAHASSEE, FL 32308

63-68/631  
BRANCH 003

1671

THE ORDER OF **Federal Express**

1/14 1994

\$ 13.00

Thirteen dollars and 00/100

DOLLARS



**FIRST NATIONAL BANK**  
CAPITAL CITY GROUP  
P.O. BOX 12903  
TALLAHASSEE, FLORIDA 32317

⑈ 001671 ⑈



USE THIS AIRBILL FOR SHIPMENTS WITHIN THE CONTINENTAL U.S.A., ALASKA AND HAWAII.  
USE THE INTERNATIONAL AIR WAYBILL FOR SHIPMENTS TO PUERTO RICO AND ALL NON U.S. LOCATIONS.  
QUESTIONS? CALL 800-238-5355 TOLL FREE.

**AIRBILL**  
PACKAGE  
TRACKING NUMBER

**0783077304**

**0783077304**

SENDER'S FEDERAL EXPRESS ACCOUNT NUMBER \_\_\_\_\_ Date **1/14/94**

**SENDER'S COPY**

From (Your Name) Please Print <b>Gene D. Brown</b>	Your Phone Number (Very Important) <b>904 663-6103</b>	To (Recipient's Name) Please Print <b>Frank Seidman</b>	Recipient's Phone Number (Very Important)
Company <b>Law Offices of Gene D. Brown</b>	Department/Floor No.	Company <b>Management &amp; Regulatory Consultants, Inc.</b>	Department/Floor No.
Street Address <b>3846 Killearn Court</b>	City <b>Tallahassee, FL 32308</b>	Exact Street Address (We Cannot Deliver to P.O. Boxes or P.O. Zip Codes) <b>11380 Prosperity Pkwy Rd., Suite 211</b>	City <b>Palm Beach Gardens, FL 33410</b>

YOUR INTERNAL BILLING REFERENCE INFORMATION (optional) (First 24 characters will appear on invoice)

PAYMENT:  Cash  Check  Bill Sender  Bill Recipient's FedEx Acct. No.  Bill 3rd Party FedEx Acct. No.  Bill Credit Card

<p><b>SERVICES</b> (Check only one box)</p> <p>1 <input type="checkbox"/> <b>PRIORITY OVERNIGHT</b> (Delivery by next business morning)</p> <p>2 <input type="checkbox"/> <b>STANDARD OVERNIGHT</b> (Delivery by next business afternoon)</p> <p>3 <input type="checkbox"/> <b>FEDEX LETTER</b></p> <p>4 <input type="checkbox"/> <b>FEDEX PAK</b></p> <p>5 <input type="checkbox"/> <b>FEDEX BOX</b></p> <p>6 <input type="checkbox"/> <b>FEDEX TUBE</b></p> <p>7 <input type="checkbox"/> <b>ECONOMY TWO-DAY</b> (Delivery by second business morning)</p> <p>8 <input type="checkbox"/> <b>ECONOMY</b></p> <p>9 <input type="checkbox"/> <b>GOVERNMENT OVERNIGHT</b> (Approved for authorized users only)</p> <p>10 <input type="checkbox"/> <b>GOVT LETTER</b></p> <p>11 <input type="checkbox"/> <b>GOVT PACKAGE</b></p>	<p><b>DELIVERY AND SPECIAL HANDLING</b> (Check services required)</p> <p>1 <input type="checkbox"/> <b>HOLD AT FEDEX LOCATION WEEKDAY</b> (Full in Section H)</p> <p>2 <input type="checkbox"/> <b>DELIVER WEEKDAY</b></p> <p>3 <input type="checkbox"/> <b>HOLD AT FEDEX LOCATION SATURDAY</b> (Full in Section H)</p> <p>4 <input type="checkbox"/> <b>DELIVER SATURDAY</b> (Extra charge) (Not available to all locations)</p> <p>5 <input type="checkbox"/> <b>SATURDAY PICK-UP</b> (Extra charge)</p> <p>6 <input type="checkbox"/> <b>SPECIAL HANDLING</b></p> <p>7 <input type="checkbox"/> <b>DANGEROUS GOODS</b> (Extra charge)</p> <p>8 <input type="checkbox"/> <b>DRY ICE</b> (Dangerous Goods Shipper's Declaration not required)</p> <p>9 <input type="checkbox"/> <b>HOLIDAY DELIVERY</b> (If offered) (Extra charge)</p>	<p><b>PACKAGES</b></p> <p>WEIGHT In Pounds Only</p> <p>YOUR DECLARED VALUE (See right)</p> <p>Total Total Total</p> <p><b>DIM SHIPMENT</b> (Chargeable Weight)</p> <p><input type="checkbox"/> _____ lbs.</p> <p><b>L x W x H</b></p> <p>Received At</p> <p>1 <input type="checkbox"/> Regular Stop 2 <input type="checkbox"/> Drop Box 3 <input type="checkbox"/> B.S.C. 4 <input type="checkbox"/> Station</p> <p>5 <input type="checkbox"/> On-Call Stop</p>	<p><b>SERVICE CONDITIONS, DECLARED VALUE AND LIMIT OF LIABILITY</b></p> <p>Use of this airbill constitutes your agreement to the service conditions in our current Service Guide, available upon request. See back of sender's copy of this airbill for information. Service conditions may vary for Government Overnight Service. See U.S. Government Service Guide for details.</p> <p>We will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, and document your actual loss for a timely claim. Limitations found in the current Federal Express Service Guide apply. Your right to recover from Federal Express for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of \$100 or the declared value specified to the left. Recovery cannot exceed actual documented loss. The maximum Declared Value for FedEx Letter and FedEx Pak packages is \$500.</p> <p>In the event of untimely delivery, Federal Express will at your request and with some limitations refund all transportation charges paid. See Service Guide for further information.</p> <p>Sender authorizes Federal Express to deliver this shipment without obtaining a delivery signature and shall indemnify and hold harmless Federal Express from any claims resulting therefrom.</p> <p>Release Signature: _____</p>	<p>Federal Express Use</p> <p>Base Charges</p> <p>Declared Value Charge</p> <p>Other 1</p> <p>Other 2</p> <p>Total Charges</p> <p>REVISION DATE 12/92 PART #137205 GBPE FORMAT #158</p> <p><b>158</b></p> <p>© 1992-93 FEDEX PRINTED IN U.S.A.</p>
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ST. GEORGE ISLAND UTILITY CO., LTD.

PH 904-688-0440  
3848 KILLEARN COURT  
TALLAHASSEE, FL 32308

63-68/631  
BRANCH 003

1716

Nov. 31 1994

THE ORDER OF Florida Public Service Commission

\$ 2000-

Two Thousand and no/100

DOLLARS



FIRST NATIONAL BANK

CAPITAL CITY GROUP  
P.O. BOX 12903  
TALLAHASSEE, FLORIDA 32317

*[Signature]*

Rate Case filing fee

11000716

# Kinko's

## The copy center

6-2 West Tennessee Street  
 Tallahassee, Florida 32304  
 (904) 681-6221  
 24 Hour Fax Line  
 (904) 222-8510

Account No.: \_\_\_\_\_ Co-worker: \_\_\_\_\_  
 Contact: \_\_\_\_\_ Bin Number: 1000 9/10  
 P. O. No.: \_\_\_\_\_ No. Boxes: 4  
 Tax Exempt: \_\_\_\_\_ Date Due: 31 JAN 94  
 Delivery: Yes No Time Due: 5:00 PM

Customer's Name: SANDRA CHASE  
 Telephone Number(s): 877-2830 (SUN) \* 668-6103  
 Today's Date: 29 JAN 94 Time Taken: 5:45 PM

### Pricing

Price	Unit	Total
07	4224	295.68
7	144	10.08
7	6400	448.00
7	2050	143.50
7	1670	115.50
7	1600	112.00
7	250	17.50
S	94	183.30
S	145	87.95
15		
		1413.31
Pre Tax Total		1372.51

### Copies

Type: Xerox Color Oversize Other: \_\_\_\_\_  
 Number of: 12 Sides: 1:1 1:2 2:2  
 Collated:  Yes No Slip Sheet Color: \_\_\_\_\_  
 Paper Color: \_\_\_\_\_ Size: x11 x14 x17  
 Paper Weight: 20/50lb 24/60lb Other: \_\_\_\_\_

### Finishing

Bind:  Spiral  Cheshire  Velo Color: Blk  
 Cover:  Card  Vinyl  Clear Color: Pastel Blue  
 Title on Cover  Include Inside  
 Stapling: ULHC Saddle Other: \_\_\_\_\_  
 Drilling: 3 Hole 2 Hole Other: \_\_\_\_\_  
 Cutting: 1/2 1/4 Other: \_\_\_\_\_  
 Folding: Letter Half Other: \_\_\_\_\_  
 Laminator: Cover All Other: \_\_\_\_\_  
 Padding: No. of Pads: \_\_\_\_\_ No. of sheets per: \_\_\_\_\_

### Production

Op: \_\_\_\_\_  
 and: \_\_\_\_\_  
 Millary: \_\_\_\_\_  
 ed: \_\_\_\_\_

I have reviewed the above instructions and they are in accordance with my specifications.

*Sandra Chase*  
 Customer Signature

### Notes

all spiral binded and pastel blue covers  
 Job A 12 copies (Pastel blue cover)  
 Direct to title or cover  
 Job B 12 SAME CS AS ABOVE  
 Job C 10 SAME AS ABOVE  
 Need tabs printed  
 Job D 30 copies  
 Job E 30 copies  
 Job F 30 copies Need to print and pink



**BASKERVILLE-  
DONOVAN, INC.**

2804 REMINGTON GREEN CIRCLE, SUITE 101,  
TALLAHASSEE, FL 32308  
(904) 385-6788 • FAX 385-5401

SANDY W/GENE BROWN  
S.G.I. UTILITY CO. LTD.

# LETTER OF TRANSMITTAL

DATE	1.23.94	JOB NO.	12801.03
ATTENTION			
RE:			

GENTLEMEN:

WE ARE SENDING YOU  Attached  Under separate cover via \_\_\_\_\_ the following items:

- Shop drawings       Prints       Plans       Samples       Specifications
- Copy of letter       Change order       \_\_\_\_\_

QTY	DATE	NO.	DESCRIPTION
			DISTRIBUTION PLANSET (10 plans)

THESE ARE TRANSMITTED as checked below:

- For approval       Approved as submitted       Resubmit \_\_\_\_\_ copies for approval
- For your use       Approved as noted       Submit \_\_\_\_\_ copies for distribution
- As requested       Returned for corrections       Return \_\_\_\_\_ corrected prints
- For review and comment       \_\_\_\_\_
- FOR BIDS DUE \_\_\_\_\_ 19 \_\_\_\_\_       PRINTS RETURNED AFTER LOAN TO US

REMARKS

Please find attached Invoice No. 45221  
in the amount of \$ ~~452~~ 105.93

INVOICE

January 31, 1994

INVOICE NO.: 45221  
PROJECT NO.: 12801.03

Mr. Gene Brown  
St. George Island Utilities, Ltd.  
3848 Killearn Court  
Tallahassee, FL 32308

For 60 Blueline Prints of Distribution System Maps for St. George  
Island.

TOTAL INVOICE

\$105.93  

---

ST. GEORGE ISLAND UTILITY CO., LTD.  
 PH 904-868-0440  
 3848 KILLEARN COURT  
 TALLAHASSEE, FL 32308

83-88/831  
 BRANCH 003

1817

3/1

97

PAY TO THE ORDER OF

Federal Express

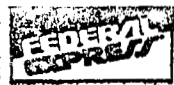
Twenty dollars and 00/100



FIRST NATIONAL BANK  
 CAPITAL CITY GROUP  
 P.O. BOX 12903  
 TALLAHASSEE, FLORIDA 32317

Rate Case MFR's to Hawk  
 #001817

181200 Deferred Rate Case Expense



USE THIS AIRBILL FOR SHIPMENTS WITHIN THE CONTINENTAL U.S.A., ALASKA AND HAWAII.  
 USE THE INTERNATIONAL AIR WAYBILL FOR SHIPMENTS TO PUERTO RICO AND ALL NON U.S. LOCATIONS.  
 QUESTIONS? CALL 800-238-5355 TOLL FREE.

AIRBILL PACKAGE TRACKING NUMBER

1246304920

1246304920

SENDER'S COPY

SENDER'S FEDERAL EXPRESS ACCOUNT NUMBER		Date	3/1/14	
From (Your Name) Please Print		Your Phone Number (Very Important)	To (Recipient's Name) Please Print	
D. BROWN		111608-1116	Hank C. Smith	
Company		Department/Floor No.	Company	
Law Office of George D. Brown			St. George Island Utility Co.	
Street Address		Exact Street Address (We Cannot Deliver to P.O. Boxes or P.O. Zip Codes.)		
3848 Killearn Ct.		Golf Beach Dr.		
City	State	ZIP Required	City	State
Tallahassee	FL	32308	St. George Is.	FL
YOUR INTERNAL BILLING REFERENCE INFORMATION (optional) (First 24 characters will appear on invoice.)		IF HOLD AT FEDEX LOCATION, Print FEDEX Address Here		
PAYMENT		Street Address		
1 Bill Sender, 2 Bill Recipient's FedEx Acct. No., 3 Bill 3rd Party FedEx Acct. No., 4 Bill Credit Card		City		
11 OTHER PACKAGING		State		
16 FEDEX LETTER		ZIP Required		
12 FEDEX PAK		City		
13 FEDEX BOX		State		
14 FEDEX TUBE		ZIP Required		
Economy Two-Day		WEIGHT		
30 ECONOMY		In Pounds Only		
Government Overnight		YOUR DECLARED VALUE		
46 GOVT LETTER		(See right)		
41 GOVT PACKAGE		SERVICE CONDITIONS, DECLARED VALUE AND LIMIT OF LIABILITY		
Freight Service		Use of this airbill constitutes your agreement to the service conditions in our current Service Guide, available upon request. See back of sender's copy of this airbill for information. Service conditions may vary for Government Overnight Service. See U.S. Government Service Guide for details.		
70 OVERNIGHT FREIGHT		We will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, and document your actual loss for a timely claim. Limitations found in the current Federal Express Service Guide apply. Your right to recover from Federal Express for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage without direct, incidental, consequential, or special is limited to the greater of \$100 or the declared value specified to the left. Recovery cannot exceed actual documented loss. The maximum Declared Value for FedEx Letter and FedEx Pak packages is \$500.		
80 TWO-DAY FREIGHT		In the event of untimely delivery, Federal Express will at your request and with some limitations refund all transportation charges paid. See Service Guide for further information.		
DISCRIPTION		Sender authorizes Federal Express to deliver this shipment without obtaining a delivery signature and shall indemnify and hold harmless Federal Express from any claims resulting therefrom.		
HOLIDAY DELIVERY (if offered) (Extra charge)		Release Signature:		
DANGERIOUS GOODS (Extra charge)		1 Regular Stop 3 Drop Box		
DRY ICE (Dangerous Goods Shipper's Declaration not required)		4 I.B.S.C.		
DIM SHIPMENT (Chargeable Weight)		5 Station		
L x W x H		2 On-Call Stop		
Dry Ice, 8 UN 1845 X kg 904 III		REVISION DATE 12/92 PART #137205 GBFE FORMAT #158		
DISCRIPTION		158		
HOLIDAY DELIVERY (if offered) (Extra charge)		© 1992-03 FEDEX PRINTED IN U.S.A.		

**Barbara Sheehan Withers**

**Certified Public Accountant**

2608 Bantry Bay Dr.

Tallahassee, Florida 32308

904-893-4080

Fax 904-893-4080

10H6D

March 31, 1994

INVOICE #3060

St. George Island Utility Co. Ltd.  
3848 Killearn Court  
Tallahassee FL 32308

FOR PROFESSIONAL SERVICES RENDERED FROM JANUARY 1, 1994  
TO MARCH 31, 1994 IN CONNECTION WITH VARIOUS MATTERS AS  
DETAILED ON ATTACHED.

TOTAL HOURS 34.5 at \$100 per hour                      \$3,450.00

Retainer: 3 months at \$500 =                      \$1,500  
(includes 15 hours)

Time in excess of retainer:  
19.5 hours at \$100                                      1,950

Total    3,450.

*Deferred Rate Case                                      3250.-*  
*Regular Acty.    200.-*

## St. George Island Utility Co. Ltd.

Detailed Invoice January 1, 1994 to March 31, 1994

1-30-94 Meet with Gene Brown regarding tax returns and St. George Island Utility capitalization structure	1.00 Hr
2-1-94 Meet with Gene Brown and Van Geeker at Ausley Law Firm regarding Utility capitalization structure	1.00
2-18-94 PSC Audit of Utility	4.00
2-24-94 Meet with Nancy Gaffney re: Utility audit by PSC	5.50
3-1-94 Meet with Nancy Gaffney re: Utility audit / tax returns	1.00
3-3-94 Prepare for meeting and meet with Bob Freeman and Nancy Gaffney re: Utility audit / tax returns	8.00
3-10-94 Telephone conversations with Gene Brown and Bob Freeman re: Utility audit	.50
3-11-94 Meet with Bob Freeman, Nancy Gaffney, Sandy Chase re: Utility audit	2.00
3-15-94 Locate utility files and other items - meet at utility office with Nancy Gaffney - complete tax return review in connection with utility audit	3.00
3-16-94 Meet with Public Counsel at utility office	.75
3-18-94 Meet with Bob Freeman and Nancy Gaffney at utility office (including time preparing for meeting)	4.50
3-29-94 Meet at utility office with Nancy Gaffney re audit	3.25
Total Hours	34.50

ST. GEORGE ISLAND UTILITY CO., LTD.

PH 904-668-0440  
3848 KILLEARN COURT  
TALLAHASSEE, FL 32308

63-68/631  
BRANCH 003

1933

March 25 1994

TO THE ORDER OF

Walter Drowdy

\$ 540.00

Five hundred forty and no/100

DOLLARS



FIRST NATIONAL BANK  
CAPITAL CITY GROUP  
P.O. BOX 12903  
TALLAHASSEE, FLORIDA 32317

*[Signature]*

⑈001933⑈

501632	- Contractual Services - Accounting	400.-
	Deferred Rate	140.-



	Initials	Date
Prepared By		
Approved By		

© WILSON JONES COMPANY G7204 GREEN 7204 BUFF

MADE IN U.S.A.

St. George Island  
 Invoice: Jeanie H. Drawdy  
 MARCH 25, 1994

1				
2				
3	Sunday	March 13		4
4	Monday	March 14		3
5	Thursday	March 17		4
6	Friday	March 18		5
7	Sunday	MARCH 20		3
8	Friday	MARCH 25		8

Total Hours 27

Ok# 1933 \$540

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ST. GEORGE ISLAND UTILITY CO., LTD.

PH 904-688-0440  
3648 KILLEARN COURT  
TALLAHASSEE, FL 32308

63-66/631  
BRANCH 003

1850

PAY  
TO THE  
ORDER OF

*Marie Dawdy*

*March 14* 19 *91*

\$ *640.00*

*Six hundred forty and no/100*

DOLLAR



FIRST NATIONAL BANK

CAPITAL CITY GROUP  
P.O. BOX 12903  
TALLAHASSEE, FLORIDA 32317

*[Signature]*

FOR

⑈001890⑈

⑈001890⑈

501632

- Contractual Services - Accounting

400.-

*Deferred Rate*

240.-

Date	Prepared By	Work Paper No.
	Reviewed By	

Memo

To: SGTUC

From: J Drawdy

Date: March 11, 1994

Monday	February	28	W
Thursday	March	03	T
Friday	March	04	F
Sunday	March	06	S
Tuesday	March	08	T
Friday	March	11	F
Total Hours			<u>32</u>

Thank you

\$640.00

ST. GEORGE ISLAND UTILITY CO., LTD.  
PH 904-668-0440  
3848 KILLEARN COURT  
TALLAHASSEE, FL 32308

63-68/631  
BRANCH 003

1826

March 3 1994

IE  
R OF

*Marie Dancy*

\$ 520.00

Five hundred twenty and no/100

DOLLARS

 **FIRST NATIONAL BANK**  
CAPITAL CITY GROUP  
P.O. BOX 12903  
TALLAHASSEE, FLORIDA 32317

*[Signature]*

⑈001826⑈

501632

400.- Contractual Services - Acctg.  
120.- Deferred Rate

MEMORANDUM

TO: St. George Island Utility Company

FROM: Jeanie H. Drawdy

DATE: February 27, 1994

---

Friday, February 18	9 hrs	\$180.00
Saturday, February 19	3 hrs	60.00
Sunday, February 20	2 hrs	40.00
Tuesday, February 22	4 hrs	80.00
Wednesday, February 23	4 hrs	80.00
Friday, February 25	2 hrs	40.00
Sunday, February 27	2 hrs	<u>40.00</u>
Total	26 hrs	\$520.00

MEMORANDUM

TO: St. George Island Utility Company

FROM: Jeanie H. Drawdy

DATE: February 14, 1994

---

Friday, February 4	6 hrs	\$120.00
Sunday, February 6	5 hrs	100.00
Friday, February 11	7 hrs	140.00
Saturday, February 12	2 hrs	40.00
Sunday, February 13	2 hrs	40.00
Monday, February 14	2 hrs	<u>40.00</u>
Total	24 hrs	\$460.00

MEMORANDUM

TO: St. George Island Utility Company

FROM: Jeanie H. Drawdy

DATE: January 30, 1994

---

Tuesday, January 25	6 hrs @ \$20	\$120.00
Wednesday, January 26	6 hrs @ \$20	\$120.00
Friday, January 28	2 hrs @ \$30	\$ 60.00
Saturday, January 29	11 hrs @ \$30	\$330.00
Sunday, January 30	11 hrs @ \$30	<u>\$330.00</u>
	Total Due	\$960.00

MEMORANDUM

TO: St. George Island Utility Company

FROM: Jeanie H. Drawdy

DATE: January 24, 1994

---

Friday, 01/14	6.0
Sunday, 01/16	6.0
Friday, 01/21	6.0
Sunday, 01/23	<u>4.0</u>
Total Hours	22.0

Total	\$440.00
-------	----------



MEMORANDUM

TO: St. George Island Utility Company

FROM: Jeanie H. Drawdy

DATE: January 9, 1994

---

Monday	12/27	2.0
Tuesday	12/28	7.0
Sunday	01/02	4.0
Friday	01/07	4.0
Saturday	01/08	8.0
Sunday	01/09	5.0
	Total Hours	30.0

Total \$500.00

# APGAR, PELHAM, PFEIFFER & THERIAQUE

Attorneys at Law

Robert C. Apgar  
Thomas G. Pelham  
G. Steven Pfeiffer  
David A. Theriaque

909 East Park Avenue  
Tallahassee, Florida 32301  
(904) 222-5984  
(904) 222-7144 Fax

June 15, 1994

St. George Island Utilities Company  
c/o Gene D. Brown  
3848 Killearn Court  
Tallahassee FL 32308

In Re: Application for Rate Increase

	<u>Hours</u>
DESCRIPTION OF SERVICES:	
04/14/94 TGP: Conference with Gene Brown and Steve Pfeiffer to discuss Public Service Commission and related cases.	1.00
04/25/94 Conference with client; Review of Public Service Commission rules.	1.00
04/26/94 Review of material provided by client.	2.00
04/29/94 Review of material provided by client.	1.00
05/02/94 Review of material provided by client.	1.50
05/03/94 Review of litigation file.	2.00
05/04/94 Telephone conferences with Gene Brown, Frank Seidman; Review of prefiled testimony.	2.00
05/05/94 Telephone conferences with Mr. Brown, Mr. Lorenzo; Review of prefiled testimony.	2.00

	<u>Hours</u>
05/06/94 Review of litigation file.	2.00
05/09/94 Telephone conference with Gene Brown; Review of files including prefiled testimony and exhibits.	3.00
05/10/94 Telephone conference with Mr. Brown and Mr. Seidman; Review of application file.	2.50
05/11/94 Review of application files, prefiled testimony, discovery requests.	2.50
05/12/94 Preparation for and attendance at pre-prehearing conference.	3.00
05/13/94 Review of files, discovery motions, telephone conference with Mr. McLean.	2.50
05/17/94 Telephone conference with Mr. Brown, Mr. McLean; Review of discovery requests.	1.50
05/18/94 Attendance at depositions of Mr. Brown, Mr. Garrett.	6.00
05/19/94 Telephone conference with Mr. Brown, Mr. McLean; Review of discovery requests.	1.00
LAW CLERK: Research attorney-client privilege for client; Identify fees and representation	1.50
05/20/94 Preparation of memorandum regarding discovery requests; Telephone conferences with Mr. Brown, Mr. McLean.	1.00
LAW CLERK: Legal research regarding attorney-client privilege, interrogatories and request for production-consolidate; Draft Motion for Protective Order	2.50

	<u>Hours</u>	
05/23/94 Telephone conferences with Mr. McLean, Mr. Brown.	1.00	
LAW CLERK: Draft Motion for Protective Order; Draft Memorandum on Attorney's Fees	1.25	
05/24/94 Review of exhibits supporting rate application.	1.00	
05/26/94 Review of prefiled testimony of witness Dismukes; Review of discovery responses; Preparation of notices.	3.50	
05/27/94 Review of prefiled testimony; Telephone conference with Mr. Pierson.	1.00	
05/31/94 Preparation of discovery requests; Review of prefiled testimony of witness Dismukes.	4.00	
	<hr/>	<u>Amount</u>
TOTAL HOURS/FEES:	53.25	\$8,583.75

SUMMARY OF HOURS/FEES

<u>Attorney</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Thomas G. Pelham	1.00	175.00	\$175.00
G. Steven Pfeiffer	47.00	175.00	\$8,225.00
Law Clerk	5.25	35.00	\$183.75

Price

COSTS:

04/25/94 Postage Charges	1.74	1.74
--------------------------	------	------

St. George Island Utilities Company

Page 4

	<u>Price</u>	<u>Amount</u>
04/25/94 Telefacsimile Charges (26 pages)	1.00	26.00
Photocopy Charges (554 copies)	0.25	138.50
05/05/94 Long Distance Charges	0.09	0.09
		<hr/>
TOTAL COSTS:		\$166.33
		<hr/>
BALANCE DUE THIS STATEMENT:		\$8,750.08
		<hr/>
TOTAL BALANCE DUE:		<u><u>\$8,750.08</u></u>

CODE AP

Re: Rate Case

Overtime-Sandra M. Chase

10/29/93	4:30 p.m. - 8:00 p.m.	3.5
10/30/93	12:30 p.m. - 6:30 p.m.	6.0
10/31/93	10:30 a.m. - 5:30 p.m.	7.0
11/1/93	4:30 p.m. - 7:30 p.m.	3.0
11/3/93	4:30 p.m. - 8:45 p.m.	3.25
11/4/93	4:30 p.m. - 11:00 p.m.	6.50
11/5/93	4:30 p.m. - 11:00 p.m.	6.00
11/6/93	9:30 a.m. - 5:30 p.m.	8.00
11/7/93	10:30 a.m. - 6:30 p.m.	8.00

52.25 *x 20 p.h.*  
=*1,045*

MEMO

TO: St. George Island Utility Company

FROM: Ann Hills

RE: Overtime - Rate Case Expense

---

Friday, 10/29/93	2.0
Saturday, 10/30/93	6.5
Sunday, 10/31/93	6.0
Monday, 11/01/93	6.0
Tuesday, 11/02/93	0
Wednesday, 11/03/93	6.0
Thursday, 11/04/93	3.0

Total Hours

29.5

*x \$12 = \$354*

I N V O I C E

ACCURATE STENOTYPE REPORTERS, INC.  
100 SALEM COURT  
TALLAHASSEE, FLORIDA 32301  
(904) 878-2221  
1-800-934-9090

DATE: April 25, 1994  
INVOICE: 9B0406  
EMPLOYER I.D.: 59-2708168

Gene D. Brown, Esquire  
3848 Killearn Court  
Tallahassee, Florida 32308

---

RE: Petition for Interim and Permanent Rate Increase in  
Franklin County, Florida by St. George Island Utility  
Company, Ltd.

Docket No. 940109-WU

Depositions of Brown, Hills, Ramion, Chase, Withers, Drawdy  
and Means; April 5 and 6, 1994  
one copy

Transcript - 525 pages at .75 per page \$ 393.75

TOTAL \$ 393.75

REPORTED BY: Jane Faurot

Please return attached copy with payment to ensure proper  
credit. Interest accrues at 12% annually if not paid in 45  
days.

THANK YOU



I N V O I C E

ACCURATE STENOTYPE REPORTERS, INC.  
100 Salem Court  
Tallahassee, Florida 32301  
(904)878-2221  
(800)934-9090

INVOICE #: 2B0407  
FED. ID. 59-2708168  
DATE: 4/21/94

GENE D. BROWN, ESQUIRE  
3848 Killearn Court  
Tallahassee, Florida 32308

---

RE: St. George Island Utility Company, Ltd.  
Docket No. 940109-WU

The telephonic deposition of Frank Seidman taken on April 7, 1994, at 111 West Madison Street, Tallahassee, Florida, beginning at 9:00 a.m. and ending at 10:00 a.m.

For one copy  
27 pages at 1.20 32.40  
Postage and handling: UPS 5.00

\*\*TOTAL DUE \$ 37.40  
=====

Reported by: Carolyn L. Rankine, RPR, CP

---

PAYABLE UPON RECEIPT. INTEREST ACCRUES AT 12% PER ANNUM  
AFTER 45 DAYS.  
PLEASE RETURN YELLOW COPY OF INVOICE WITH PAYMENT.  
THANK YOU!

	Initials	Date
Prepared By		
Approved By		

© WILSON JONES COMPANY G7204 GREEN 7204 BUFF

MADE IN U.S.A.

Memorandum  
 St. George Island Utility Rate Regular  
 Date: 4-29-94 CASE

	Utility	Rate	Regular
Sunday	WEDNESDAY		3
Monday		7	
Tuesday		5	
Wednesday		3.5	
Thursday		8	
Friday	5		
	35	17.5	17.5

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Memorandum:

To: St. George Island Utility

From: Jeanie H. Drawdy

	Initials	Date
Prepared By		
Approved By		

© WILSON JONES COMPANY G7204 GREEN 7204 BUFF

MADE IN U.S.A.

Date: April 18<sup>th</sup>, 1994

Rate Case Reg.

1	Monday	11 <sup>th</sup>	12	12	
2	Thursday	14 <sup>th</sup>	7	4	3
3	Friday	15 <sup>th</sup>	7		7
4	Saturday	16 <sup>th</sup>	3		3
5	Monday	18 <sup>th</sup>	7		7
6					
7	TOTAL HOURS		36	16	20

\$720

DD 4/19/94  
OK # 2032

Deferred Rate 320-  
Regular Actg. 400-

H O U I L I  
E  
R

Memorandum

To: St George Island Utility

From: Jeanie H. Drawdy

	Initials	Date
Prepared By		
Approved By		

MADE IN U.S.A.

© WILSON JONES COMPANY G7204 GREEN 7204 BUFF

Date: April 22, 1994		Rate CASE	Regular
1			
2	Tuesday	8	8
3	Wednesday	8	8
4	Thursday	8	4
5	Friday	8	
6			
7	Total Hours	32	20
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\$40

Memorandum

To: St. George Island Utility  
4-11-94

Date	Prepared By	Work Paper No.
	Reviewed By	

			Rate	Regular
			CASE	
1	Sunday	10 <sup>th</sup>	5	5
2	Saturday	9 <sup>th</sup>	4	4
3	Friday	8 <sup>th</sup>	3	3
4	Thursday	7 <sup>th</sup>	7	7
5	Wednesday	6 <sup>th</sup>	9	1
6	Tuesday	5 <sup>th</sup>	7	
7	Friday	1 <sup>st</sup>	7	
8			<u>42</u>	20
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St. George Island Utility Co., Ltd.

3848 Killearn Court  
Tallahassee, Florida 32308  
(904) 668-0440 • (904) 927-2648

MEMO

TO: St. George Island Utility Company

FROM: Ann Hills

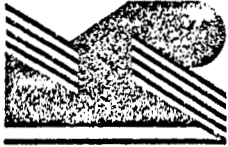
RE: Overtime - Rate Case Expense

---

Thursday, 03/17/94	5.0
Friday, 03/18/94	5.0
Total Hours	10.0

Preparing Customer Notices and mailing them.

Paid by Ck #1913



11380 Prosperity Farms Rd., Suite 211  
Palm Beach Gardens, FL 33410  
(407) 694-0220

---

**Management & Regulatory Consultants, Inc.**

ST. GEORGE ISLAND UTILITY  
MR. GENE BROWN  
3848 KILLEARN COURT  
TALLAHASSEE FL 32308

02/16/94  
20031.00

CONSULTING

PREVIOUS BALANCE \$6895.30

HOURS

01/17/94 FS	CONSULTING - REVIEW UPDATE OF PROFORMA ADJUSTMENTS AND DISCUSS WITH GENE BROWN; REVISE MFR'S TO REFLECT UPDATED INFORMATION.	33.75	2868.75
01/24/94 FS	CONSULTING - REVISE MFR'S TO REFLECT UPDATED INFORMATION; REVISE INTERIM MFR'S; MEET WITH WAYNE COLONEY; UPDATE TESTIMONY.	28.25	2401.25
FS	TRAVEL TO AND FROM TALLAHASSEE - NO CHARGE	14.00	
	FOR CURRENT SERVICES RENDERED	76.00	\$5270.00

EXPENSES

01/26/94	LODGING	46.53
01/26/94	TOLLS	12.60
01/26/94	MILEAGE - NO CHARGE	0.00
02/16/94	INTEREST THROUGH 2/16/94 ON PREVIOUS OUTSTANDING PRINCIPLE	97.58
	TOTAL EXPENSES	\$156.71

PAYMENTS AND CREDITS FOR EXPENSES

02/07/94	PAYMENT	-2000.00
	BALANCE DUE	\$10322.01

Your continuing monthly payments will be appreciated.



11380 Prosperity Farms Rd., Suite 211  
 Palm Beach Gardens, FL 33410  
 (407) 694-0220

**Management & Regulatory Consultants, Inc.**

ST. GEORGE ISLAND UTILITY  
 MR. GENE BROWN  
 3848 KILLEARN COURT  
 TALLAHASSEE FL 32308

03/06/94  
 20031.00

CONSULTING

PREVIOUS BALANCE \$10322.01

HOURS

02/07/94 FS	CONSULTING - TELEPHONE CONFERENCE RE DISCOVERY; REVIEW OFFICIAL FILING; TELEPHONE CALL RE RESPONSE TO STAFF AUDIT	1.00	85.00
02/21/94 FS	CONSULTING - RESPOND TO STAFF AUDIT REQUESTS	5.00	425.00
	FOR CURRENT SERVICES RENDERED	6.00	\$510.00

EXPENSES

02/28/94	FEDERAL EXPRESS		13.00
03/06/94	INTEREST THROUGH 3/6/94 ON PREVIOUS OUTSTANDING PRINCIPLE		81.42
	TOTAL EXPENSES		\$94.42

BALANCE DUE \$10926.43

A payment on this balance will be appreciated.

Code AP





11380 Prosperity Farms Rd., Suite 211  
Palm Beach Gardens, FL 33410  
(407) 694-0220

---

**Management & Regulatory Consultants, Inc.**

ST. GEORGE ISLAND UTILITY  
MR. GENE BROWN  
3848 KILLEARN COURT  
TALLAHASSEE FL 32308

06/23/94  
20031.00

CONSULTING

PREVIOUS BALANCE \$8630.22

HOURS

05/02/94 FS	CONSULTING - TELEPHONE CONFERENCE(S) WITH BROWN, DRAWDY, AND PFEIFFER RE PSC AUDIT AND CASE STATUS	1.00	85.00
05/09/94 FS	CONSULTING - RESPOND TO PSC AUDIT REPORT	29.00	2465.00
05/16/94 FS	CONSULTING - RESPOND TO PSC AUDIT REPORT	4.00	340.00
05/30/94 FS	CONSULTING - TELEPHONE CONFERENCE RE OPC TESTIMONY	.25	21.25
	FOR CURRENT SERVICES RENDERED	34.25	\$2911.25

EXPENSES

05/31/94	PHOTOCOPYING - APRIL AND MAY	54.15
05/31/94	PHOTOCOPYING	28.05
05/31/94	FEDERAL EXPRESS	11.80
06/22/94	INTEREST THROUGH 7/8/94 ON PREVIOUS OUTSTANDING PRINCIPAL	101.10
	TOTAL EXPENSES	\$195.10

PAYMENTS AND CREDITS FOR EXPENSES

05/27/94	PAYMENT	-2500.00
	BALANCE DUE	\$9236.57

A June payment would be appreciated.  
Thank you for your business.

F.S.

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: IMMEDIATELY DUE AND PAYABLE

October 22, 1993

Invoice #2698

	<u>Hours</u>	<u>Amount</u>
10/18/93 NFM LOCATE DETAILED ACCRUALS TO ACCUMULATED DEPRECIATION AND ACCUMULATED AMORTIZATION OF CIAC; RESTORE GENERAL LEDGER FILES TO PREVIOUS COMPUTER PROGRAM	1.47	139.65
10/19/93 NFM TELEPHONE DISCUSSION WITH R FREEMAN & N GAFFNEY CONCERNING AUDIT REQUIREMENTS; ASSEMBLE AND REVIEW WORK PAPERS; CONSULTATION CONCERNING PREPARATION OF AUDIT WORK PAPERS AND ASSEMBLING OF DOCUMENTATION AT UTILITY OFFICE	3.62	343.90
10/20/93 NFM PREPARATION OF AUDIT WORK PAPERS PURSUANT TO REQUIREMENTS OF FPSC STAFF	5.83	553.85
10/21/93 NFM PREPARATION OF AUDIT WORK PAPERS PURSUANT TO REQUIREMENTS OF FPSC STAFF	4.86	461.70
	-----	-----
Total Professional Fees	15.78	\$1,499.10
10/22/93-Payment from account		(\$26.20)
		-----
PLEASE PAY THIS AMOUNT		\$1,472.90
		-----

*Chk # 1421  
- rate case  
expense  
186.1*

ST. GEORGE ISLAND UTILITY COMPANY

Page 2

Amount

Previous balance of retainer account  
10/22/93-Payment from account

\$26.20  
(\$26.20)

---

New balance of retainer account

\$0.00

**Rhema Business Services, Inc.**

P.O. Box 13705

Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn Court  
Tallahassee, Florida 32308

-----  
TERMS: IMMEDIATELY DUE AND PAYABLE

October 29, 1993

Invoice #2699

	<u>Hours</u>	<u>Amount</u>
10/22/93 NFM FIELD AUDIT CONSULTATION; PREPARATION OF AUDIT WORK PAPERS PURSUANT TO REQUIREMENTS OF FPSC STAFF; REVIEW 1990 ANNUAL REPORT ENDING BALANCES AND 1991 ANNUAL REPORT BEGINNING BALANCES	8.53	810.35
10/25/93 NFM MEETING WITH G BROWN, S CHASE AND A HILLS CONCERNING STATUS OF AUDIT; PREPARATION OF WORK PAPERS PURSUANT TO REQUIREMENTS OF FPSC STAFF	4.18	397.10
10/26/93 NFM PREPARATION OF AUDIT WORK PAPERS PURSUANT TO FPSC STAFF REQUIREMENTS; REVIEW LIST OF ITEMS REQUIRED BY FPSC AUDIT STAFF; REVIEW TEST YEAR ADJUSTMENTS TO GENERAL LEDGER; ANALYZE DIFFERENCES BETWEEN BEGINNING AND ENDING BALANCES IN ANNUAL REPORTS	8.47	804.65
10/27/93 NFM PREPARATION OF AUDIT WORK PAPERS PURSUANT TO FPSC STAFF REQUIREMENTS	2.37	225.15
10/28/93 NFM PREPARATION OF AUDIT WORK PAPERS PURUSANT TO FPSC STAFF REQUIREMENTS	6.88	653.60
	-----	-----
Total Professional Fees	30.43	\$2,890.85

ST. GEORGE ISLAND UTILITY COMPANY

Page 2

Amount

10/29/93-REINSTATE CHARGES DUE TO NSF CHECK

1,472.90

Total Service Fees and Other Costs

\$1,472.90

Total amount of this invoice

\$4,363.75

Balance from Previous Invoice

\$1,472.90

10/22/93-Payment - thank you

(\$1,472.90)

PLEASE PAY THIS AMOUNT

\$4,363.75

**Rhema Business Services, Inc.**

P.O. Box 13705  
Tallahassee, FL 32317

(904) 222-1192

S T A T E M E N T

ST. GEORGE ISLAND UTILITY COMPANY  
3848 Killearn court  
Tallahassee, Florida 32308

-----  
TERMS: IMMEDIATELY DUE AND PAYABLE

February 1, 1993

Invoice #2563

	<u>Hours</u>	<u>Amount</u>
01/11/93 NM TEL G BROWN CONCERNING COMPARISON OF CIAC RECEIPTS AND EXPENDATURES FOR IMPROVEMENTS SINCE LAST RATE CASE	0.18	17.10
01/12/93 NM COSIGN CHECKS	0.07	6.65
01/20/93 NM MEETING WITH G BROWN AND F SEIDMAN	2.00	<u>190.00 ●</u>
	<hr/>	<hr/>
Total Professional Fees	2.25	\$213.75
02/01/93-FAX COMMUNICATIONS--3 PAGES		2.25
-UTILITY ACCOUNTING SERVICE FOR DECEMBER		175.00
-PHOTOCOPIES OF DECEMBER ACCOUNTING		14.00
		<hr/>
Total Service Fees and Other Costs		\$191.25
		<hr/>
Total amount of this invoice		\$405.00
02/01/93-Payment from account		(\$405.00)
		<hr/>
PLEASE PAY THIS AMOUNT		\$0.00
		<hr/>
Previous balance of retainer account		\$3,643.05

ST. GEORGE ISLAND UTILITY COMPANY

Page 2

Amount

01/15/93-Withdrawal from account  
02/01/93-Payment from account

(\$2,944.30)  
(\$405.00)

---

New balance of retainer account

\$293.75

Witness: F. Seidman  
Docket No. 940109-WJ  
Exhibit No. \_\_\_\_\_  
Schedule 4

Audit Report Correspondence



Commissioners  
I. TERRY DEASON, CHAIRMAN  
SUSAN F. CLARK  
LUIS J. LAUREDO  
JULIA L. JOHNSON  
DIANE K. KIESLING

State of Florida



Blanca S. Bayo, Director  
Division of Records and Reporting  
(904) 488-8371

Public Service Commission

April 14, 1994

Mr. Gene D. Brown  
St. George Island Utility Company, Ltd.  
3848 Killearn Court  
Tallahassee, FL 32308-3428

Dear Mr. Brown:

RE: Docket No. 940109-WU - St. George Island Utility  
Company, Ltd.  
Rate Case Audit Report as of 12/31/92

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

*Blanca S. Bayo*  
Blanca S. Bayo

BSB/kes

Enclosure

cc: Public Counsel



11380 Prosperity Farms Rd., Suite 211  
Palm Beach Gardens, FL 33410  
(407) 694-0220

---

**Management & Regulatory Consultants, Inc.**

April 18, 1994

By Telefax

Marshall Willis  
Chief, Bureau of Economic Regulation  
Division of Water & Wastewater  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399-0850

Re: Docket No. 940109-WU  
St. George Island Utility Company, LTD (SGI)  
Application for Increased Rates in Franklin County

Dear Marshall:

The purpose of this letter is to request a twenty (20) day extension to the ten (10) days normally provided to the applicant to respond to the Staff audit in a rate proceeding.

As I am sure you are aware, the Staff audit in this case was quite extensive. It began in September, 1993 under the dismissed filing in Docket No. 930770-WU and was completed April 8, 1994. 100% of the supporting invoices for plant additions were reviewed and nearly 100% of all operating expenses were traced to original documents. The Staff indicates nearly 30 man-weeks of time for this audit. The audit exit conference on April 12, which, as consultant to SGI, I attended on its behalf, took nearly six hours, without a break, just to review the document. Because of the detail and complexity of the audit, I made a verbal request at the conference to Mr. Robert Freeman, the Regulatory Analyst Supervisor, for thirty (30) days from the official notice date to respond. Mr. Freeman agreed with me that a request for an extension would be appropriate and he would request that one be granted. He has now indicated to my client that the such a request should be made to you.

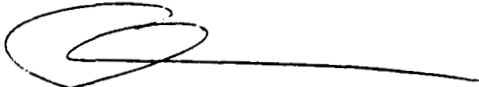
I have never requested an extension before and I do not make this request lightly. But in the interest of getting to the facts and providing the best information available, and, in the interest of fairness, I think an extension is appropriate. The availability of my time and oversight in this process has been limited in the interest of holding down expenses, and the time of utility

personnel that I must depend upon to formulate a response is limited because they are still responding to discovery requests by Staff and Public Counsel.

Your approval of a twenty (20) day extension to respond to the audit is respectfully requested.

Very truly yours,

MANAGEMENT AND REGULATORY CONSULTANTS, INC.

A handwritten signature in black ink, appearing to be 'Frank Seidman', with a long horizontal line extending to the right.

Frank Seidman,  
President

cc: Gene Brown

State of Florida

Commissioners:

J. TERRY DEASON, CHAIRMAN  
SUSAN F. CLARK  
JULIA L. JOHNSON  
DIANE K. KIESLING  
LUIS J. LAUREDO



DIVISION OF WATER &  
WASTEWATER  
CHARLES HILL  
DIRECTOR  
(904) 488-8482

Public Service Commission

April 21, 1994

RECEIVED APR 29 1994

Mr. Frank Seidman, President  
Management & Regulatory Consultants, Inc.  
11380 Prosperity Farms Rd. Suite 211  
Palm Beach Gardens, FL 33410

RE: Docket No. 940109-WU  
St. George Island Utility Company, LTD  
Application for Increased Rates in Franklin County

Dear Mr. Seidman:

Your request for a twenty day extension to respond to the staff audit report was received. Due to the magnitude of the audit report we believe an extension is warranted in this case.

The audit response due date has been extended to May 16, 1994.

Sincerely,

A handwritten signature in cursive script, appearing to read "Marshall Willis".

Marshall Willis, Bureau Chief  
Bureau Economic Regulation

SGI Response to Audit Report

St. George Island Utility Co., Ltd.

3848 Killlearn Court  
Tallahassee, Florida 32308  
(904) 668-0440 • (904) 927-2648

May 16, 1994

Blanca S. Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399-0870

Re: Response to Audit Report - Docket No. 940109-WU  
St. George Island Utility Company, LTD (SGI)  
Application for Increased Rates in Franklin County

Dear Mr. Hill:

Attached is the original response and 15 copies of St. George Island Utility Company, LTD (SGI) to the Staff Audit Report.

Very truly yours,

ST. GEORGE ISLAND UTILITY COMPANY, LTD.



Gene D. Brown

DOCKET NO.940109-WU  
St. George Island Utility Company, Ltd.

Response to Staff Audit Report  
Audit Control No. 93-264-1-1

May 16, 1994

## INTRODUCTION TO RESPONSE

This response is presented in the context of the history of the events that have taken place between this rate case application and Commission Order No. 21122, issued April 24, 1989 in Docket No. 871177-WU, the applicant's last rate case. That case was based on a test year ended December 31, 1987.

As the staff is aware, Order No. 21122 cited several items, primarily regarding quality of service and records, with which it was required to comply. The Commission followed up that order with show cause orders related to compliance and specifically with regard to capital expenditures to improve service and to improving records and reporting. Accordingly, from May, 1991 through August, 1993, SGI filed with the Commission, as required, a monthly general ledger and trial balance so that the Commission could monitor SGI's record keeping efforts. On March 31, 1992, the Commission issued Order No. PSC-92-0122-FOF-WU, in which it found that the books and records were in substantial compliance with Commission requirements. On September 15, 1993, the Commission issued Order No. PSC-93-1352-FOF-WU, in which it found that "all of the requirements of Order No. 21127, and all subsequent orders, have been met." SGI acknowledges that the period between 1989 and 1993 was one in which it was attempting to bring its records into compliance with PSC requirements as interpreted by the Staff. SGI represents that in spite of limited funds, the correction of which is the subject of this proceeding, it has devoted a substantial portion of its personnel's time to revising its record keeping procedures and to bringing its records into the higher level of compliance now being requested by the PSC Staff, and that Order No. 93-1352-FOF-WU is an acknowledgement of those efforts.

SGI knows that it must devote more time and personnel to record keeping. The proforma adjustments for personnel and contract service related expenses are directed toward that end. SGI hopes that the Staff's audit recommendations recognize the inherent cause and effect. It is the purpose of this proceeding to show not only that expenditures and expenses have been incurred on behalf of the customers of SGI, but that additional expenditures are necessary if SGI is to be able to continue to provide satisfactory service and meet the record keeping requirements of this Commission as well as those imposed by the Florida Department of Environmental Protection.



RESPONSE TO AUDIT EXCEPTION NO. 1

SUBJECT: MONTHLY BOOKING OF ACCOUNTS

COMMENTS:

1. PSC Auditor Statement of Fact: Commission Order 24458 requires the utility to file monthly general ledgers before the end of the following month. The last monthly general ledger filed by the utility was for August 1993.

Utility Response: Monthly general ledgers were filed, as required by the Commission, on a timely basis. The Docket under which these filings were required was closed September 15, 1993 based on the finding that all requirements had been met. SGI filed the August general ledger in September, thus completing the Commission's requirements.

2. PSC Auditor Statement of Fact: During fieldwork, it was observed the company was not posting its general ledger accounts monthly. Specifically the December 1993 general ledger was not completed during mid March [Note: The test year for this rate application ended December 31, 1992].

Utility Response: SGI takes issue with this conclusion. The December 31, 1993 general ledger was complete by January 15, 1994. Only the year end adjusting entries were not completed until March. A time delay between completing the year end general ledger and completing the adjusting entries for year end close out is a normal accounting procedure.

SGI maintains its books on a monthly basis, as required by the Commission. The books are closed by the 10th of the following month with a related month end close out period report. All cash is balanced to the books, including reconciliation of bank statements, by the 15th of the following month. This insures that the customer accounts are properly reconciled and stated and that irregularities and errors can be detected in a timely manner.

The audit report cites Section 674.406, F.S., Customer's Duty to Discover and Report Unauthorized Signature or Alteration, as a reason to keep monthly books. This section of the Florida Statutes falls under Part IV of the Uniform Commercial Code, Relationship Between Payor Bank And Its Customer. The cited statute refers only to a requirement for a bank customer to review and reconcile bank statements on a monthly basis in order to be able to hold the bank liable for losses resulting from payments of altered checks or checks with unauthorized signatures. As previously noted, SGI reconciles its bank statements on a monthly basis. The cited statute is irrelevant to any other accounting function performed by a

utility under the jurisdiction of this Commission. It certainly has no bearing on how this Commission interprets the accounting instructions of the Uniform System of Accounts (USOA) for Class B water Utilities.

SGI utilizes a TAABS software system which does not enable us to print statements until all closing entries are made to the current month. This limitation does not in any way mean that the books are not closed (with proper documentation), balanced and reconciled.

3. PSC Auditor Statement of Fact: The Commission in Order 92-0122, dated March 31, 1992, found that failure to update the utility's general ledger was not a substantial violation of Commission rules. This finding was despite the presence of the statement: "Each utility shall keep its books on a monthly basis" in the Uniform System of Accounts.

Utility Response: This is a reargument by the auditor of the decision of the Commission in Order No. PSC-92-0122-FOF-WU regarding maintaining books on a monthly basis. In that Order the Commission found no evidence in the record prohibiting the accumulation of data. The evidence in that record was provided by accounting witnesses for the utility, an intervenor and for PSC Staff. Now, in this exception, two years after the Commission issued its order, the audit staff has apparently found reason in Chapter 674, Florida Statutes as to why it believes the Commission decision was wrong. As discussed above in Response Item 2 to this exception, that statute is irrelevant to this Commission's interpretation of USOA accounting instructions. Furthermore, if the auditor has an argument with the Commissioners, it is more properly addressed to their attention. However, we believe the period for protesting that Order has passed. In any case, it does not apply to the rate case test year and does not have any impact on the facts being considered in the rate application.

4. PSC Auditor Opinion: This utility as well as all utilities should be required to keep books on a monthly basis. The proper form also requires that a year to date listing also be prepared at the close of the year. The utility did not maintain a year to date listing during 1992 and 1993.

Utility Response: We are not aware of any requirement in the Uniform System of Accounts or in any rule or regulation of this Commission to prepare a year to date listing. The ability to print at year end, by account, every transaction that is posted to each general ledger account, is a function of the type of software being utilized. SGI did not have that capability in 1992. In 1992, it did have the capability to print out, for each month, by account, every transaction posted to each general ledger account. The staff of SGI did

provide a compilation of those monthly transaction printouts for the auditor.

In response to the auditor's comments, SGI, in 1993, invested in a new TAABS software package that has the capability to print a year to date history.

RESPONSE TO AUDIT EXCEPTION NO. 2

SUBJECT: UTILITY RECORDS

COMMENTS:

1. PSC Auditor Opinion: The books during 1988 through 1991 are not in as good a condition as in 1992.

Utility Response: SGI agrees with the observation of the audit staff that the books during 1988 through 1991 are not in as good a condition as in 1992. This comports with the observations of the Commission in monitoring compliance with Order No. 21122 and subsequent orders in Docket No. 871177- WU. During that period SGI was striving for compliance and in fact was able to reach compliance as evidenced by that finding in the order closing the docket.

2. PSC Auditor Opinion: On several occasion's during the field work, the utility's accountant was not readily available.... During February and March 1994 the accountant was only available on Fridays.

SGI agrees with the observations of the audit staff that the contract accounting personnel could not be available at all times to meet all of SGI's (and the auditor's) accounting needs. This observation supports SGI's basis for proforma expense adjustments for additional office personnel so that contract accounting personnel can be used more effectively. At this time, SGI cannot justify a full time accountant on its staff, and it was not physically possible for SGI's limited staff to respond to audit and discovery requests and to maintain ongoing bookkeeping requirements, all on a timely basis. The need for additional personnel was previously noted by the Commission in Order 92-0122 regarding the ability of the utility to post its books on a monthly basis. The Commission stated, "Further, we find that the information needed to prepare such monthly entries was available, but that limited resources prevented the monthly updating of the general ledger." That is exactly the current circumstance. The information is available, but the personnel to obtain it, interpret it and carry on the day to day affairs of the utility have not been. An additional office worker was hired in 1993, and the "auditor did notice a better control of documents after the Bookkeeper obtained the additional office worker."

3. PSC Auditor Opinion: Books are recorded on a cash basis rather than an accrual basis.

Utility Response: SGI takes issue with this statement. Accrual

Utility Response: SGI takes issue with this statement. Accrual basis accounting is defined as the process of recording revenues at the point that they are earned and recognizing expenses as they are incurred. SGI's books are clearly kept on an accrual basis. Monthly journal entries are made to accrue depreciation and amortization, real estate taxes, interest expense on related debt, payables and receivables, revenue, and extraordinary transactions pertaining to the current period.

4. PSC Auditor Opinion: The Utility appears to have relatively inexperienced accounting staff and has recently added a CPA consultant.

Utility Response: SGI does not agree that the accounting staff is relatively inexperienced. The accounting staff, consisting of one contract person on a part time basis, is a qualified and experienced accountant that has been operating under the dual burden of bringing forward and maintaining compatibility with older records that were not under her control, and operating under time limitations dictated by budget constraints.

5. PSC Auditor Opinion: The accountant's journal entries are not supported.

Utility Response: SGI takes issue with this statement. Journal entries are properly supported. Again, the problem was one of obtaining and providing the support to the auditor on an as requested basis when the accountant responsible for the entries could only be available on a part time basis.

6. PSC Auditor Opinion: The 1992 books were not closed until approximately September 1993. This is very apparent by the Utility's accountant's recording of CWIP for 1992.

Utility Response: SGI takes issue with this statement. The utility's 1992 books were timely closed, as it is the standard operating procedure of the utility to close the books by the 10th of the following month. The Commission is aware of this because, during the period in question, SGI was providing monthly general ledgers and trial balances to the Commission.

SGI is in compliance with Generally Accepted Accounting Principles (GAAP) in the booking of Construction Work in Progress. GAAP states that construction accounting does not require the reporting of an estimate. SGI had secured contracts on the completion of the work in progress, but it was management's decision, at that point, to book construction completion as it was billed to SGI, so as give more accurate detail, including change orders assessed to a

7. PSC Auditor Opinion: As of March 23, 1994, the books for 1993 had not been closed. The 12/31/93 general ledger obtained from the utility was not a final ledger. In addition, the utility had not closed its books for January and February of 1994. No general ledger existed for those months.

Utility Response: SGI takes issue with this redundant, but still inaccurate, statement. See Response to Exception No.1. SGI takes issue with the misleading and inaccurate statement that general ledgers for January and February, 1994 did not exist. As previously explained, the accounting software does not allow a printout until the closing entries for the previous month are posted. The closing entries for December, 1993 had not been posted when the auditor requested the January and February printouts.

RESPONSE TO AUDIT EXCEPTION NO. 3

SUBJECT: FORM 1099-MISC

COMMENTS:

1. PSC Auditor Statement of Fact: Armada Bay Company, a Florida Corporation, has a management and operating agreement with St. George Island Utility, LTD. The agreement states, "as full and adequate compensation for the management and operating agreement, the utility will pay ABC an annual management fee of \$48,000....."

\$15,375 of the \$48,000 was disbursed by checks to Gene D. Brown, Cash (endorsed by Gene Brown) and Publix (written and cashed by Gene D. Brown).

Utility Response: Any management fees received for Armada Bay Company by Gene D. Brown were accepted as an agent for Armada Bay Company. This is supported by the PSC auditor's review of the Armada Bay tax return which included the total \$48,000 management fee as income for the 1992 tax year.

2. PSC Auditor Statement of Fact: In addition to the above \$15,375, Gene D. Brown received Transportation Allowance in the amount of \$1,050 and Medical Benefits in the amount of \$450 for a total of \$16,875.

Utility Response: Again, there is no requirement that funds received by Gene D. Brown, as an agent for Armada Bay Company, be reported on a 1099. No 1099 was required and none was filed.

3. PSC Auditor Opinion: No form 1099 was issued for Gene D. Brown.

Utility Response: There is no requirement that funds received by Gene D. Brown, as an agent for Armada Bay Company, be reported on a 1099. No 1099 was required and none was filed. Funds received were documented and properly reported by Armada Bay Company.

RESPONSE TO AUDIT EXCEPTION NO. 4

SUBJECT: THIRD WELL LAND

COMMENTS:

1. STATEMENT OF FACT: MFR Schedule A-5 page 1 reflects an Utility adjustment to Land and Land Rights to reclassify Land purchased in 1990 for the Third Well in the amount of \$23,276.00.

The Warranty Deed recorded 9/12/90, OFF REC 326 PAGE 035, shows the grantee of the above land (Lot 1, Block 9, David Brown Estates) as Armada Bay Company.

An Indenture (Mortgage Deed) recorded 9/12/90, OFF REC 326 PAGE 036 and 037, is between Armada Bay Company, called the Mortgagor, and Fleet Finance & Mortgage, Inc., called the Mortgagee. Witnesseth, that the said Mortgagor, for and in consideration of the sum of Ten Dollars to it in hand paid by the said Mortgagee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said Mortgagee, the following described land, Lot 1, Block 9, David H. Brown Estates.

Armada Bay Company (Lessor) and St. George Island Utility Company, Ltd. (Lessee) has a Lease Purchase Agreement, dated 6/26/90 and an Amendment to Lease Purchase Agreement, dated 8/20/92, for Lot 1, Block 9, David H. Brown Estates.

The Land, Lot 1 Block 9, David Brown Estates, was purchased with funds from the Barrier Island Escrow Account (an escrow account containing CIAC monies) for the benefit of St. George Island Utility Company, Ltd.

PSC Auditor Opinion: Since this property was purchased with Utility Escrow Funds, the property ownership should be in the name of the Utility.

Utility Response: The Third well was purchased with part of \$75,000 which GDB and or affiliates borrowed from Fleet Finance and Mortgage, Inc. in Atlanta. These funds were placed in a "Utility Escrow" account at the recommendation of PSC staff. However, they did not come from CIAC funds, but from loans personally secured by GDB. Accordingly there is no basis for Armada Bay Company deeding the land to the Utility except under the terms of the lease purchase agreement.



PSC Auditor Opinion: In addition, the adjustment to Land and Land Rights should be reduced by \$570.00.

Utility Response: SGI does not take issue with this exception.

RESPONSE TO AUDIT EXCEPTION NO. 5

SUBJECT: LACKING INVOICE SUPPORT - PLANT

COMMENTS:

1. FSC Statement of Fact: The Schedule on the following page represents costs charged to the Utility Plant in Service Account lacking the accompanying invoice. Expenditures noted were lacking either the invoice, other supporting documents or a canceled check.

Utility Response: Attached are canceled checks and related invoices to support the expenditures for auditors items #2, 3, 6, 7, 8, 9 and 10.

#2	Barrett Supply	\$2,944.68
#3	Cooper Fence	1,587.00
#6	Wallace Pump	307.11
#7	Wallace Pump	951.04
#7	Wallace Pump	951.03
#8	Wallace Pump	950.89
#8	Wallace Pump	950.88
#9 & #10	Wallace Pump	300.00

All remaining expenditures are supported by canceled checks with the exception of \$158.58 for Cobb/Coloney.

ATTACHMENT TO  
RESPONSE TO AUDIT EXCEPTION NO. 5

Audit Report

Docket No. 940109-WU  
St. George Island Utility Company, LTD (SGI)  
Application for Increased Rates in Franklin County

ST. GEORGE ISLAND UTILITY CO., LTD.

P.O. BOX 632  
EASTPOINT, FL 32328

SERVICE CHARGE OF \$15.00  
DRAWING AGAINST BAL. OF NOT  
SUFFICIENT FUNDS.  
ORDER OF

Barrett Supply

APALACHICOLA STATE BANK

P.O. DRAWER 370  
APALACHICOLA, FLORIDA 32320

002933

RETURNED BY: 063200928

Apalachicola State Bank  
Apalachicola, FL 32320

NSF UNLESS OTHERWISE MARKED

**PAID**

APALACHICOLA STATE BANK  
APALACHICOLA, FLORIDA

02-92 03-92 03-92

CHECK NO.	2933	CHECK AMOUNT	\$2944.68
-----------	------	--------------	-----------

SIGNATURES REQUIRED

DATE 05-28-89

*Debra Decker*

⑈002933⑈ ⑆063200928⑆ 65 01597 6⑈01 146⑈0000294468⑈

*acator*

ST. GEORGE ISLAND UTILITY CO., LTD.

P.O. BOX 632  
EASTPOINT, FL 32328

PAY TO THE ORDER OF

Donaldson Electric

APALACHICOLA STATE BANK

P.O. DRAWER 370  
APALACHICOLA, FLORIDA 32320

002917

RETURNED BY: 063200928  
Apalachicola State Bank  
Apalachicola, FL 32320

NSF UNLESS OTHERWISE MARKED

**PAID**

APALACHICOLA STATE BANK  
APALACHICOLA, FLORIDA

02-92 03-92 03-92

DATE	05-28-89	CHECK NO.	2917	CHECK AMOUNT	\$1156.79
------	----------	-----------	------	--------------	-----------

SIGNATURES REQUIRED

*Debra Decker*

⑈002917⑈ ⑆063200928⑆ 65 01597 6⑈01 146⑈0000115679⑈

**BARRETT SUPPLY**  
 6900 Phillips Hwy., Unit #18  
 JACKSONVILLE, FLORIDA 32216-6038

# INVOICE

3459

(904) 739-1041

TO

St. George Island Utility Company

P. O. Box 632

Eastpoint, FL. 32328

DATE	ORDER NO.
5/18/89	
SHIP TO	

SALES PERSON	DATE SHIPPED	SHIPPED VIA	P.O.B. POINT	TERMS
QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL	
1	Chlorine Booster Station as per drawings		\$1,528	0
	6 % tax		91	6
	Total		\$1,619	6

ORIGINAL

*Thank You*

**BARRETT SUPPLY**

6900 Phillips Hwy., Unit #18  
JACKSONVILLE, FLORIDA 32216-6038

# INVOICE

3458

(904) 739-1041

TO

St. George Island Utility Company

P. O. Box 632

Eastpoint, FL. 32328

DATE	5/18/89	ORDER NO.	
SHIP TO			

QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL
1	Three Tray Aerator extension as per drawings		\$1,250 00
	6 % tax		75 00
	Total		\$1,325 00

ORIGINAL

*Thank You*

APALACHICOLA STATE BANK  
DEBIT MEMO

Sept. 14, 19 89

*Due to file*

ARE TODAY CHARGING YOUR ACCOUNT AS FOLLOWS: Debiting account to purchase \$1,587.00

St. George Island

**PAID**  
SEP 18 89  
APALACHICOLA STATE BANK  
APALACHICOLA, FLORIDA  
09-02 03-02 03-02

Cashier Check payable to  
Cooper Fence Company

*Walter from Gene*

APPROVED BY  
*AA*

APALACHICOLA STATE BANK  
APALACHICOLA, FLORIDA

TOTAL \$1,587.00

⑆063200928⑆ 65 01597 6⑆01 ⑆⑆⑆⑆0000⑆58700⑆

*Access around trail required  
by DNR*

# COOPER FENCE COMPANY

PHONE 1-904-670-8135  
P.O. BOX 579  
EASTPOINT, FL. 32328

(ask for Jim or Willie)

SOLD TO ST. GEORGE UTILITIES  
ADDRESS \_\_\_\_\_  
CITY ST. GEORGE IS. STATE FL ZIP \_\_\_\_\_



DATE 9-14-89  
SOURCE \_\_\_\_\_  
OF LEAD \_\_\_\_\_  
TELEPHONE \_\_\_\_\_  
NUMBER \_\_\_\_\_

JOB LOG NO. \_\_\_\_\_

**SPECIFICATIONS:** All work will be performed in a workmanlike manner and in accordance with standard practice.

Total Height 6' W/ RAIL  
Post Spaced 10' ON TRESS  
Style Fence CHAINLINK  
Gauge...  9  11 1/2  
Knuckled .....   
Safeguard .....  X Y I  
 Domes  HH  
Gate Ornaments:  
Dogs  Scrolls  None   
Name Scroll \_\_\_\_\_

**CHAINLINK** Check Caption Preferred  
Top Rail .....  1 3/8" O.D.  
Line Post .....  1 5/8" O.D.  
End Post .....  2 1/2" O.D.  
Corner Post .....  2 1/2" O.D.  
Walk Gate Post .....  2 1/2" O.D.  
Drive Gate Post .....  2 1/2" O.D.  
Gate Frames .....  1 3/8" O.D.

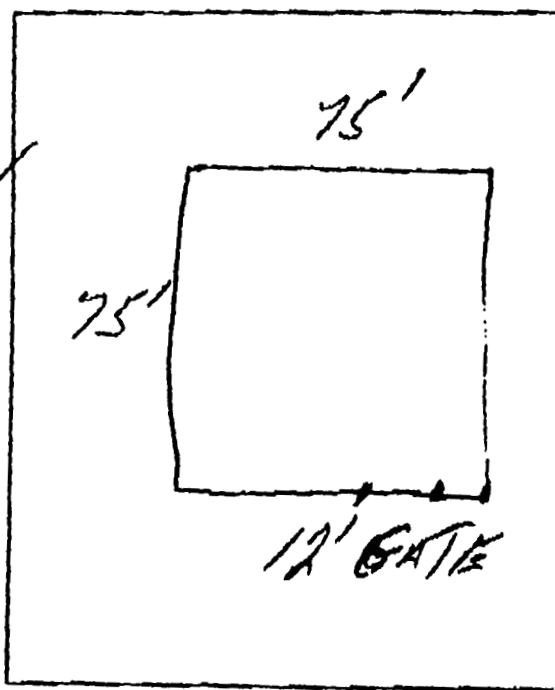
**KEY**  
Fence to be erected \_\_\_\_\_  
Tie-ons (Out permission) X  
Terminal Post O  
Existing Fence \*\*\*\*\*  
Walk Gate   
Double Gate   
Clothes post location must be shown on job  
Indicate if sides are short  
**SKETCH**

All posts set in concrete.

**TERMS:** Budget .....   
Cash Upon Completion .....   
Other... \_\_\_\_\_  
Customer Request Set \_\_\_\_\_  
Date... \_\_\_\_\_  
Is Fence Line Clear..... Yes   
No  Remove \_\_\_\_\_ Ft.

Be Level With Lowest Grade   
Be Level With Highest Grade   
Top Rail To Follow Ground   
Average High & Low Grade   
Other... \_\_\_\_\_

Commission	QUANTITY
NOTES	6' FENCE
	3 STRANDS
	BARB WIRE
	12' GATE



**CONTRACT CONDITIONS**

MORE OR LESS MATERIAL OTHER THAN AMOUNT CONTRACTED FOR WILL BE CREDITED AT CURRENT RATE ACCEPTANCE - This above proposal of by the Company, at its main office, becomes a contract between the two (not subject to cancellation).  
Stipulations on the part of the Company shall not be derogated at all of this proposal.  
In case Payment is not made as specified in (Terms of Payment) the Company has the right to repossess all materials used on this job without recourse.  
**BUYER AGREES TO A CHARGE OF . . . PERCENT PER AN ANNUAL PERCENTAGE RATE** on pay due before reasonable fee should it become necessary to refer this contract to a collector. **PROPERTY OWNER** is solely responsible for locating, marking fence lines. Purchaser also agrees that the Company will not be held liable for any damage of any nature to underground obstructions, or there is no warranty on wood fence materials.  
**NOTICE:** If contract is changed after the erection crew begins the job, there is a \$7.50 per hour charge for time lost.  
per cent charge of the total contract price.

Total \_\_\_\_\_  
Sales Tax \_\_\_\_\_  
TOTAL 1587.00

Sales Man J. Cooper  
Accepted for the Company \_\_\_\_\_

Owners   
Lessee





# WALLACE PUMP & SUPPLY, INC.

POST OFFICE BOX 167  
BRUNDIDGE, ALABAMA 36010-0167  
205/736-2338 / 736-2339

POST OFFICE BOX 13817  
MEXICO BEACH, FLORIDA 32410  
904/848-8161



41656

*St George Electric Company*

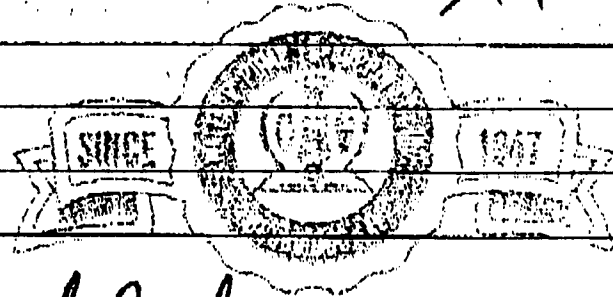
W  
P  
S  
C

DATE	QUANTITY	SERVICE	CUSTOMER P.O. NUMBER	SALESMAN	PULLED BY	PACKED BY	TELEPHONE	VIA
5/30				#2				

OUR TRUCK  
 OTHER

QTY	UNIT	DESCRIPTION	UNIT PRICE	TOTAL
1200	200	1" Blue Max Service Tubing	.37	444.00
4	4	1" - 710-10 PVC Coupling	4.41	17.64
3	3	6 X 1 PVC Self Tapping Saddle	36.33	109.00
				570.64
				37.10
				607.74

511



*Paul Coch*

C. 100, M. 1000, PT. pint, QT. quart, GL. gallon, DRUM. drum, LBS. pounds, BX. box, CL. coil, RL. roll, FT. foot, DZ. dozen, EA. each

CUSTOMER SIGNATURE



# WALLACE PUMP & SUPPLY, INC.

POST OFFICE BOX 187  
BRUNNIDGE, ALABAMA 36010-0187  
206/738-2338 / 238-2339

POST OFFICE BOX 13517  
MEXICO BEACH, FLORIDA 32410  
904/448-8181



41814

*St George Island Utilities*

S H I P P I N G

ORDER NUMBER	CUSTOMER NUMBER	CUSTOMER P.O. NUMBER	SALESMAN	PULLED BY	PACKED BY	SHIP VIA
1-90			#2			

QTY	UNIT	DESCRIPTION	UNIT PRICE	TOTAL PRICE
15	15	3/4 x 7 Meter Puses	31.50	472.50
15	15	Plastic Meter Box	95.2	1428.00
30	30	3/4 Male A # 730-07	23.4	702.00
30	30	1" Female A	28	840.00
30	30	1 x 3/4 Th Bushing	45	1350.00
15	15	1 x 3/4 Brass W/G	11.2	168.00
15	15	3/4 Th Cap Nut	38	570.00
15	15	6 x 1 cts PVC self Tap drill	35.25	528.75
3	3	4 x 1/2 SWD 1/2" W/	2798	8394.00
2	2	8 x 1 1/2 JCM Repair Clamp	80.42	160.84
1	1	8 x 6 " " "		47.50
181	181	3/4 Blue Max 100		3150.00
181	181	1 " " "		5040.00
				1785.70
				116.07
				1901.77

*[Signature]*

SIT

G. 100, M. 1000, PT. pint, QT. quart, GL. gallon, DRM. drum, LBS. pounds, BX. box, CL. coil, RL. roll, FT. foot, DZ. dozen, EA. each

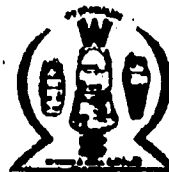
CUSTOMER SIGNATURE



# WALLACE PUMP & SUPPLY, INC.

POST OFFICE BOX 187  
BRUNDIDGE, ALABAMA 36010-0187  
206/735-2338 / 735-2338

POST OFFICE BOX 13817  
MEXICO BEACH, FLORIDA 32410  
904/848-8181



1904668044150

P. 05

41884

*St George Island Station*

*St George Island*



01/90	#2	<input type="checkbox"/> OUR TRUCK	<input checked="" type="checkbox"/> OTHER
-------	----	------------------------------------	---

QTY	UNIT	DESCRIPTION	UNIT PRICE	TOTAL
1		30 inch well head for water station		143.54
15		3/4" x 7" Motor Riser	31.50	472.50
15		Plastic Motor Riser	9.52	142.80
30		3/4" Male HHH 730-07	234	7020
30		1" Female H-	128	816
30		1" x 3/4" Threaded Blanking	45	1350
15		1" x 3/4" Brass Tee	11.21	168.15
15		3/4" Female H	138	570
15		6 x 1" (SINCE) 1847	35.35	530.25
2		4 x 1" (SINCE) 1847	27.98	83.94
2		8 x 12 gal Repair Clamps	80.42	160.84
1		8 x 12 gal "		47.50
15		3/4" Blue Dial 100		51.50
15		1" " " "		50.40
<del>3/4" 7500 Pressure Relief Valve</del>				
				1929.24
				12540
				20546.4

*Paid 3/21/90*

517

20546.4

C. 100, M. 1000; PT. pint, QT. quart, GL. gallon, DRUM. drum, LBS. pounds, BX. box, CL. coil, RL. roll, FT. foot, DZ. dozen, EA. each

CUSTOMER SIGNATURE



# WALLACE PUMP & SUPPLY, INC.

POST OFFICE BOX 187  
BRUNNIDGE, ALABAMA 36610-0187  
205/738-2339 / 738-2339

POST OFFICE BOX 13817  
MEXICO BEACH, FLORIDA 32410  
904/848-8181



47141

ST. GEORGE ISLAND Utilities

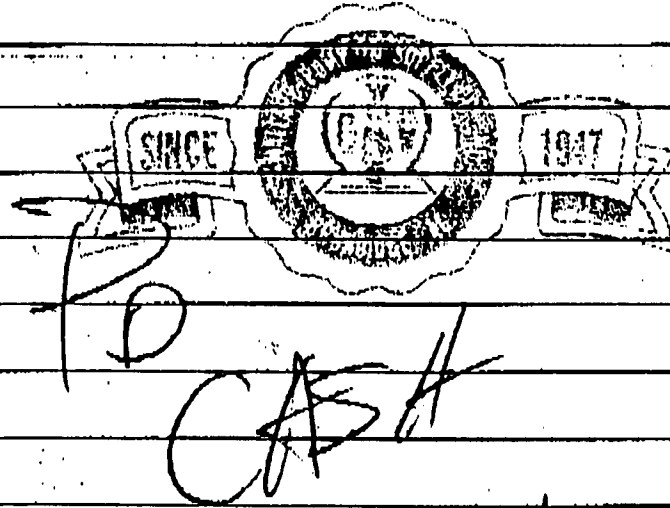
*St. George Island*

S  
H  
I  
P  
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O

CUSTOMER P.O. NUMBER	SALESMAN	PULLED BY	PACKED BY	SHIP TO
26-90	#2			

OUR TRUCK  
 OTHER

QTY	UNIT	DESCRIPTION	UNIT PRICE	TOTAL
1	1	6 x 12 Jcm REPAIR COUPLING	72.65	72.65
4	4	731-10 1" FE ADAPT	3.66	14.64
			SUB	87.29
			TAX	5.61
			TOTAL	92.90



*CASH*  
*Richard L...*

C. 100, M. 1000, PT. pint, QT. quart, GL. gallon, DRM. drum, LBS. pounds, BX. box, CL. coil, RL. roll, FT. foot, DZ. dozen, EA. each

CUSTOMER SIGNATURE



# WALLACE PUMP & SUPPLY, INC.

POST OFFICE BOX 187  
BRUNNIDGE, ALABAMA 36010-0187  
205/735-2330 / 735-2339

POST OFFICE BOX 13517  
MEXICO BEACH, FLORIDA 32410  
904/848-8181



61068

*St. George Island Utilities*

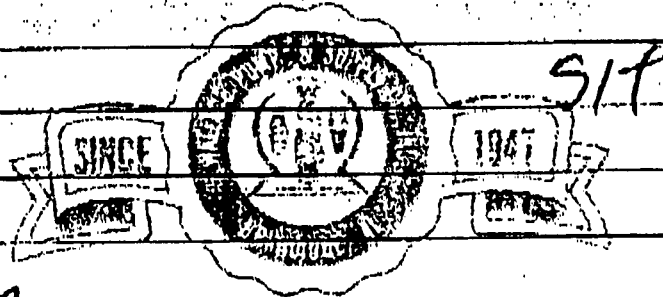
*Each pump, 1 gal*

SHIP TO

190			#2			OUR TRUCK OTHER	SHIP VIA <i>PLP</i>
-----	--	--	----	--	--	--------------------	------------------------

QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	TOTAL PRICE
206	2 1/2"	1" Blue Max	50.40	100.80
4	4	2" PVC Orange C	4.45	17.80
4	4	1" #710-10 Coupling PVC	4.41	17.64
4	4	#731-10 Female F PVC	3.87	15.48
1	1	6x12 J.C.M Repair Coupling	72.65	72.65

224.37  
14.58



*pd Cash*

238.95

UNIT: C. 100, M. 1000, PT. pint, QT. quart, GL. gallon, DRUM. drum, LBS. pounds, BX. box, CL. coll, RL. roll, FT. foot, DZ. dozen, EA. each

CUSTOMER SIGNATURE

NAME St. George Isl. Utility Co.  
 ACCT. No. 0153601001  
 PAY TO THE ORDER OF 16 Nov 18 90 004 63-762 831  
 \$ 1901.77  
 FOR 11/18/90 Wallace Pump  
 \$1,901.77 CC  
 ST. GEORGE ISLAND, FLORIDA 32328  
 Gulf State Bank  
 00555310-033630  
 006310-7523  
 0301 \*1901.77 CC

NAME St. George Island Utility Co.  
 ACCT. No. 0153601001  
 PAY TO THE ORDER OF 3/31 19 90 004 63-762 831  
 \$ 2055.07  
 FOR Wallace Pump  
 \$2,055.07 CC  
 ST. GEORGE ISLAND, FLORIDA 32328  
 Gulf State Bank  
 00555310-033630  
 006310-7523  
 0301 \*2055.07 CC

NAME St. George Island Utility Co.  
 ACCT. No. 01536010-01  
 PAY TO THE ORDER OF 6/26 19 90 004 63-762 831  
 \$ 200.00  
 FOR Wallace Pump  
 \$200.00 CC  
 ST. GEORGE ISLAND, FLORIDA 32328  
 Gulf State Bank  
 00555310-033630  
 006310-7523  
 0301 \*200.00 CC

NAME St. George Island Utility Co  
 ACCT. No. 0153601001 7-25 19 90 004 63-762 831  
 PAY TO THE ORDER OF Cash \$ 300.00  
Three hundred & 00/100 0022530-0725.90 DOLLARS  
Gulf State Bank 00555310-7523  
 ST. GEORGE ISLAND, FLORIDA 32328 0301 \*300.00 CC  
 FOR Wallace Pump Richard T. B.  
 0153601001 114700000030000

RESPONSE TO EXCEPTION NO. 6

SUBJECT: LACKING CANCELED CHECK SUPPORT - PLANT

COMMENTS:

1. STATEMENT OF FACT: The Schedule on the following page presents costs charged to the Utility Plant In Service Account without the accompanying canceled check.

PSC Opinion: Cost unsupported by canceled checks should not be considered utility investment in rate base.

Utility Response: SGI takes exception with the PSC Auditor's opinion that cost unsupported by canceled check should not be considered utility investment in rate base. SGI Utility maintains its records on an accrual basis which requires that expenses be recorded as they are incurred, not as they are paid. All of the listed expenses are documented by invoice support which the PSC auditor has reviewed. Attached also are canceled checks to support the Sunstate Meter (auditor item #1), Rowe Drilling (auditor item #2), and Wallace Pump (auditor item #3 & 4) expenditures. Ardaman and Associates, Inc. (auditor item #7) expenditure is supported by the attached release of lien when the judgement was satisfied. The expenditures relating to Larry Cobb and Coloney Consulting are valid expenses and are included in the debt of the utility company.

ATTACHMENT TO  
RESPONSE TO AUDIT EXCEPTION NO. 6

Audit Report

Docket No. 940109-WU  
St. George Island Utility Company, LTD (SGI)  
Application for Increased Rates in Franklin County



**ROE ISLAND UTILITY CO., LTD.**  
 P.O. BOX 632  
 EASTPOINT, FL 32328

**APALACHICOLA STATE BANK**  
 APALACHICOLA, FLORIDA 32309  
 66-00000

**002535**

9/26/88 2545 363.60

SIGNATURES REQUIRED

**NOT NEGOTIABLE**

Sunstate Meter & Supply

⑈002535⑈ ⑆063200928⑆ 65 01597 6⑈01

ROE ISLAND UTILITY CO., LTD.

VENDOR NO.

VENDOR NAME

DATE	REFERENCE	DESCRIPTION	AMOUNT
8		meters & supplies invoice # 52068	\$363.60

CUSTOMER COPY

# INVOICE

07/29/88

DATE

52068

INVOICE NO.

## SUNSTATE METER & SUPPLY, INC.

11207 N.W. 14th AVENUE  
GAINESVILLE, FLORIDA 32608  
(904) 332-7108

PLEASE PAY FROM INVOICE

**"DISTRIBUTOR FOR MAJOR BRANDS OF WATER AND SEWER SYSTEMS SUPPLIES"**

GEORGE ISLAND UTIL. CO.  
P.O. BOX 632  
ST. GEORGE ISLAND, FL 32328

S  
H  
I  
P  
T  
O

ST. GEORGE ISLAND UTIL. CO.  
GULF BEACH DRIVE  
ST. GEORGE ISLAND, FL 32328

ITA	P.O. NO.	OUR ORDER NO.	ORDER DATE	SHIP DATE	SLSM.	COO
		373375	7/25/88	7/29/88	7	
AS	SHIPPING INSTRUCTIONS		SPECIAL INSTRUCTIONS			
S	UPS					

QTY	ITEM NO.	DESCRIPTION	UNIT PRICE	TOTAL
0	58031-001	3/4x7 1/2 M-25 BRZ MTR BRZ B	27.000 EA	162.00
0	142-7W	5/8x3/4" RESETER 7" W/LW	24.980 EA	149.88
0	731-10	1" FEMALE ADPT. FIPxPE	4.030 EA	24.18
		UPS CHGS		7.00

<small>INTEREST IS COMPUTED BY A PERIODIC RATE OF 1 1/2% WHICH IS AN ANNUAL RATE OF 18% PER YEAR ON THE PREVIOUS BALANCE WITHOUT DEDUCTING PAYMENTS AND/OR CREDITS APPLIED ON THIS CURRENT PRICE POLICY IS PRICE IN EFFECT AT DATE OF ORDER.</small>					<b>PAY THIS AMOUNT</b>	
0.00	0.00	20.16	0.00	<b>363.64</b>		

GEORGE ISLAND UTILITY CO., LTD.  
SOCIAL LOAN ACCOUNT

*Rowe Drilling Co.*

*for Thomas J. Tuttle*

Apalachicola State Bank  
APALACHICOLA, FLORIDA 32320

11083 2004 2AU

6 20 2 0071

APALACHICOLA STATE BANK  
APALACHICOLA, FLORIDA

68 23 60

FB of ...  
STATE OF FLORIDA

Rowe Drilling

\$12,020.-

GEORGE ISLAND UTILITY CO., LTD.

P.O. BOX 632  
EASTPOINT, FL 32328

002870

Two Thousand Five Hundred

DATE: MONTH: YEAR: AM/PM

WALLACE PUMP AND SUPPLY CO.

002870 006320000000

WALLACE PUMP & SUPPLY CO.  
FOR DEPOSIT ONLY

Source document very hard to  
read - Available @ the Utility  
Company for review.  
Wallace Pump \$2,593.90

GEORGE ISLAND UTILITY CO., LTD.

PO BOX 92  
EASTPOINT FL 32923

*Due to Fred*

APALACHICOLA STATE BANK

APALACHICOLA FLORIDA 32309

00000

002

9-16-89	29
<i>[Handwritten scribbles]</i>	

⑆ 8908 ⑆ ⑆ 063200928⑆ 65 06597 6⑆0⑆ 1460000⑆M

APALACHICOLA STATE BANK  
APALACHICOLA FLORIDA 32309

⑆ 063200928⑆ 65 06597 6⑆0⑆ 1460000⑆M

Wallace Pump 3188.56

RESPONSE TO EXCEPTION NO. 7

SUBJECT: ADJUSTMENT TO PLANT

COMMENTS:

1. PSC Auditor Opinion: These charges are largely transportation costs or finance charges, such costs are not readily plant according to the uniform system of accounts.

Utility Response: SGI disagrees with the auditors statement that transportation costs are not plant according to the uniform system of accounts. Per USOA Accounting Instruction No. 14, utility plant includes labor, materials and supplies, transportation, etc.

SGI agrees that finance charges are not plant, except to the extent that they may be reflected in AFUDC.

2. PSC Auditor Opinion: The auditor also notes an adjustment to plant which involves leasehold improvements of \$1,295, which should first be allocated ....

Utility Response: SGI states that the leasehold improvements are a proper component of utility plant, per USOA Accounting Instruction No. 18. Since the service life is not terminated by the life of the lease it should be treated as depreciable plant as is now being done by the utility. SGI agrees that the cost of the improvement should be adjusted to reflect only the portion allocated to utility use.

RESPONSE TO EXCEPTION NO. 8

SUBJECT: PLANT RETIREMENTS

COMMENTS:

1. PSC Auditor Opinion: The staff engineer should review this finding and direct the utility to adjust its accounts.

Utility Response: SGI does not take issue with this exception. For those items for which the original cost of the specific components cannot be separately identified, the amounts retired should be determined by multiplying the replacement cost times the ratio of the cost indices for the original year to the replacement year.

RESPONSE TO EXCEPTION NO. 9

SUBJECT: ADJUSTMENT TO THIRD WELL PROFORMA

COMMENT:

1. PSC Auditor Statement of Fact: As of April 12, 1994, the utility reports the automatic switchover system is not fully operational for the third well.

Utility Response: This well was tested and cleared by FDEP on August 11, 1993 with regard to its ability to deliver water as rated and with regard to the operation of the emergency generator system. The well has been shown to deliver water at at least its rated capacity and substantially in excess of that amount. The auxiliary generator and automatic switchover system were fully operational at that time. The well was designed with an automatic emergency switchover system. If power is lost to the system, it is designed to automatically switch over to the emergency generator. When power is restored, the system is designed to automatically switch back to the public power source. Subsequently a problem developed with the sophisticated electrical switching system, which did not effect the well's capacity to supply water to the island. The problem was solved and the new third well has been operating in tandem with wells number one and two for several weeks. Well number three received final clearance from the Utility's engineers, and final payment has been made.

2. PSC Auditor Opinion: Any cost not supported should be removed from the utility's requested proforma investment.

Utility Response: In its MFR, SGI included a proforma adjustment to plant in service that included \$10,890 for engineering services, provided by Coloney Consulting Engineers, associated with the third well. Audit Exception No. 9 indicates that these services are not supported by itemized invoices. That is incorrect. Coloney provides itemized invoices for all services rendered to SGI. However, those invoices are not necessarily separated with regard to individual projects of the water system. Accordingly, SGI requested Coloney to review all of its invoices to SGI and major projects, the third well and the elevated storage tank. Copies of the correspondence from Coloney and the detailed invoices are attached. In categorizing the charges in question, Coloney determined that the actual charges for services related to the third well are \$12,187.14 rather than the \$10,890 specified in the MFR.



ATTACHMENT TO  
RESPONSE TO AUDIT EXCEPTION NO. 9

Audit Report

Docket No. 940109-WU  
St. George Island Utility Company, LTD (SIC)  
Application for Increased Rates in Franklin County

**The Coloney Company Consulting Engineers, Inc.**

P. O. BOX 688 / 1014 N. ADAMS STREET  
TALLAHASSEE, FLORIDA 32302  
904-222-8193 FAX 904-222-9824

12 May, 1994

Gene D. Brown, Esquire  
St. George Island Utility Company, Ltd.  
3848 Killearn Court  
Tallahassee, Florida 32308

Reference: Professional Services Rendered in connection with the design, permitting, construction administration and ongoing assistance as required for the 150,000 Gallon Elevated Storage Tank and the Third Well serving the St. George Island Water System.

File: CCCE Project Number 8822

Dear Mr. Brown:

You have requested detailed descriptions of work performed in connection with the 150,000 gallon elevated storage tank and also the third well serving the St. George Island Water System. On 9 March, 1994 we provided you with two statements for professional services rendered as follows:

- o Third well \$10,890.14
- o 150,000 gallon elevated storage tank \$20,993.00

The two bills listed above were prepared after a brief review of our billing statements extending back over the past ten or more years. As you know, we have served as your consulting engineer for a considerable period of time and we have always provided you with detailed statements of the services rendered giving the name of the individual performing the work, a description of the work done, the time spent and the billing rate. At no time in the past, however, has it been necessary nor has it been required that we separate out these billings with regard to individual elements of the water system such as the elevated storage tank and the third well. Since such a definition is necessary and since the Public Service Commission asks that we also provide the detailed work descriptions, we have gone back through our file of previous billings and have extracted those specific entries pertaining to work regarding the third well and the elevated storage tank and have provided you with separate detailed statements for each and these accompany this letter. During this detailed investigation we discovered several errors in the billings of 9 March, and these resulted in changes as follows:

- o Third well: From \$10,890.14 to \$12,187.14
- o Elevated storage tank: From \$20,993 to \$21,814.24

The statements which accompany this letter reflect the increases indicated above.

Gene D. Brown, Esquire

12 May, 1994

page two

You have commented that engineering services rendered in connection with the two elements identified above seem somewhat higher than would be expected. If such is the case, and I am not sure that it is, it is important to note the following:

- o A very considerable amount of time was spent in search for, investigation of and planning on, several different potential sites for the third well. In addition, preparation of the application for the consumptive use permit was extremely time consuming due, in part, to the various sites considered, revisions in the planning concept etc.
- o As you may recall, there were similar site location questions for the elevated storage tank and, more importantly, it was initially contemplated that a brand new tank would be designed and constructed and we spent a great deal of time pursuing this activity. At a later date, it was determined that a used storage tank would be acceptable and this is what was ultimately installed. Despite the additional cost incurred in engineering planning for a new elevated tank, the overall cost of design and construction produced a very substantial saving with the used tank.

If you have any questions or need any additional information, please contact me at your convenience.

Yours very truly,

  
COLONEY COMPANY CONSULTING ENGINEERS, INC.

Wayne H. Coloney, P.E., P.L.S.  
President

WHC/nmi

88220512.LET

**The Coloney Company Consulting Engineers, Inc.**

P. O. BOX 688 / 1014 N. ADAMS STREET  
TALLAHASSEE, FLORIDA 32302  
904-222-8193 FAX 904-222-9824

St. George Island Utility Company, Ltd.  
3848 Killearn Court  
Tallahassee, Florida 32308

12 May, 1994

CCCE Project 8822

Reference: **Professional Services Rendered**  
in connection with the location,  
design, permitting, construction  
administration and initial operation  
of the 150,000 Gallon Elevated  
Storage Tank serving the St. George  
Island Water System.

Services rendered from March, 1988  
to December, 1990

CCCE Tax ID Number: 59-1862453

INVOICE

---

o Wayne H. Coloney, P.E., P.L.S. (Project Manager/Engineer/Designer) 73.2 hours @ \$100.00/hr.	\$ 7,320.00
o Merritt C. Atchley (Engineering Technician V) 123.7 hours @ \$65.00/hr.	8,040.50
o Thomas A. Bryant, P.E. (Engineer/Designer) 18.4 hours @ \$60.00/hr.	1,104.00
o William Davis Bell (Engineering Technician) 89.2 hours @ \$50.00/hr.	4,460.00
o Clerical 17.6 hours @ \$30.00/hr.	528.00
o Direct Job Costs (Copies, Printing, etc.)	361.74
	<hr/>
TOTAL AMOUNT DUE:	\$ 21,814.24

ELEVATED STORAGE TANK  
ST. GEORGE ISLAND WATER SYSTEM

FEEES AND COSTS

DATE	DESCRIPTION	ENGINEER/ TECHNICIAN	HOURS
03/17/88	Administrative Services/ Clerical (1 hr. @ 30.00/hr.)		30.00
03/22/88	Review memo from LAH; review lines and evaluate regarding elevated tank.	MCA	.5
04/10/88	Field inspection and measurements of proposed tank site and supposed 8" water line location; shot photographs of all pertinent objects and documented all visual encroachments found; acquired aerial tax map and zoning code manual; upon return to Tallahassee, wrote a file documentation memo including immediate steps for further survey data necessary to complete project.	MCA	10.0
03/28/88	Telephone conference with Dick Mullins regarding waiving plans review and approval for new water tank; telephone conference regarding same.	WHC	1.0
04/11/88	Telephone conference with Dick Mullins and John Fox.	WHC	1.0
04/11,12 13,21/88	Field work on proposed new tank site.	WDB	28.1
04/12/88	Researched data and information for their design of new water tank.	WHC	1.5
04/21/88	Met with Gene Brown; worked on determining data requested by Dick Mullins for water tank size.	WHC	3.4

FEES AND COSTS  
 ELEVATED STORAGE TANK  
 Page two

04/27/88	Worked on sizing of riser and suction pipes, surveys for foundation design; telephone conference with Dick Mullins, John Fox and Sandy Chase.	WHC	3.4
3-4/88	Administrative Services/ Clerical (4 hrs. @ 30.00/hr.) Travel Blueprints Photographs		120.00 76.98 12.08 12.07
05/31/88	Administrative Services Long distance phone calls		11.25 3.51
06/01/88	Met with TAB to begin Elevated Tank construction cost estimates.	MCA	2.0
06/01/88	Direction and supervision of Elevated Tank work being performed by Atchley and Bryant.	WHC	1.0
06/02/88	Elevated Tank construction cost estimates, field trip to St. George Island.	MCA	8.0
06/02/88	Direction and supervision of Elevated Tank work being performed by Atchley and Bryant.	WHC	1.4
06/03/88	Direction and supervision of Elevated Tank work being performed by Atchley and Bryant.	WHC	1.6
06/07/88	Direction, administration, supervision and verification of Elevated Tank work being performed by Atchley and Bryant.	WHC	.7
06/08/88	Direction, Administration, supervision and verification of Elevated Tank work being performed by Atchley and Bryant.	WHC	1.1
06/09/88	Direction, Administration, supervision and verification of Elevated Tank work being performed by Atchley and Bryant.	WHC	1.3

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06/10/88	Direction, Administration, supervision and verification of Elevated Tank work being performed by Atchley and Bryant.	WHC	1.5
06/07/88	Take offs and construction cost estimates for Elevated Tank.	MCA	2.0
06/08/88	Take offs and construction cost estimates for Elevated Tank.	MCA	.5
06/09/88	Take offs and construction cost estimates for Elevated Tank.	MCA	.5
06/10/88	Take offs and construction cost estimates for Elevated Tank.	MCA	.5
06/11/88	Take offs and construction cost estimates for Elevated Tank.	MCA	2.0
06/12/88	Take offs and construction cost estimates for Elevated Tank.	MCA	2.0
06/13/88	Take offs and construction cost estimates for Elevated Tank.	MCA	2.0
06/13/88	Met with Atchley and Bryant; reviewed/studied all work to date regarding Elevated Tank.	WHC	3.3
06/15/88	Met with Atchley to check/verify work progress and procedures being followed regarding Elevated Tank.	WHC	1.4
06/15/88	Take offs and construction cost estimates regarding Elevated Tank.	MCA	1.5
06/21/88	Reviewed report; three telephone conferences regarding Elevated Tank.	MCA	.5
06/24/88	Reviewed maps in files, quadrangle navigational maps; discussed map preparation with WHC; coordinated with B. Jacobs regarding requirements for map preparation and design; reviewed		

FEEES AND COSTS  
 ELEVATED STORAGE TANK  
 Page four

	information with TAB, LAH as to finished product for Elevated Tank site.	MCA	3.0
06/24/88	Reviewed all work to date; telephone conference with Gene Brown/Norman Mears; conference with Atchley; laid out and specified mapping to be done by Jacobs; reviewed and checked work by Bryant.	WHC	6.6
06/24-25/88	Elevated Tank design	TAB	14.4
06/28/88	Administrative Services/ Clerical (3 hours @ 30.00/hr.) Bluelines, etc.		30.00 54.37
	Travel		52.40
	Miscellaneous Supplies		6.90
	Long distance phone calls		1.94
07/29/88	Administrative Services/ Clerical (2 hours @ 30.00/hr.)		60.00
05/02/89	Met with Mr. Cliff McKeown of the Department of Environmental Regulation in his office to discuss the possibility of modifying DER requirements as set forth in the present draft Consent Order with particular attention to the improvements generated by the previously and partially designed new elevated storage tank. Mr. McKeown indicated that the possibility of reduction is good.	WHC	1.6
05/02-05/17/89	Elevated Tank pricing/research through contacts with builders, suppliers, etc.	MCA	19.4
05/17/89	Met with Mr. Gene Brown, Mr. Bob Crouch of the Public Service Commission staff and with Mr. Cliff McKeown of the Department of Environmental Regulation in Mr. McKeown's office at DER to discuss what		



FEES AND COSTS  
ELEVATED STORAGE TANK  
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	must be done in order to satisfy DER requirements and in order to structure a consent order which is acceptable to all parties. Construction of an elevated water storage tank is of considerable importance. Telephone conference with Mr. Gene Brown to discuss the use of a hypochlorinator as the booster chlorinator at the western end of the St. George Island Water System. Arranged to pick up the Motion for Reconsideration of the Public Service Commission order as filed by the Office of the Public Council and reviewed same.	WHC	2.5
07/19/89	Telephone conference with Gene Brown concerning possible acquisition of a used 150,000 gallon elevated tank as opposed to a new one. Met with Larry Cobb to define surveys if needed for design of said tank.	WHC	1.0
07/19- 07/31/89	Continued extensive research, cost comparisons, cost/benefit analysis regarding new versus used Elevated Storage Tank.	MCA	49.3
07/31/89	Met with Mr. Bud Carlson at his office to discuss extent and value of water system components to be covered by insurance. Met with Mr. Gene Brown in his office to discuss all aspects of improvements planned for water system. Telephone call to Mr. Cliff McKeown of Department of Environmental Regulation who confirmed that proposed 150,000 gallon Hortonsphere is acceptable for installation.	WHC	2.8

FEEES AND COSTS  
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07/19- 07/31/89	Site planning revisions and field checks regarding possible use of used tank as opposed to previously planned new elevated tank.	WDB	43.6
08/03/89	Preliminary design of proposed Well No. 3 integrated with considerations for design of new 150,000 gallon elevated water tank. Telephone conference with Sandy Chase. Reviewed comments/notations on cash flow projections.	WHC	2.3
08/09/89	Drove to Baldwin exit near Jacksonville with Gene Brown to meet with Mr. Jack Ethridge at his construction yard in order to inspect 150,000 gallon used Hortonsphere water tank. Returned to Tallahassee.	WHC	7.9
08/21/89	Telephone conference with Mr. Cliff McKeown concerning operational aspects of proposed elevated storage tank and transitional improvements to water system. Telephone conference with Gene Brown concerning same. Reviewed planning in preparation for meeting with Public Service Commission on Wednesday.	WHC	2.2
08/23/89	Meeting with Mr. Bob Crouch of Public Service Commission, Mr. Cliff McKeown of Dept. of Environmental Regulation and with Mr. Gene Brown in Mr. Crouch's office at the Public Service Commission to discuss construction of elevated storage tank and associated water system improvements. Decision made to buy used Elevated Tank.	WHC	2.0
08/03/89	Administrative Services/ Clerical (4.1 hrs. @ 30.00/hr.)		123.00

FEEES AND COSTS  
 ELEVATED STORAGE TANK  
 Page seven

09/05/89	Met with Larry Cobb concerning surveys and plans necessary for elevated storage tank and for improvements and extensions to the water system.	WHC	1.4
12/19/89	Met with Richard Tuton and received partially completed application form for construction of an elevated storage tank. Reviewed and analyzed same. Dictated memorandum to M.A. Minardi defining requirements for completion.	WHC	2.4
12/19/89	Meeting with TAB about application	MCA	1.0
12/20/89	Met with M.C. Atchley to work on permit application for elevated storage tank.	WHC	1.2
12/20/89	Project and data collection for elevated storage tank.	MCA	1.0
12/27/89	Worked on preparation of permit application for construction of elevated storage tank. Telephone conference with Sandy Chase concerning same.	WHC	3.9
12/29/89	Signed and sealed permit applications for construction of elevated storage tank after final review and check.	WHC	1.4
12/30/89	Permit Application for proposed 150,000 gallon elevated water tank.	TAB	4.0
12/19/89	Administrative Services/ Clerical (3.5 hrs. @ 30.00/hr.)		105.00
01/25/90	Telephone call from Dick Von Soosten concerning the space needed for elevated storage tank. There are problems with lots previously located. Telephone conference with M.A. Minardi.		

FEES AND COSTS  
ELEVATED STORAGE TANK  
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	Foundation diameter is 29 feet 2 inches. Need 50 foot lot. Telephone call to Dick Von Soosten with information.	WHC	1.7
04/05/90	Checking problems in Elevated Tank site property description and deed/deeds.	WDB	3.5
04/09/90	Checking problems in Elevated Tank site property description and deed/deeds.	WDB	4.2
04/10/90	Field examination of Elevated Tank site.	WDB	6.4
04/12/90	Met with WHC regarding Elevated Tank site descriptions and then revised same.	WDB	3.4
04/12/90	Met with WDB regarding Elevated Tank site descriptions and discrepancies.	WHC	8.7
08/06/90	Field check of Elevated Tank condition/progress.	MCA	6.8
09/25/90	Field check of Elevated Tank.	MCA	7.2
12/10/90	Meeting with Gene Brown, then field check of Elevated Tank on site.	WDB	6.9

# The Coloney Company Consulting Engineers, Inc.

P. O. BOX 688 / 1014 N. ADAMS STREET  
TALLAHASSEE, FLORIDA 32302  
904-222-8193 FAX 904-222-9824

St. George Island Utility Company, Ltd.  
3848 Killearn Court  
Tallahassee, Florida 32308

12 May, 1994

CCCE Project 8822

Reference: **Professional Services Rendered**  
in connection with the design,  
permitting, construction administration  
and ongoing assistance as required  
for startup and on-line operation  
of the Third Well serving the  
St. George Island Water System.

Services rendered from January, 1989  
to May, 1991

CCCE Tax ID Number: 59-1862453

## INVOICE

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o Wayne H. Coloney, P.E., P.L.S. (Project Manager/Engineer/Designer) 60.6 hours @ \$100.00/hr.	\$ 6,060.00
o Merritt C. Atchley (Engineering Technician V) 31.8 hours @ \$65.00/hr.	2,067.00
o William Davis Bell (Engineering Technician) 22.2 hours @ \$50.00/hr.	1,110.00
o Thomas A. Bryant (Engineer) 8.0 hours @ \$60.00/hr.	480.00
o Bradley J. Kerruish (Engineer Technician) 8.5 hours @ \$60.00/hr.	510.00
o Direct Job Costs (Administrative Services Copies, Printing, etc.)	1,960.14
<b>TOTAL AMOUNT DUE:</b>	<b>\$ 12,187.14</b>

## ST. GEORGE ISLAND WATER SYSTEM

## THIRD WELL

FEES AND COSTS

DATE	DESCRIPTION	ENGINEER/ TECHNICIAN	HOURS
01/17/89	Reviewed possible site location descriptions for a third well.	MCA	3.7
01/18/89	Field investigation of possible sites for Third Well.	WDB	7.2
01/19/89	Checked field information from WDB regarding Third Well site location.	MCA	3.1
01/20/89	Returned to Carabelle for further site investigation for Third Well.	WDB	7.6
02/02/89	Did preliminary planning for various site locations for Third Well.	WDB	7.4
03/07/89	Telephone call from Gene Brown who asked that we proceed to prepare an application for a new well and that we start working up plans for the proposed expansion program.	WHC	1.5
03/21/89	Research and preliminary execution of Consumptive Use Permit for Well Number 3.	MCA	2.0
03/22/89	Research and preliminary execution of Consumptive Use Permit for Well Number 3.	MCA	0.5
08/02/89	St. George Island - Water 8822 Preliminary design requirements/ data for the proposed third well.	WHC	3.2

## FEES AND COSTS

THRID WELL

Page two

08/03/89	St. George Island - Water 8822 Preliminary design of proposed Well No. 3.	WHC	1.9
08/04/89	St. George Island - Water 8822 Preliminary design for proposed Well No. 3.	WHC	1.5
08/07/89	St. George Island - Water 8822 Preliminary design of proposed third well complex and revision of pumping system.	WHC	3.5
08/08/89	St. George Island - Water 8822 Preliminary design of proposed third well and support supply system. Researched water system plans by William M. Bishop.	WHC	2.9
11/08/89	Discussed Consumptive Use Permit and agreed to prepare it. Drafted water system project description. Dictated detailed water system improvement project description.	WHC	3.3
11/14/89	Consumptive Use Permit.	MCA	2.0
11/15/89	Consumptive Use Permit.	MCA	1.0
11/16/89	Consumptive Use Permit.	MCA	1.5
11/17/89	Worked on application for Consumptive Use Permit.	WHC	0.8
11/20/89	Consumptive Use Permit.	MCA	1.5
11/21/89	Met with M.C. Atchley and M.A. Minardi to discuss, define and answer questions concerning preparation of application for Consumptive Use Permit necessary to permit construction of planned well No. 3.	WHC	1.8
11/21/89	Consumptive Use Permit.	MCA	2.0

FEES AND COSTS

THRID WELL

Page three

11/22/89	Met with Larry Cobb to obtain data/information necessary for preparation of application for Consumptive Use Permit for well No. 3.	WHC	1.5
11/22/89	Consumptive Use Permit.	MCA	2.0
11/25/89	Consumptive Use Permit.	MCA	2.0
11/26/89	Consumptive Use Permit.	MCA	1.0
11/27/89	Consumptive Use Permit.	MCA	2.0
11/28/89	Consumptive Use Permit.	MCA	1.0
11/29/89	Worked on Consumptive Use Permit Application. Calculated latitude and longitude to seconds for Wells No. 2 and No. 3. Finalized and then signed Consumptive Use Permit Application.	WHC	2.9
12/05/89	Consumptive Use Permit Application for proposed pump number 3.	TAB	8.0
12/19/89	Meeting with TAB about application	MCA	1.0
02/08/90	Telephone conference with Mr. Guy Gowens concerning the consumptive use permit application. Agreed to write letter and respond deficiencies. Dictated letter to Gowens in accordance with agreement.	WHC	1.1
03/04/90	Worked on response to comments by Mr. W.G. Gowens of Northwest Florida Water Management District.	WHC	1.4
03/06/90	Finalized responses to comments from Northwest Florida Water Management District. Signed letters. Hand delivered them to Mr. Gene Brown's office.	WHC	1.3



## FEES AND COSTS

THRID WELL

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07/03/90	Telephone conference with Dick Von Soosten concerning payment for preparation of permit application for Well No. 3. Began work on same.	WHC	1.9
07/09/90	Telephone call from Dick Von Soosten. Mr. Von Soosten FAXED property description of third well site. Worked on permit application.	WHC	0.4
07/12/90	Worked on permit application to DER for Well No. 3.	WHC	4.1
07/13/90	Worked on permit application to DER for Well No. 3.	WHC	2.9
07/15/09	Research files	MCA	0.5
07/16/90	Received material on DER application from Tom Bryant and continued work on same for Well No. 3.	WHC	1.6
07/17/90	Telephone conference with Dick Von Soosten. Worked on DER permit application for Well No. 3.	WHC	1.6
07/31/90	Worked on application to Department of Environmental Regulation for permit to construct third well	WHC	1.6
08/01/90	Worked on application for permit to drill the third well	WHC	2.5
08/06/90	Worked on DER application for third well. Telephone call from Gene Brown asking that I update and expand my letter of 04 June. Continued work on DER application. Spent the afternoon writing the letter concerning shallow wells as requested by Gene Brown and in finalizing the DER permit application	WHC	8.2

FOR COSTS ADVANCED

08/--/89	Administrative Services.....	45.00
11/--/89	Administrative Services.....	375.00
12/--/89	Administrative Services.....	200.00
01/--/90	Administrative Services.....	25.00
01/04/90	Seminole Blueprinting.....	11.07
02/--/90	Administrative Services.....	137.50
03/--/90	Administrative Services.....	112.50
07/--/90	Administrative Services.....	20.00
08/--/90	Administrative Services.....	240.00
09/--/90	Administrative Services.....	112.50
10/--/90	Administrative Services.....	17.50

FEES AND COSTS

DATE	DESCRIPTION	ENGINEER/ TECHNICIAN	HOURS
02/22/91	Met with Gene Brown. I told him I still do not have site plans/survey of third well site. I told him I will finish up permit application for third well after he provides me with the necessary survey.	WHC	1.1

FOR COSTS ADVANCED

DATE	ITEM	AMOUNT
01/--/91	Administrative Services.....\$	20.00
01/--/91	Mileage.....	3.60

FEES AND COSTS

DATE	DESCRIPTION	ENGINEER/ TECHNICIAN	HOURS
04/29/91	Worked on DER application for installation of third well. Did plans in sketch form for completion by M.C. Atchley/Bradley Kerruish. Wrote specifications.	WHC	3.9
04/29/91	Plans revisions	MCA	3.0
04/29/91	Sheet amendments, corrections and drawings	BJK	5.0
04/30/91	Plans revisions	MCA	2.0
04/30/91	Sheet amendments, corrections and drawings	BJK	2.5

FOR COSTS ADVANCED

DATE	ITEM	AMOUNT
04/--/91	Administrative Services.....	262.50
04/29/91	Seminole Blueprinting & Supply.....	73.83
04/03/91	Seminole Blueprinting & Supply.....	4.92

FEES AND COSTS

DATE	DESCRIPTION	ENGINEER/ TECHNICIAN	HOURS
05/01/91	Plans corrections and amendments	BJK	1.0
05/07/91	Finalized/proofed application to DER for third well.	WHC	2.2

FEEES AND COSTS  
THRID WELL  
Page seven

05/08/91 Signed and sealed application,  
plans and specifications for  
submission to DER regarding  
third well. WHC 1.0

FOR COSTS ADVANCED

DATE	ITEM	AMOUNT
05/--/91	Administrative Services.....	250.00
05/08/91	Seminole Blueprinting & Supply.....	49.22

RESPONSE TO EXCEPTION NO. 10

SUBJECT: COLONEY COMPANY INVOICES RECORDED TO PLANT

COMMENTS:

1. STATEMENT OF FACT: Invoices dated July 27, 1989 and October 4, 1989 were recorded to Plant Account # 307.2, JE 10, 11/30/89.

Invoice dated March 27, 1990 was recorded to Plant Account # 330.40, JE-7 ELE, 4/30/90.

The Schedule on the following page is an analysis of the associated itemized invoices for payment from Coloney Company Consulting Engineers, Inc.

2. PSC Auditor Opinion: Plant In Service should be reduced \$2,370 for the duplication of the invoices for payment.

Utility Response: SGI does not take issue with these exceptions.

RESPONSE TO EXCEPTION NO. 11

SUBJECT: REPLACED GENERATOR

COMMENTS:

1. PSC Auditor Opinion: The adjustment to plant for the recording of the new generator should be increased \$1,940.66 (\$30,598.66 - \$28,658.00).

Utility Response: SGI does not take issue with this exception. However, on page 4 of the Audit Report, the Summary Schedule of Findings shows an adjustment for this item of \$(4,265.00). We assume this is a misprint. If it is not, we disagree with the adjustment as shown in the summary.

RESPONSE TO EXCEPTION NO. 12

SUBJECT: PLANT ASSOCIATED WITH CWIP

COMMENTS:

1. PSC Auditor Opinion: Costs associated with the 50,000 gallon storage tank should be removed from plant and included in CWIP. Costs associated with the third well should also be removed from the plant accounts and also recorded as CWIP. These third well charges in plant can then be considered as a proforma investment.

Utility Response: SGI does not take issue with these exceptions. Accordingly the accumulated depreciation balance should be reduced.

RESPONSE TO EXCEPTION NO. 13

SUBJECT: TRANSFER OF CONTRIBUTED PROPERTY

COMMENTS:

1. PSC Auditor Opinion: The utility received \$10,240.00 in contributed property. This transaction was not recorded on the Utility's books. It should be.

Utility Response: SGI does not disagree with the observation that the transaction regarding receipt of contributed property should be recorded. However, in this instance, SGI has not received a bill of sale and it is against utility company policy to record CIAC and additions to plant until a proper bill of sale is received. When a bill of sale is received, the transaction will be recorded.



RESPONSE TO EXCEPTION NO. 14

SUBJECT: CAPITALIZE PREVIOUSLY UNRECORDED ENGINEERING DESIGN FEES

COMMENTS:

1. STATEMENT OF FACT: MFR Schedule A-3 Page 1 of 1, requested a \$21,000 adjustment to Plant In Service to capitalize previously unrecorded engineering design fees of Wayne Coloney for the elevated storage tank.

The Utility did not provide all of the source documentation requested at least three times by auditor, to fully support the requested proforma adjustment to plant for unrecorded engineering design fees of Wayne Coloney.

Utility Response: Requested documentation is included to support in attachment #9.

2. PSC Opinion: From the analysis and a review of CWIP at 12/31/93, the auditor determined that the design fees had been previously recorded as an expense or capitalized.

Utility Response: The Coloney Company fees are not a duplication of expenses, and have never been capitalized.

RESPONSE TO EXCEPTION NO. 15

SUBJECT: ERROR AND LACK OF SUMMARY DEPRECIATION RECORDS

COMMENTS:

1. PSC Auditor Statement of Fact: The utility does not maintain summary accumulated depreciation records. The utility records its depreciation on monthly journal entries.

PSC Auditor Opinion: Utility has not followed the uniform system of accounts by failing to maintain depreciation records which allow ready verification of transaction balances. This is a strategy which can be used to improperly overstate rate base.

Utility Response: SGI takes issue with the conclusion that it does not maintain summary accumulated depreciation records. SGI admits that it has been recording depreciation through monthly journal entries, but SGI cannot find where such an approach is not allowed under the USOA. At page 48 of the USOA for Class B Water Utilities, Paragraph D. under Account 108, Accumulated Depreciation of Utility Plant in Service, reads as follows:

The utility should maintain separate subaccounts corresponding with the depreciable plant accounts, in which the accumulated depreciation total is segregated.

SGI does maintain separate subaccounts and monthly entries to these accounts appear in the general ledger. Attached is a schedule titled Accumulated Depreciation Balances per General Ledger - 12/91 through 12/92. This schedule, taken directly from SGI's books, shows the monthly balance of accumulated depreciation by subaccount. SGI is in compliance with the USOA.

SGI takes exception with the allegation that SGI has a "strategy which can be used to improperly overstate rate base." This is a self serving, subjective opinion with no basis in fact. SGI provided the auditor with its general ledger, its depreciation records and a statement of how depreciation was determined. If, based on what was provided, the auditor concludes that it is not in keeping with the Commission's requirements, then the auditor should so state. SGI has not engaged in any "strategy" other than to do move forward to improve its records. As required by the Commission, SGI has filed monthly general ledger and trial balance information for the 2 1/2 year period May, 1991 through August, 1993, (which includes the test year) so that the Commission could monitor SGI's bookkeeping. During that 2 1/2 year period, when the Commission was supposedly monitoring and

auditing SGI's records, there was never any indication that the Staff believed the depreciation records were improper. To the contrary, orders issued by the Commission during that period indicated that SGI's books were in compliance with Commission requirements.

2. PSC Auditor Statement of Fact: The utility's filing Schedule A-9, page 1 of 2, reported accumulated depreciation balances do not match the books.

Utility Response: MFR Schedule A-9 shows net additions to accumulated depreciation in 1992 of \$65,873. The general ledger shows net additions of \$66,187. The difference of \$313 represents accrued depreciation on the utility's books for a truck in Account 341 which had already been retired. MFR Schedule A-9 matches the books in every other account. MFR Schedule A-9 does match Schedule W-5(a) of the Annual Report. The erroneous depreciation accrual is not reflected in the annual report.

3. PSC Auditor Statement of Fact: Audit staff has recalculated utility accumulated depreciation. A copy of this recalculation has been provided to the utility.

Utility Response: SGI has reviewed the work papers of the staff which recalculate accrued depreciation from December, 1987 forward. SGI does not object to the calculations therein nor with the resulting difference from the per books balance at the end of 1992, except as follows. The auditor indicates that a \$60,788 asset associated with the elevated tank is entered on the books as being in service in September, 1992 whereas the service date of other associated costs is September, 1991. The auditor is adjusting accumulated depreciation to reflect the earlier service date. For consistency, the auditor should make a similar adjustment to reduce accumulated depreciation associated with the \$4,090 in third well assets in Exception No. 12 that are being removed from 1990 plant in service to come on line as part of the third well proforma adjustment.

4. PSC Auditor Conclusion: Failure to provide proper books and records reduces the effectiveness of the Commission auditors.

Utility Response: SGI objects to the conclusion that it has failed to provide proper books and records, as per the above discussion. Any difference in the accumulated reserve results from a technical difference in calculating depreciation expense, not from improper books and records. SGI withhold its opinion as to the effectiveness of the Commission auditors, as it has yet to determine what it is that the auditors are trying to effect.

ATTACHMENT TO  
RESPONSE TO AUDIT EXCEPTION NO. 15

Audit Report

Docket No. 940109-WU  
St. George Island Utility Company, LTD (SGI)  
Application for Increased Rates in Franklin County

St. George Island Utility Company, Ltd  
 Accumulated Depreciation Balances per General Ledger - 12/91 thru 12/92

Acct	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
304	11,488.08	11,590.00	11,691.92	11,793.84	11,874.11	11,889.43	11,969.70	12,054
307	24,079.08	24,370.50	24,661.92	24,953.34	25,226.67	25,445.73	25,719.06	25,992
309	68,001.92	68,532.25	69,062.58	69,592.91	70,079.79	70,431.61	70,918.49	71,405
310	6,837.92	6,908.50	6,979.08	7,049.66	7,109.69	7,138.07	7,198.10	7,258
311	20,872.00	21,087.50	21,303.00	21,518.50	21,701.69	21,787.95	21,971.14	22,154
320	6,207.92	6,282.00	6,356.08	6,430.16	6,491.40	6,514.94	6,577.00	6,665
330	51,080.00	51,501.50	51,923.00	52,344.50	52,996.06	54,337.80	54,989.36	55,641
331	419,710.00	422,689.25	425,668.50	428,647.75	431,285.97	432,901.10	435,539.32	438,178
333	45,590.08	45,984.50	46,378.92	46,773.34	47,124.09	47,343.09	47,694.48	48,046
334	27,593.92	27,920.00	28,246.08	28,572.16	28,887.27	29,158.16	29,483.66	29,823
335	21,797.92	21,949.50	22,101.08	22,252.66	22,387.22	22,470.72	22,605.28	22,740
339							.17	0
340	462.00	473.00	484.00	495.00	513.20	572.24	616.88	662
341				104.11	208.24	520.65	624.78	729
343	96.92	99.25	101.58	103.91	106.21	108.42	110.72	113
347	92.00	95.00	98.00	101.00	130.47	239.35	268.82	298
	703,909.76	709,482.75	715,055.74	720,732.84	726,122.08	730,859.26	736,286.96	741,759
Add to Accr.		5,572.99	5,572.99	5,677.10	5,389.24	4,737.18	5,427.70	5,472
Dep. Exp		5,572.99	5,572.99	5,677.10	5,389.24	4,737.18	5,427.70	5,472
Diff.								

Acct	Aug	Sep	Oct	Nov	Dec	12 Mo. Chg	per Book per MFR	Difference
304	12,143.48	12,275.88	12,364.98	12,454.08	12,543.18	1,055.10	1,055.00	0
307	26,265.72	26,575.23	26,848.56	27,121.89	27,395.22	3,316.14	3,316.00	0
309	71,892.25	72,469.17	72,956.05	73,442.93	73,929.81	5,927.89	5,928.00	0
310	7,318.16	7,399.29	7,459.32	7,519.35	7,579.38	741.46	741.00	0
311	22,337.52	22,585.33	22,768.52	22,951.71	23,134.90	2,262.90	2,263.00	0
320	6,753.21	6,867.13	6,955.37	7,043.61	7,131.85	923.93	924.00	0
330	56,292.66	57,442.38	58,094.77	58,747.16	59,399.55	8,319.55	8,320.00	0
331	440,815.76	444,136.04	446,793.68	449,451.32	452,108.96	32,398.96	32,399.00	0
333	48,397.43	48,837.25	49,188.81	49,540.37	49,891.93	4,301.85	4,302.00	0
334	30,170.55	30,549.02	30,909.76	31,270.50	31,635.02	4,041.10	4,041.00	0
335	22,877.25	23,048.70	23,186.11	23,323.52	23,460.93	1,663.01	1,664.00	1
339	.51	.68	.85	1.02	1.19	1.19	.00	( 1)
340	706.16	921.12	965.76	1,010.40	1,055.04	593.04	593.00	0
341	833.04	.00	104.13	208.26	312.39	312.39	.00	( 312)
343	115.32	117.68	119.98	122.28	124.58	27.66	28.00	0
347	327.76	304.29	333.76	363.23	392.70	300.70	300.00	( 1)
	747,246.78	753,529.19	759,050.41	764,571.63	770,096.63			
	5,487.78	6,282.41	5,521.22	5,521.22	5,525.00	66,186.87	65,874.00	( 313)
	5,487.78	7,219.58	5,521.22	5,521.22	5,525.00	67,124.04		
		( 937.17)				( 937.17)		

Diff. from additions to Reserve ( 312.87)  
 Difference from Book Expense ( 1,250.04)

RESPONSE TO EXCEPTION NO. 16

SUBJECT: ERROR AND LACK OF SUMMARY CIAC AMORTIZATION RECORDS

COMMENTS:

1. PSC Auditor Statement of Fact: The utility does not maintain summary accumulated CIAC Amortization records. The utility records its depreciation on monthly journal entries.

Utility Response: See Response to Exception No. 15.

2. PSC Auditor Statement of Fact: Audit staff has recalculated utility accumulated amortization. A copy of this recalculation has been provided to the utility.

Utility Response: SGI has no objection to the recalculation of accumulated amortization.

RESPONSE TO EXCEPTION NO. 17

SUBJECT: IMPUTE CIAC

COMMENTS:

1. PSC Auditor Statement of Fact: A (sic) analysis of CIAC collected revealed the utility had 30 more connections listed at \$500 than were present in a prior audit. According to a reading of the utility's ledgers the entry was made in October 1991. Since June 1989, the utility was required to charge \$2,020 for each connection.

PSC Auditor Opinion: CIAC was set based upon the number of customers reported by the utility times the approved tariff rate. The utility has (sic) now reports more customers from this time period, but provides no timely support for this statement during audit field work. CIAC should be imputed in the full amount for 30 lots; 30 times \$1,520 or \$45,600.

Utility Response: SGI takes issue with the recommendation to impute CIAC for 30 lots at the currently prevailing service availability charge. Although the fees for the 30 lots in question were recorded on the books in 1991, they are fees for customers in service prior to 1987 for which fees had not been recorded.

In Order No. 21122, Docket No. 871177-WU, the Commission last established rates and charges for SGI, based on a test year ended December 31, 1987. In that and subsequent orders, the Commission required SGI to bring its books and records into compliance with Commission requirements. One area of concern was the lack of a specific, detailed CIAC ledger. In Order No. 23038, SGI admitted that "its past record-keeping practices (pre-1988) with respect to CIAC and maintenance of customer files have led to discrepancies and errors in its records, and that it has discovered several instances in which CIAC was either incorrectly recorded or not recorded at all." Beginning in 1990, SGI conducted an in depth audit of its customers, attempting to locate every customer on the system and associate a service availability charge with each customer. SGI has established an accurate record of CIAC received from customers since January 1, 1988. A service availability charge can be identified with each location served since that date. As a result of the in depth audit, SGI determined a mismatch between the customer count and recorded CIAC. Since SGI had an accurate record of service locations and service availability charges since 1988, the discrepancy can only be associated with pre 1988 customer locations. In October, 1991, SGI made a one time entry to voluntarily impute CIAC for these locations. CIAC was imputed at the old charge of \$500 per customer because these were locations with service in

existence prior to May, 1989, when the charge changed. SGI knows these locations were pre-existing because it has an accurate record of every location served since January, 1988. It did not have an accurate record of prior connections. As pointed out in Order No. 23038, the discrepancies was with "past record-keeping practices." Since the CIAC records for post 1987 are accurate, there is no basis for imputing a fee that did not become effective until 1989. It imposes an arbitrary penalty against the utility.

2. PSC Auditor Opinion: The utility is required to maintain support for its transactions. This utility has experienced difficulties in doing so. (Order No. 23649 page 9). Failing to provide timely support for a transaction usually indicates the issue will be resolved against the party with the burden of support.

Utility Response: SGI takes issue with the implication that because SGI admittedly had problems with past CIAC record-keeping, it must therefore continue to have problems, even in the face of the evidence provided, that supports every charge collected since 1987. If SGI had not voluntarily determined that charges associated with earlier services were understated and had not voluntarily imputed charges associated with those locations, the auditor would not even be aware that a discrepancy existed. SGI stands by its statements as to the accuracy of its CIAC listing since 1987, which has been made available to the auditor.



RESPONSE TO EXCEPTION NO. 18

SUBJECT: CIAC - FIRE HYDRANTS

COMMENTS:

1. PSC Auditor Statement of Fact: In the utility's last rate case Audit Exception No. 7 stated: "It was noted that the utility received \$9,250 in 1987 for fire hydrants installed for the local fire department....." The utility recorded the \$9,250 in 1987 as non-utility revenue.

Commission Order 21122 setting rates in the last case does not resolve this reported audit exception.

Utility Response: SGI is at a loss as to the implication of these statements. To say that Order 21122 does not "resolve" the audit exception is an understatement. Order 21122 does not even address the subject. In the two and one-half pages of the order devoted to a discussion of CIAC, there is no mention of fire hydrant fees. In the five pages devoted to Net Operating Income there is no mention of the fees. Schedule 1-B of the order summarizes the adjustments to rate base. There is no adjustment to plant or to CIAC related to fire hydrants. Schedule 3-B of the order summarizes the adjustments to the operating statement. There is no adjustment for fire hydrants. SGI is unable to respond because we cannot even tell if Staff made this an issue in the last rate case. Without further information, it is assumed that this issue, along with all other issues in that case, were given due consideration by the Commission in the decision reflected in Order No. 21122. It is SGI's position that this case starts with the last authorized rate base and moves forward.

2. PSC Auditor Opinion: During field work (1987 and 1992), \$13,250 was reported associated with the acceptance of hydrants. Other years were not tested due to a limit on available staff audit time. It is the auditor's opinion that the utility has pursued a program of collecting fees for installing hydrants. The auditor found no provision in the utility's tariff to collect hydrant fees.

Utility Response: SGI takes issue with the conclusion that SGI "has pursued a program of collecting fees for installing hydrants." In general, hydrants were included as a part of the design of the water distribution system and were a part of the utility's investment in the system. However, SGI does not believe it is obligated to install additional hydrants upon the request of the volunteer fire department or any other individuals, unless they assume financial responsibility for those additional hydrants. That the PSC staff also shares this concern is indicated in the February 17, 1992 letter to

SGI from Mr, Hill, Director of the Division of Water and Wastewater. SGI has installed hydrants from time to time at the request of the volunteer fire department, upon receipt of payment for the cost of their installation. This "policy" is supported by and is in fact recommended by Staff. In his February 17, 1992 letter, a copy of which was provided to the auditor during the audit, Mr. Hill told SGI that the staff believes future requests for fire hydrants by the fire department should be handled as a contractual agreement, that the hydrant should be paid for by the fire department and it should be donated to the utility. SGI now enters into an agreement with the fire department and a fee is collected in accordance with the agreement. In the past, any such installation was based on an oral rather than a written agreement. If SGI is pursuing a policy of collecting fees, then the Division of Water and Wastewater is a party to this pursuit.

SGI believes it is ludicrous for the auditor to conclude that because SGI may require the volunteer fire department, or any other individual, to pay for specifically requested hydrants, that therefore all hydrants on the system were contributed. And SGI questions the genuineness of staff's reliance on the claim that "other years were not tested due to a limit on available staff audit time." We have no indication that SGI was even requested to research prior years to see if any fees for hydrant installation were received and if so how they were booked. In this exception, the auditor is flippantly recommending a write off of a \$50,000 invested in hydrants. Yet in six months of audit work, when there was time to track down \$10.00 and \$20.00 phone calls and toll charges, we are being told that there was no time to request the utility to provide detail for other operating revenue and non-utility revenue for the four years 1988 - 1991, to see if hydrant fees were indeed being collected and improperly booked.

SGI has pursued that search and has found that fees for fire hydrants were collected as either utility or non-utility revenue in three instances. In 1988, the amount of \$1,500 was collected from the volunteer fire department. In 1991 the amount of \$6,000 was collected from the volunteer fire department. Also in 1991, \$1,500 was collected from Higdon and Bates, a joint venture that requested a specific hydrant be added to the system. SGI acknowledges that such fees should all have been collected through written rather than oral agreements as the Staff recently recommended, and any future requests for specific hydrant additions will be by written agreement. SGI also acknowledges that the fees received should have been booked as CIAC, and the books should be corrected to reflect that. However, SGI has also determined that the cost of the hydrants installed in each of these instances were expensed and never recorded as plant in

service. Therefore, rate base has not been overstated. Correcting entries to record these fees as CIAC must be accompanied by offsetting entries to record to plant in service, the cost of the hydrants, installed.

3. PSC Auditor Opinion: It is very clear CIAC is present that is not reported.

and

PSC Auditor Statement of Fact: The utility has made no adjustment for hydrants to its CIAC in this filing.

Utility Response: SGI takes issue with the auditor's opinion. It is very clear that CIAC was reported regarding the fee collected under contract in 1992. The auditor even quotes Mr. Seidman's explanation from his prefiled testimony that the fee was improperly booked as revenue and should be booked as CIAC. The explanation could not be more straight forward.

SGI takes issue with the statement that the utility has made no adjustment for fire hydrants to its CIAC in this filing. The MFR clearly reclassifies the \$4,000 fee received in 1992 from revenue to CIAC, with the explanation that the hydrants had not yet been installed (are not in plant) and are not in use during the test year. Therefore the \$4,000 was not added to CIAC during the test year. If it were, it would have no plant offset and would understate rate base. It will be reclassified to CIAC on the books, but for rate making purposes, it and the corresponding plant are outside of the test period.

With regard to the fees collected for hydrants in 1988 and 1991, neither CIAC nor plant were recorded, as explained above. Adjustments to reflect this would be offsetting and have no impact on rate base or expenses.

There is no basis for imputing CIAC against any of the existing amount of plant recorded as hydrants.

RESPONSE TO AUDIT EXCEPTION NO. 19

SUBJECT: CIAC PER AGREEMENT

COMMENTS:

1. PSC Auditor Statement of Fact: A Settlement Agreement made on September 3rd, 1992 by and between ... (Brown and Affiliates)... The Association will pay .... as follows: .... \$65,000 will be advanced to the St. George Island Utility Company, Ltd to be used strictly for capital improvements ....

PSC Auditor Opinion: The \$65,000 is to be considered CIAC and should have been recorded as reflected.

Utility Response: SGI disagrees that the \$65,000 advanced under the referenced agreement can in any way be construed as a contribution to the utility.

Paragraph 6 of the agreement states in its entirety:

6. The Association will pay Brown and affiliates the sum of \$100,000.00 as follows: \$20,000 upon the closing of this agreement; \$10,000 on November 1, 1992; \$10,000 on December 1, 1992; \$10,000 on January 1, 1993; \$20,000 on March 1, 1993; \$5,000 on April 1, 1993; \$5,000 on May 1, 1993; \$5,000 on June 1, 1993; \$5,000 on July 1, 1993; \$5,000 on August 1, 1993; and \$5,000 on September 1, 1993. These funds will be used as follows: (a) \$35,000 will be paid to Stanley Bruce Powell for his legal fee in representing Brown and affiliates in the above referenced litigation; and (b) \$65,000 will be advanced to the St. George Island Utility Company, Ltd. to be used strictly for capital improvements to enhance and increase the flow and pressure of the St. George Island water system, including the installation of a new altitude valve and high speed turbine pump pursuant to the recommendations of Baskerville-Donovan, the utility's engineers.

Reading the paragraphs referenced by the Staff, in the context of the entire Agreement, it is clear that the Agreement intends the \$65,000 to be advanced and not contributed by Brown and Affiliates to the utility so that it may move forward with capital improvements that will alleviate flow and pressure problems. There is no implication that the money be given to SGI. Certainly, if the intention was to give money to the utility, the agreement would have said \$65,000 will be "given" or "donated" or "contributed". The parties to this agreement had knowledge of the terms available for their use in formulating the agreement. Further, Mr. Brown, a signatory of the referenced Agreement avers that the intent of the Agreement was for Brown and Affiliates to advance and not

donate funds to the utility, so that it could move forward with capital improvements. By any stretch of the imagination, an advance is not a contribution.

advance - to furnish or supply (money or goods) on credit. a sum of money or quantity of goods furnished on credit. The Random House Dictionary of the English Language, College Edition, 1968.

advance - to loan; to furnish capital in aid of a projected enterprise, in expectation of return from it; to furnish money for a specific purpose understood between the parties, the money or sum equivalent to be returned; furnishing money or goods for others in expectation of reimbursement. Black's Law Dictionary, Revised Fourth Edition, 1968.

advances for construction - This account shall include advances by or in behalf of customers for construction which are to be refunded either wholly or in part. 1984 Uniform System of Accounts for Class B Water Utilities.

It should be noted that the flow of funds outlined in the Agreement would result in no more than \$5,000 being available during the 1992 test period. That is because only \$40,000 was to be received by the end of 1992, and of that amount, the first \$35,000 appears committed to payment of Stanley Bruce Powell.

According to the Agreement, the utility did not have access to the full \$65,000 advance until September 1, 1993. SGI would consider as reasonable, an adjustment to rate base to recognize the impact of a \$5,000 advance for construction in December, 1992. Since we are using a beginning/ending balance average test year, the impact would be to reduce rate base by \$2,500. At present, the monies received by SGI show up only as loans from G. Brown. However, the amounts associated with this agreement can be separated out, and be recorded as a repayable non-interest bearing advance.

It should also be noted that the Utility Company is not a party to the lawsuit and is not a party to the agreement. The best evidence of the intent of the parties would be from the parties involved themselves. Both Brown and Affiliates have all stated that the intent was for a loan or advance and not as a gift or contribution. This is the way this transaction has been handled on the books and records of all parties concerned, and the Commission has no power or authority to arbitrarily change the substance of this transaction so as to

penalize the Utility which was not a party to either the lawsuit or the agreement.

RESPONSE TO AUDIT EXCEPTION NO. 20

SUBJECT: ADVANCES FOR CONSTRUCTION

COMMENTS:

SGI does not take issue with this exception.

RESPONSE TO AUDIT EXCEPTION NO. 21

SUBJECT: ADJUSTMENT TO CHEMICALS

COMMENTS:

SGI does not take issue with this exception.



RESPONSE TO AUDIT EXCEPTION NO. 22

SUBJECT: ADJUSTMENT TO MATERIAL AND SUPPLIES

1. STATEMENT OF FACT: The Schedule on the following page presents costs charged to the Material and Supplies Account No. 620.

PSC Auditor Opinion: Description and remarks are the opinions of the auditor and not the utility. Amounts on the following page listed "adjusted expense" should be removed from the cost of service in this rate case.

Utilities Response: Attached, please find the required documentation for the below listed Materials and Supplies Expense.

<u>Auditor</u>	<u>Ref Date</u>		
	6/30/92	S&I Expense Paid by ABC	\$183.51
	6/30/92	S&I Expense Paid by ABC	5.50
	7/10/92	Hank Garrett	134.39
	9/10/92	Hank Garrett	175.49
	9/10/92	Hank Garrett	35.52

ATTACHMENT TO  
RESPONSE TO AUDIT EXCEPTION NO. 22

Audit Report

Docket No. 940109-WU  
St. George Island Utility Company, LTD (SBI)  
Application for Increased Rates in Franklin County

401620.1 6/92  
 JE # 6  
 EXECUTIVE OFFICE SUPPLY  
 P.O. BOX 4109  
 TALLAHASSEE, FL 32315

287955

Customer's Order No. \_\_\_\_\_ DATE 6/25 1992

SOLD TO [Signature]

ADDRESS [Signature]

SALESMAN PC TERMS CK# 2016

CASH	CHARGE	C. O. D.	PAID OUT	RETD. MDSE.	RECD. ON ACCT.
QUAN.	DESCRIPTION			PRICE	AMOUNT
1ct	4400 Comp. Paper				39 00
CS.	Letter Copy Paper				29 00
1ea	Ring Binders (Sale)			5.39	32 34
2ea	6N 320-D Ribbons			19.95	39 90
1ea	door sign				4 50
1ea	Letter Clip Bd.			1.89	10 80
2BX	42-551 Labels			9.89	19 78
2ea	BR80C ribbons			1.19	2 38
1dz	#174-2 pencils			3.36	3 36
1BX	SM11-BK				3 72
1ST	PF-2135C			.93	5 58
					190 36
					19 04
					171 32
					\$ 11 99
					\$ 183 31

ALL Claims and Returned Goods MUST Be Accompanied By This Bill

SIGNATURE \_\_\_\_\_

6/30/92 JE 06-10

5.50 PSC  
 183.31 Executive Office  
 76.57 Check Mark  
 265.40

# FLORIDA PUBLIC SERVICE COMMISSION

101 East Gaines Street  
Tallahassee, Florida 32399-0850

80130

Date: 6/4/92

To: ST. GEORGE ISLAND UTILITY COMPANY  
ATTN: ANNIE

This Number must appear on  
all checks or correspondence  
regarding this invoice.

Date Paid 6/4/92 PSC Signature V. Moore  
Amount Paid 5.50  Check  Cash  
Check # 1960

QUANTITY	DESCRIPTION	PRICE	AMOUNT
1 ONLY	PSC TAPE JUNE 2, 1992 ITEM #33	@5.50	\$5.50
<b>TOTAL</b>			<b>\$5.50</b>

PSC/RAR 8 (REV 7/90)

Part of \$265.40

TYPE DIRECTLY ON THIS LINE

# INVOICE

## 4820

**BARRETT SUPPLY**  
6900 Phillips Hwy., Unit #18  
JACKSONVILLE, FLORIDA 32216-6058

(904) 296-1041

St. GEORGE ISLAND Utility Co.  
1 GULF BEACH DR.  
St. GEORGE ISLAND, FL 32328

DATE 7/7/92	ORDER NO.
SHIP TO HANK GARRETT	

QUANTITY	DATE SHIPPED	SHIP TO	FROM PORT	TERMS		
	7/7/92	UPS	JAY	C.O.D.		
1	CHESTER 200 SERIES FACE				130	39
2	BOLTS					
				C.O.D. UPS.		400
				TOTAL	134	39
	Clz Booster Sta in plantation					

ORIGINAL ck # 368 7/10/92

Thank You

# ELECTRIC SUPPLY

325 Reid Avenue  
 Fort Lauderdale, Florida 33308  
 Phone: (904) 227-7373

NO. CA-PSJ-09355

ALL SALES ARE SUBJECT TO CREDIT REVIEW AND APPROVAL. ALL SALES ARE MADE F.O.B. OUR WAREHOUSE UNLESS OTHERWISE SPECIFIED. DELIVERY IS SUBJECT TO AVAILABILITY OF STOCK AND WEATHER CONDITIONS. WE DO NOT DELIVER TO PO BOXES OR R.F.D. ADDRESSES. ALL SALES ARE SUBJECT TO OUR CREDIT POLICY. WE RESERVE THE RIGHT TO CHANGE PRICES WITHOUT NOTICE. ALL SALES ARE SUBJECT TO OUR CREDIT POLICY. WE RESERVE THE RIGHT TO CHANGE PRICES WITHOUT NOTICE.

SOLD TO: 501 S. W. 1st St. Ft. Lauderdale, FL 33301  
 ADDRESS: \_\_\_\_\_  
 CITY/STATE/ZIP: \_\_\_\_\_

CUSTOMER ORDER NO. \_\_\_\_\_ JOB NAME/NO. \_\_\_\_\_ SHIP BY \_\_\_\_\_ DEMO BY \_\_\_\_\_ ASSEMBLED BY \_\_\_\_\_ WRITTEN BY \_\_\_\_\_ CHECKED BY \_\_\_\_\_

PHONE NO. \_\_\_\_\_

ITEM NO.	DISC.	QUANTITY		MANUFACTURER	CATALOG NO.	DESCRIPTION	UNIT PRICE	UNIT	AMOUNT
		ORDERED	SHIPPED						
1		40	40	GENCO	1000	17.875	AMP	715	
2		30	30	GENCO	1000	28.9	M	867	
3		2	2	GENCO	1000	79.5	AMP	159	
4		10	10	GENCO	1000	14.52	C	145.2	
5		1	1	GENCO	1000	147.64	E	147.64	
6				GENCO	1000	18.28	E	18.28	
7				GENCO	1000				
8				GENCO	1000	-32.49	E	-32.49	
9				GENCO	1000				
10				GENCO	1000				
11				GENCO	1000				
12				GENCO	1000				
13				GENCO	1000				
14				GENCO	1000				
15				GENCO	1000				

## CASH SALE / C.O.D.

TAX EXEMPT SALES: UNLESS CUSTOMER'S RESALE CERTIFICATE IS ON FILE, TAX MUST BE CHARGED. EXEMPT NUMBER MUST BE ENTERED BELOW.

PAID BY:  CASH  C.O.D. 134

RECEIVED BY: Hank Martin

NO. \_\_\_\_\_

165.56  
 9.93  
 175.49

NOTE: RETURNS: MERCHANDISE WILL NOT BE ACCEPTED FOR RETURN UNLESS ACCOMPANIED BY ORIGINAL INVOICE. RETURNED WITHIN 30 DAYS OF PURCHASE. MATERIAL MUST BE IN A RESALABLE CONDITION. RETURNS ARE SUBJECT TO RESTOCKING CHARGE. FIXTURE DISCLAIMER: BRASS LIGHTING FIXTURE FINISHES CANNOT BE GUARANTEED. CUSTOMER RECOURSE IS SUBJECT TO TERMS OF PARTICULAR MANUFACTURER'S WARRANTY.

Hank Garrett

ck #

\$

1101620.2

ck # 503

9/92

175.49

Consolidated Electric Supply

35.52

\$ 211.01



CONSIGNEE RECEIPT

C.O.D.  
AMOUNT

DOLLARS	CENTS
\$ 35	52

ALTERNATE CONTROL NO

184391

CHECK HERE  
IF CASH ONLY  
SEE INSTRUCTIONS

SHIPPER NO

DATE RECEIVED

RECEIVED BY

RESPONSE TO AUDIT EXCEPTION NO. 23

SUBJECT: INSURANCE

COMMENTS:

1. STATEMENT OF FACT: MFR Schedule B-3 Page 7 of 8, Utility requested an adjustment to test year O & M expense for Insurance.

	<u>Requested Adjustment</u>
Account 657 - Insurance - General Liability	\$17,000
Account 658 - Insurance - Workmen's Compensation	4,000
Account 659 - Insurance (Property)	15,520

The Utility obtained only one proposal from Dodd-Jones Insurance, Inc.

The Limited Partnership Certificate and Agreement of St. George Island Utility Company, Ltd., ARTICLE XIII, No. 13.1, Insurance Coverage, states, "The Partnership shall maintain fire, casualty, liability and property damage insurance in amounts customary with the venture to be undertaken by the Partnership and consistent with sound business practice."

PSC Auditor Opinion: As of April 1, 1994, the Utility has not implemented the above insurance.

The utility obtained only one proposal.

The Limited Partnership is in violation of its Article XIII, Insurance Coverage.

Utility Response: Again we reiterate that it is the purpose of this proceeding to show that additional expenditures are necessary if SGI is to meet all the requirements consistent with sound business practice. At this time, based on SGI's current revenue, insurance is not obtainable. Additional quotes for insurance will be supplied.



RESPONSE TO AUDIT EXCEPTION NO. 24

SUBJECT: CONTRACTUAL SERVICES - OTHER

COMMENTS:

SGI includes support for the Eastpoint workmen for \$500, SGI does not take issue with the balance of this exception.

ATTACHMENT TO  
RESPONSE TO AUDIT EXCEPTION NO. 24

Audit Report

Docket No. 940109-WU  
St. George Island Utility Company, LTD (SGI)  
Application for Increased Rates in Franklin County

Eastpoint Water Works  
3005 Island Drive  
Eastpoint, FL 32328

INVOICE

.....

Assisted St. George Island Utility Company employees to repair  
leaks at:

Well #1 (2 men)	\$200.00
8" Main leak right before Bridge (3 men)	<u>\$300.00</u>
Total	\$500.00

Paid 2-26-92  
Check #1705

*Liz Martins*

AB MANAGEMENT ACCOUNT  
238 KILLEARN ACCOUNT  
TALLAHASSEE, FL 32308

1705

00-00/031  
BRANCH 008

PAY TO THE ORDER OF

Cash

2-26 1992

Five Hundred &

\$ 500.00



FIRST NATIONAL BANK  
CAPITAL CITY GROUP  
200 THOMASVILLE ROAD  
TALLAHASSEE, FLORIDA 32308

PAID  
FEB 27 92  
CAPITAL CITY BANK GROUP

000822 024792  
00631071523  
0200 50000 00

FOR

Labor For ER

⑆001705⑆

⑆0000050000⑆

RESPONSE TO AUDIT EXCEPTION NO. 25

SUBJECT: BACKHOE

COMMENTS:

SGI does not take issue with this exception.

RESPONSE TO AUDIT EXCEPTION NO. 26

SUBJECT: ADJUSTMENT TO MISCELLANEOUS EXPENSE

COMMENTS:

SGI does not take issue with this exception.

RESPONSE TO AUDIT EXCEPTION NO. 27

SUBJECT: PER BOOK 1992 DEPRECIATION EXPENSE

COMMENTS:

1. PSC Auditor Statement of Fact: The utility reported its per book depreciation expense in MFR B-1 Schedule 1 as \$39,026. According to the utility general ledger, 1992 depreciation expense was \$40,276

PSC Auditor Opinion: The utility failed to report its per book depreciation expense in its filing.

Utility Response: The statement of fact is incorrect. The \$ 39,026 referred to on MFR Schedule B-1, is depreciation expense, net of CIAC amortization. The amount of depreciation expense reported is \$65,874 and is shown on MFR Schedule B-13, page 1. The amount reported in the general ledger is 67,124. The difference of \$1,250 is all related to Account 341.5, Transportation Equipment and is composed of the following:

Recoding of a loss related to a retired truck	\$ 937.17
Accrued expense on the truck after it was retired	<u>312.87</u>
	\$1,250.04

The \$65,874 reflects the correct depreciation expense, although staff is technically correct in that it is not the amount reflected in the general ledger. SGI takes issue with the characterization that it "failed" to report its per book depreciation expense. SGI did show the per book depreciation expense without the aforementioned adjustments related to one subaccount.

2. PSC Auditor Opinion: Also the auditor contends the utility's per book depreciation expense in (sic) incorrect. The auditor's recalculated 1992 depreciation expense as (sic) \$44,548.

Utility Response: SGI does not disagree that the annual depreciation expense does not reflect the depreciable lives allowed in the last case. If those lives are applied to the 1992 primary account average balances, the depreciation expense calculation is \$75,193. This calculation (copy attached) was provide to the auditor on October 24, 1993. I assume that the \$44,548 is supposed to be net of CIAC amortization. If so, we would disagree with that amount and substitute \$37,676 as reflected on the attachment.

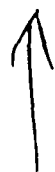
Net Water Depreciation Expense  
 Company: St. George Island Utility Co., Ltd  
 Docket No.: 930770-WJ  
 Test Year Ended: 12/31/92  
 Historic (X) or Projected ( )

Explanation: Provide a schedule of test year  
 depreciation expense non-used & useful  
 by primary account.

Recap Schedules: B-1

Florida Public Service Commission  
 Schedule B-13  
 Page 1 of 4  
 Preparer: Seidman, F.  
 Supporting Schds: A-5, B-13

Line No.	(1) Account No. and Name	(2) 1992 Avg, Plant in Service <i>UNADJUSTED</i>	(3) Life	(4) Depreciation Rate Rate %	(5) 1992 Depreciation Expense Per Book	(6) 1992 Depreciation Expense Adjustment	(7) Calculated Expense <i>ON UNADJUSTED BALANCE</i>
1	INTANGIBLE PLANT						
2	301.1 Organization						
3	302.1 Franchises						
4	339.1 Other Plant & Misc. Equipment						
5	SOURCE OF SUPPLY AND PUMPING PLANT						
6	303.2 Land & Land Rights	15,455					
7	304.2 Structures & Improvements	33,538	26	3.85%	1,055	235	1,290
8	305.2 Collect. & Impound. Reservoirs						
9	306.2 Lake, River & Other Intakes						
10	307.2 Wells & Springs	98,496	27	3.70%	3,316	332	3,648
11	308.2 Infiltration Galleries & Tunnels						
12	309.2 Supply Mains	210,024	32	3.13%	5,928	635	6,563
13	310.2 Power Generation Equipment	14,406	17	5.88%	741	106	847
14	311.2 Pumping Equipment	43,961	17	5.88%	2,263	323	2,586
15	339.2 Other Plant & Misc. Equipment						
16	WATER TREATMENT PLANT						
17	303.3 Land & Land Rights	5,000					
18	304.3 Structures & Improvements						
19	320.3 Water Treatment Equipment	19,711	17	5.88%	924	235	1,159
20	339.3 Other Plant & Misc. Equipment						
21	TRANSMISSION & DISTRIBUTION PLANT						
22	303.4 Land & Land Rights	11,587					
23	304.4 Structures & Improvements						
24	330.4 Distr. Reservoirs & Standpipes	350,557	33	3.03%	8,320	2,303	10,623
25	331.4 Transm. & Distribution Mains	1,363,508	38	2.63%	32,399	3,483	35,882
26	333.4 Services	168,472	35	2.86%	4,302	511	4,813
27	334.4 Meters & Meter Installations	82,872	17	5.88%	4,041	834	4,875
28	335.4 Hydrants	73,506	40	2.50%	1,664	174	1,838
29	339.4 Other Plant & Misc. Equipment	26	15	6.67%		2	2
30	GENERAL PLANT						
31	303.5 Land & Land Rights						
32	304.5 Structures & Improvements						
33	340.5 Office Furniture & Equipment	10,264	15	6.67%	593	91	684
34	340.51 Computer Hardware/Software						
35	341.5 Transportation Equipment						
36	342.5 Stores Equipment						
37	343.5 Tools, Shop & Garage Equipment	441	15	6.67%	28	1	29
38	344.5 Laboratory Equipment						
39	345.5 Power Operated Equipment						
40	346.5 Communication Equipment						
41	347.5 Miscellaneous Equipment	5,302	15	6.67%	300	53	353
42	348.5 Other Tangible Plant						
43	TOTAL DEPRECIATION EXPENSE				65,874	9,319	75,193
44	LESS: AMORTIZATION OF CIAC				26,848	11,915	37,517
45	LESS: NON-USED AND USEFUL				0	0	0
46	NET DEPRECIATION EXPENSE-WATER				39,026	( 2,595)	37,676



Furn Rise 8

Col 7

(Modified Spreadsheet Ws. Sp. 10)



RESPONSE TO AUDIT EXCEPTION NO. 28

SUBJECT: TAXES OTHER THAN INCOME

COMMENTS:

SGI does not take issue with this exception.

RESPONSE TO AUDIT DISCLOSURES

COMMENTS:

1. St. George Island Utility Company does not agree with many of the "disclosures" and may want to respond at a later date, if any of these items develop as issues in the rate case.