

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL
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In re: Application for a rate)
increase for Orange-Osceola)
Utilities, Inc. in Osceola County,)
and in Bradford, Brevard, Charlotte,)
Citrus, Clay, Collier, Duval,)
Highlands, Lake, Lee, Marion,)
Martin, Nassau, Orange, Osceola,)
Pasco, Putnam, Seminole, St. Johns,)
St. Lucie, Volusia, and Washington)
Counties by Southern States)
Utilities, Inc.)

Docket No. 950495-WS
Filed: February 12, 1996

DIRECT TESTIMONY

OF

PAUL A. KATZ

On Behalf of the Citizens of The State of Florida

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DIRECT TESTIMONY OF PAUL A. KATZ
ON BEHALF OF THE CITIZENS OF FLORIDA
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
SOUTHERN STATES UTILITIES
DOCKET NO. 950495-WS

1 Q: **What is your name and business address?**

2 A: Paul A. Katz, 8721 Oxwell Lane, Laurel, MD 20708.

3 Q: **What is your educational background and work experience?**

4 A: I have a Bachelors Degree and a Masters Degree from the University of
5 Wisconsin in Psychology and Economics. Additionally, I have successfully
6 completed more than 30 professional training courses, varying in length from
7 three days to two months, principally on the subjects of personnel and
8 management, with a concentration on employee compensation. I served as an
9 instructor for the American Compensation Association (ACA), a 20,000
10 member professional organization; where I was also an elected regional
11 President and for many years an elected National Director.

12

13 I have professionally practiced in the fields of personnel and compensation
14 (employee pay and benefits) for over 35 years. For the U.S. government (U.S.
15 Office of Personnel Management - OPM) I was the highest ranking career
16 civil servant in my field of job evaluation and pay. At OPM in Washington,
17 my office was responsible for determining the grades, and through that the
18 pay, of over 2 million civilian employees. During my government career I was
19 also employed as a Labor Economist for the Bureau of Labor Statistics (BLS)

1 where I designed and/or managed national pay surveys covering virtually all
2 the occupations in the U.S. economy. The combination of BLS pay surveys,
3 ACA officership and teaching, and OPM pay setting took me into (and
4 continues to take me into) hundreds of private sector companies to learn
5 about their pay practices and policies.

6
7 Since my retirement from the Federal government's Senior Executive Service
8 ten years ago, I have worked as a self-employed Personnel Consultant
9 specializing in pay, job evaluation, and employment. Approximately half of
10 my work has been litigation support and expert witness services in employment
11 and pay discrimination suits, mostly for employees. The other half, mostly for
12 employers, has been as a compensation consultant involving pay, grades, and
13 job descriptions. I have been accepted as an expert witness by judges in
14 Federal District Courts and by several administrative bodies, such as the U.S.
15 Equal Employment Opportunity Commission.

16 **Q: Have you won any awards, and if so for what?**

17 **A:** I have several from both the government and professional associations. The
18 awards were for performance, research, writing and teaching.

19 **Q: What is the purpose of your testimony?**

20 **A:** The purpose of my testimony is to offer an evaluation of the testimony of
21 Southern States Witness Dale Lock regarding the administration of salary
22 programs within the company and the resulting overall salary expense
23 produced by these programs.

24 **Q: Specifically, did you read that portion of Ms. Lock's testimony, on pages 11**
25 **through 20, concerning (page 11) "SSU's...analysis (of) salary structure,**

1 **average salary and turnover rates..."?**

2 A: Yes.

3 Q: **In summary, what conclusion did you reach after this review?**

4 A: It is my conclusion and expert opinion that none or virtually none of Ms.

5 Lock's (hereinafter referred to as SSU's or the Company's) conclusions should

6 be given any weight whatsoever because: (a) the foundation salary surveys

7 used are non-comparable to SSU or it's individual establishments, and (b) the

8 survey data itself has been misused.

9 Q: **Mr. Katz, have you reached similar conclusions in the past?**

10 A: Yes, many times. In publicly establishing pay and benefits for two million

11 civilian Federal employees, data (or what is claimed to be data) is often

12 "thrown around" in the bureaucracy, in the halls of Congress, and in the

13 media. To combat such "mis" information it was my job and that of my

14 colleague's offices to critique such data and its use.

15 Q: **Could you give us examples, point-by-point, of how SSU committed these**

16 **errors.**

17 A: Yes. I will do that using the same major headings SSU used to demonstrate

18 why they believe it appropriate to substantially raise pay. That is: Salary

19 Structure, Salaries, and Turnover.

20 Q: **Could you first discuss SSU's position on "Salary Structure"?**

21 A: SSU reports that while the companies SSU chooses to compare itself with

22 raised their salary structures by 7.8% over the three year period of 1992-1994,

23 SSU raised its salary structure by Zero Percent, and thus "...fell further behind

24 the competitive labor market." The former (zero percent increase in salary

25 structure) does not support SSU's latter conclusion of "non-competitive".

1 A salary structure has little to do with actual pay. In fact, there are many
2 times when a company pays not only above, but also below their salary
3 structure. Simply put, a key part of a salary structure (i.e., the rate range)
4 indicates the minimum and maximum amount of pay a company will ordinarily
5 pay an employee in a particular job or pay grade. Moreover, that minimum
6 and maximum pay rate typically varies by as little as 30%, most often by 50%,
7 and sometimes by as much as 100%.

8
9 For example, if a salary structure has a position or grade rate range of 50% -
10 - from \$20,000.00 to \$30,000.00 per year -- an employee (particularly a new
11 hire) could fairly be paid \$20,000.00 per year. If that employee were given a
12 pay raise (similar to SSU's example) of approximately 2.5% a year for ten
13 consecutive years, for a total pay raise of 30%), that employee would still be
14 within their rate range, even if the rate range had changed by Zero Percent
15 (again, the same as SSU's did in 1992-94). In other words, a company like
16 SSU can substantially increase pay (even double it) without ever increasing
17 their salary structure. So, salary structure increases and salary increases can
18 be two completely different things.

19
20 The fact that SSU did not increase its salary structure has no bearing
21 whatsoever on (a) its actual rates, or (b) its ability to fairly compete in the
22 labor market. SSU's claims about "salary structures" should be rejected as
23 irrelevant to any claims made about the need for pay raises or its ability to
24 fairly compete in the market.

25 Q. **Could you now discuss SSU's position under "Salaries"?**

1 A: As with "Salary Structures" discussed above, SSU not only continues its errors,
2 but compounds them by what a layman might call "throwing figures around".

3
4 First SSU "calculates" (pages 12 and 13) that "...average overall salary
5 increase budgets in Florida" of approximately 4% a year for each of two years
6 (1993-94) yields an actual two year salary increase of 8.7%. No such thing!
7 A budgeted increase is a projection of what the company may do in future
8 years, and an "...increase in earnings..." is what employees actually receive from
9 the company in the past. There is little relationship between the two (i.e.,
10 budget vs. actual). For example, a company may budget or project a small
11 increase, but employees could actually receive a large increase (or visa versa).
12 [We are all familiar with small construction budgets that turn into large actual
13 bills and cost overruns.] SSU's testimony provides no support for its apparent
14 erroneous conclusion that "budget" equals "actual". Thus, this foundation
15 "data" and all the analyses and conclusions that rely on it should also be
16 rejected.

17
18 Interestingly, the above example is almost exactly what SSU committed while
19 claiming "poverty", but locating the data which disproves its conclusions in two
20 different places. In the section titled "Salary Budgets" SSU claims a Zero
21 Percent increase. However, in a separate section titled "Salaries" SSU clearly
22 reports a "salary increase budget" (for merit, equity, and step adjustments) of
23 7.2%. Well, which is it; Zero Percent or 7.2%. Which is the "real" truth?
24 Perhaps there is no "real" truth, because in the almost next sentence (page 13,
25 line 6) SSU claims average actual raises of 1.44% per year. What happened

1 to the previous Zero Percent or 7.2%? That's what "throwing figures about"
2 means.

3
4 It gets worse. These "facts" (the term "facts" is now necessarily in quotes)
5 SSU now asserts are due to "filling more lower paid...than higher paid
6 positions." But not only is there no evidence that actually happened (or that
7 there were or could have been other reasons) but there is not a shred of
8 evidence and analysis that one caused the other.

9
10 On this weak foundation SSU winds up its "Salaries" analysis and proof by
11 reporting that other water companies pay higher than does SSU. SSU paying
12 \$27,168, and others paying an average of either \$34,585.97, or \$39,190.15.
13 Thus SSU, according to SSU's data, is "behind" by as much as 44% (\$39,190
14 minus \$27,168, divided by \$27,168, times 100). Does 44% behind seem
15 possible?

16
17 Because of competitive pressures and the wide availability of detailed salary
18 surveys, average salaries within and among industries do not typically vary by
19 a significant amount. For example the U.S. Bureau of Labor Statistics
20 (Occupational Compensation Survey, National Summary, 1993, Bulletin 2458)
21 reports that relative average pay typically varies by industry and geographic
22 area from a low of about "94" to a high of "107" ("100" is the average). Thus,
23 SSU's pay relative (in relation to \$39,190) would be "66"; a figure generally
24 unheard of in this country. Again, as above, there may well be something
25 wrong with the data SSU has presented as being ostensibly comparable.

1 Q. **Could you now discuss your third point, "Turnover"?**

2 A: SSU, now well into its stride of "throwing figures around" begins its "Turnover"
3 analysis and proof of its need for higher pay, by asserting that it is their
4 claimed non-competitive pay that causes both high turnover and difficulty in
5 recruiting. No, and it is emphasized, no analysis or proof whatsoever is
6 presented for demonstrating that the claimed high turnover and recruitment
7 difficulty is the only or principal result of the claimed low pay. Turnover can
8 and does result from a myriad of other factors. For example, poor
9 management, poor physical or emotional working conditions, or hiring the
10 wrong people. In fact, it is well known that pay is rarely an important factor
11 in voluntary departures, and that it ranks about fifth among the ten typical
12 reasons employees give for voluntarily departing (Maslow, Abraham,
13 Motivation and personality, New York: Harper and Row Publishers, 1954.

14
15 Not satisfied with simply (and probably falsely) asserting that turnover is the
16 only and direct result of their claimed low pay, SSU goes on to compare its
17 turnover with that of other employers. SSU finds its turnover rate of about
18 13.5% is "abysmal" as well as "significantly" higher than the national average
19 of about 10.8%. However, using SSU's own data, if only eight (8) fewer
20 employees left SSU, they too would be at the average. SSU's data, therefore,
21 does not support the terms "abysmal" and "significantly higher", nor does any
22 of the above support SSU's need for higher pay.

23 Q. **You have now critiqued SSU's basic and specific support of its need for pay**
24 **increases and found it wanting. But do you have analysis of your own that**
25 **you believe relevant concerning SSU pay increases?**

1 A. Yes, I do; and they fall in two categories. One is the additional shortcomings
2 of SSU's data, analyses, and conclusions. The other is the relevant data that
3 one might take into account when setting overall pay levels.

4 Q. **What additional shortcomings have you identified in the SSU data, analyses,
5 and conclusions?**

6 A. SSU, in its testimony, typically utilizes industry and/or national data and
7 compares it to the whole SSU corporation. This is clearly not a typical or
8 professional personnel practice.

9
10 Typically, employers look to compare their individual establishments to the
11 local labor market. The key reason is that employers typically want to pay
12 salaries that are competitive principally with the local market from which they
13 obtain employees to work in their local establishments. Variations exist,
14 particularly in massive companies that have scores of establishments located
15 throughout the country. But this is not the case here. In a typical example;
16 the Acme Corporation takes a pay survey of Any Town, USA to help
17 determine pay at it's Any Town, Acme Widget Subsidiary. What the Acme
18 Corporation does not do is take a national (or state or regional) survey, and
19 then pay the same salaries at its many subsidiaries, located throughout the
20 region or country, without regard to, for example: (a) the local or city
21 unemployment rate, (b) the local prevailing wage rates, (c) the skill and/or
22 educational level of the local labor market, (d) the immediate availability of
23 qualified workers.

24
25 What SSU has done (and apparently without rationale) is to not follow the

1 above described "local" accepted practice. In fact, the American
2 Compensation Association, which awards the "CCP" designation (Certified
3 Compensation Professional), requires as a condition of certification, that the
4 above "local" principles be learned. It is noted that Ms. Lock, a "CCP", has
5 apparently not practiced that tenet of certification. What SSU could do -- but
6 has apparently not done -- is to take a local pay survey of the local labor
7 market surrounding each of its water plants, and from those surveys establish
8 separate pay plans for each local water plant (with perhaps some corporate
9 "connection" among the several plant's pay plans. To do otherwise, without
10 acceptable justification, fails to establish an efficient or economic pay practice.

11
12
13 That SSU also used a Florida League of Cities Wage Survey is still not
14 indicative of the above "local" focus. State-wide (or even local city
15 government) pay data is not the same as, for example, local pay data,
16 especially when an SSU water plant is located in a non-urban area and the
17 city government pay data comes almost exclusively from downtown. It is well
18 known that suburban pay is typically lower than downtown pay.

19
20 I would also note that one specific negative outcome for rate payers of SSU's
21 behavior in utilizing other than local data, is to pay rates that are higher than
22 necessary. That is due to Florida's local labor market rates being generally
23 lower (or even substantially lower) than national pay rates. SSU's own data
24 shows that.

25 Q. **What other relevant data should be considered in the development of**

1 **appropriate compensation plans?**

2 A. Compensation professionals typically consider pay being related to the
3 difficulty of the work. Economic or business analysts, however, also
4 responsibly consider the relationship of a company's payroll to that company's
5 overall cost of doing business. Using just two of many such measures, SSU
6 ranks almost last in the apparent efficiency with which it spends its payroll
7 dollars.

8
9 1- In comparison with 101 other water companies, nationally, SSU ranks
10 98 in the amount of payroll dollars it spends per revenue dollar. That
11 is, it spends relatively more money on pay that do virtually all of SSU's
12 fellow companies. (EXHIBIT PAK-1)

13
14 2- In comparison with 101 other water companies, nationally, SSU ranks
15 88 in the amount of payroll dollars it spends per customer. That is,
16 each of SSU's rate-payers carries a relatively larger payroll burden than
17 do virtually all other rate-payers throughout the country. (EXHIBIT
18 PAK-2)

19
20 Thus, by any of a variety of measures -- whether by pay or economic analysis -
21 - something appears wrong in SSU's pay scales and budgets.

22 **Q. Mr. Katz, now that you have covered; (a) the shortcomings you see in SSU's**
23 **data, and; (b) other data you say is relevant and which SSU did not take into**
24 **account, is there any other data the PSC should take into account?**

1 A. Yes. There is one piece general economic data that the PSC should again be
2 made aware of when considering the use of pay surveys to help establish fair
3 pay levels. Of all the official economic industry groupings (e.g.,
4 manufacturing, transportation, finance, retail trade, wholesale trade, mining,
5 construction) the Utilities industry is almost always the highest paying
6 industry. One school of thought is that this is due to the less than diligent
7 critique of salaries by the public and the PSC's that serve them and protect the
8 public's interests. Thus, if Utilities compare themselves with only other
9 utilities, the resultant pay will always be higher than what is known as the
10 market. All the more need to focus as narrowly as is reasonable on
11 comparing the local establishment (i.e., the water plant) to the immediately
12 surrounding local labor market.

13
14 In summary, in reviewing the data, analyses and conclusions submitted by
15 SSU, there appears to be no basis whatsoever for supporting a general
16 increase in the projected level of salary expense for the coming year.

17 **Q: What would be your summary recommendation concerning SSU's specific**
18 **request for increases for total corporate salary expense?**

19 **A:** It would be my recommendation that SSU should not be granted any pay
20 increase until they had satisfactorily justified any such increase, which they
21 have not yet done.

22 **Q. In the absence of any such increase, what position should the Commission**
23 **take regarding SSU salary expense?**

24 **A.** The Commission should insist that the company provide a valid compensation
25 survey that is market based, with the specific market being the various

1 localities in which the company operates. Any other methodology will
2 obviously produce inaccurate and unreliable data.

3
4 In addition, the Commission should require the company to demonstrate the
5 adoption of an effective and valid incentive program that is truly performance-
6 based. Such a program should include corresponding penalties for lower
7 performance. These plans need not include an increase in the total salary
8 expense of the company, since there would be offsetting gains and losses. In
9 addition, the company should be encouraged to develop plans to offer team
10 awards consistent with improved productivity, efficiency and profitability.
11 Unlike the proposals of the company, such plans would not require funding
12 from ratepayers, since they would reward employees with some portion of the
13 financial gains that accrue to the company stockholders due to improved
14 performance of its employees.

15
16 Concurrently, the Commission should require the company to demonstrate
17 that its total salary expense is reasonable and prudent. While it is clear from
18 the data supplied by the company that its salary proposals are not
19 substantiated, neither is it totally clear what total salaries might be justifiable.

20
21 It is a significant possibility that the adoption of a prudent and effective salary
22 administration program would result in lower total salary expense for the
23 company. It is clearly to the company's benefit that projections of future
24 salary expenses be as high as possible in this proceeding, in order that the
25 total gains from any future cost-cutting measures and incentive programs will

1 accrue only to the stockholders. The Commission should not be deluded by
2 this strategy.

3 **Q. Does this conclude your testimony?**

4 **A. Yes, it does.**

5

SOUTHERN STATES UTILITIES COMPARATIVE DATA

SOUTHERN STATES RANKS 98 OUT OF 101 COMPANIES
IN THE REVENUE DOLLARS GENERATED BY EACH PAYROLL DOLLAR

[SOURCE: 1994 NAWC ECONOMIC RESEARCH PROGRAM SURVEY (FR17-A)]

RANK	COMPANY NAME	REVENUES (\$MILL)	PAYROLL (\$000)	\$ OF REVENUE PER \$ OF PAYROLL
1	SOUTHGATE	1.560	130.0	12.00
2	SUN CITY	5.624	551.3	10.20
3	SPRING VALLEY	36.930	4,099.5	9.01
4	NEW YORK AMERICAN	8.156	1,002.0	8.14
5	VIRGINIA AMERICAN	26.806	3,331.5	8.05
6	STAMFORD	12.500	1,601.7	7.80
7	SHORELANDS	7.626	977.2	7.80
8	SAN JOSE	90.496	12,283.0	7.37
9	ADELPHIA	1.037	141.7	7.32
10	FLORIDA CITIES	22.893	3,180.6	7.20
11	CAL. AMERICAN	52.949	7,487.8	7.07
12	TOMS RIVER	12.266	1,742.0	7.04
13	GEN WATER-CT	2.583	368.1	7.02
14	DOMINGUEZ	21.930	3,213.5	6.82
15	WAKEFIELD	2.118	311.2	6.81
16	SALISBURY	1.604	237.4	6.76
17	HAMPTON	3.109	462.8	6.72
18	PARADISE VALLEY	2.362	360.4	6.55
19	SUBURBAN WATER	26.429	4,085.4	6.47
20	NEW MEX. AMERICAN	5.630	887.3	6.35
21	MIDDLESEX	34.066	5,575.1	6.11
22	ELIZABETHTOWN	97.270	15,950.2	6.10
23	NEW JERSEY	168.344	27,622.1	6.09
24	CITIZENS CAL.	13.690	2,265.0	6.04
25	INTERSTATE CS	7.055	1,169.5	6.03
26	MAINE	1.125	191.7	5.87
27	SAN GABRIEL	39.474	6,750.5	5.85
28	CONN. WATER	38.131	6,534.8	5.84
29	INDIANA CITIES	17.093	2,964.0	5.77
30	BRIDGEPORT	59.085	10,391.7	5.69
31	CAL. WATER	151.717	26,976.2	5.62
32	NEW ROCHELLE	16.773	2,997.8	5.60
33	BIRMINGHAM	4.033	722.0	5.59
34	DEL. ESTE	5.151	922.2	5.59

SOUTHERN STATES UTILITIES COMPARATIVE DATA

RANK	COMPANY NAME	REVENUES (\$MILL)	PAYROLL (\$000)	\$ OF REVENUE PER \$ OF PAYROLL
35	NEW YORK WATER	19.089	3,525.2	5.42
36	WILMINGTON	12.427	2,310.0	5.38
37	INDIANA AMERICAN	35.609	6,642.4	5.36
38	AVON	1.661	315.0	5.27
39	LINCOLN	2.345	444.9	5.27
40	NEWTOWN	3.258	619.6	5.26
41	IOWA AMERICAN	15.267	2,983.7	5.12
42	CONN. AMERICAN	17.537	3,430.4	5.11
43	JAMAICA	64.881	12,732.3	5.10
44	TORRINGTON	2.568	505.2	5.08
45	RIO RANCHO	6.449	1,281.9	5.03
46	CITIZENS	2.272	453.3	5.01
47	LONG ISLAND	32.444	6,521.2	4.98
48	PENN AMERICAN	166.311	33,705.6	4.93
49	BOISE	14.052	2,857.3	4.92
50	SOUTH. NEW HAMP.	5.273	1,075.0	4.91
51	SO. CALIF.	98.154	20,036.2	4.90
52	ROTUNDA WEST	1.074	221.2	4.86
53	PLAINVILLE	1.574	325.5	4.84
54	HACKENSACK	116.282	24,067.7	4.83
55	MOUNT HOLLY	2.726	564.3	4.83
56	YORK	14.202	2,982.0	4.76
57	DAUPHIN CONC.	10.005	2,119.1	4.72
58	GEN WATER PA.	1.249	264.8	4.72
59	MOUNTAIN	6.432	1,378.0	4.67
60	MECHANICSBURG	2.887	625.3	4.62
61	PHIL-SUBURBAN	99.461	21,590.0	4.61
62	TENN. AMERICAN	27.554	5,995.5	4.60
63	MARYLAND	2.171	478.6	4.54
64	OHIO WATER	27.144	6,086.2	4.46
65	CONS. WATER	2.131	481.0	4.43
66	GARDEN STATE	9.452	2,135.1	4.43
67	PENNICHUCK	9.611	2,177.7	4.41
68	BATON ROUGE	28.871	6,619.0	4.36
69	GEN WATER PINE BLUFF	5.538	1,301.5	4.26
70	WEST LAFAYETTE	1.881	446.0	4.22
71	OHIO AMERICAN	14.856	3,542.4	4.19
72	ARTESIAN	18.534	4,454.3	4.16
73	LOUISVILLE	64.086	15,451.0	4.15
74	BLOOMSBURG	2.052	498.6	4.12
75	WEST V. AMERICAN	52.349	12,767.9	4.10

SOUTHERN STATES UTILITIES COMPARATIVE DATA

RANK	COMPANY NAME	REVENUES (\$MILL)	PAYROLL (\$000)	\$ OF REVENUE PER \$ OF PAYROLL
76	HOOSIER	2.585	632.0	4.09
77	INDIANAPOLIS	63.515	15,747.6	4.03
78	ILL. AMERICAN	56.095	13,940.6	4.02
79	NEW MEXICO UTIL.	1.712	430.2	3.98
80	CONSUMER ILL	10.741	2,762.7	3.89
81	COLLEGE	1.893	490.1	3.86
82	MASS	5.741	1,505.4	3.81
83	OHIO SUBURBAN	2.377	624.1	3.81
84	ROARING CREEK	5.260	1,420.8	3.70
85	NORTHERN ILL.	17.214	4,663.2	3.69
86	CAPITAL CITY	3.042	832.0	3.66
87	MISSOURI	12.083	3,307.2	3.65
88	BECKLEY	4.983	1,405.5	3.55
89	PENN WATER	1.370	400.5	3.42
90	SHENANGO VALLEY	6.335	1,911.2	3.31
91	PALM COAST	7.513	2,357.5	3.19
92	WANAKAH	1.607	511.6	3.14
93	PARK WATER	11.837	3,781.6	3.13
94	ST. LOUIS CTY.	66.822	21,673.1	3.08
95	TIDEWATER	1.413	465.9	3.03
96	CAMDEN & R	2.879	977.6	2.94
97	GARY HOBART	16.271	5,839.5	2.79
98	HYDRAULICS	1.050	395.2	2.66
99	SOUTHERN STATES	31.277	12,153.9	2.57
100	PENN GAS	53.363	28,506.0	1.87
101	JACKSONVILLE	5.819	3,336.1	1.74

SOURCE NATIONAL ASSOCIATION OF WATER COMPANIES 1993 FINANCIAL SUMMARY
FOR INVESTOR-OWNED WATER UTILITIES (DR17-A)

SOUTHERN STATES UTILITIES COMPARATIVE DATA

SOUTHERN STATES RANKS 88 OUT OF 101 IN PAYROLL DOLLARS PER CUSTOMER
 SSU PAYROLL PER CUSTOMER IS 26% HIGHER THAN THE AVERAGE COMPANY

RANK	COMPANY NAME	# CUST (000)	PAYROLL (\$000)	PAYROLL\$/ # CUST
1	SUN CITY	27.6	551.3	20
2	SOUTHGATE	4.2	130.0	31
3	CITIZENS CAL.	55.3	2,265.0	41
4	TOMS RIVER	40.4	1,742.0	43
5	OHIO SUBURBAN	14.4	624.1	43
6	INDIANA CITIES	66.3	2,964.0	45
7	ADELPHIA	3.0	141.7	47
8	WAKEFIELD	6.5	311.2	48
9	DEL. ESTE	19.0	922.2	49
10	MOUNT HOLLY	10.7	564.3	53
11	PLAINVILLE	5.9	325.5	55
12	IOWA AMERICAN	53.8	2,983.7	55
13	BOISE	50.3	2,857.3	57
14	BATON ROUGE	110.7	6,619.0	60
15	SAN JOSE	204.8	12,283.0	60
16	SUBURBAN WATER	65.7	4,085.4	62
17	HAMPTON	7.4	462.8	63
18	TORRINGTON	7.9	505.2	64
19	LOUISVILLE	240.2	15,451.0	64
20	NEW MEX. AMERICAN	13.6	887.3	65
21	CONSUMER ILL	42.3	2,762.7	65
22	MISSOURI	50.3	3,307.2	66
23	GEN WATER PINE BLUFF	19.7	1,301.5	66
24	INTERSTATE CS	17.0	1,169.5	69
25	SPRING VALLEY	59.5	4,099.5	69
26	WEST LAFAYETTE	6.4	446.0	70
27	YORK	42.5	2,982.0	70
28	MAINE	2.7	191.7	71
29	ROTUNDA WEST	3.1	221.2	71
30	INDIANAPOLIS	219.6	15,747.6	72
31	INDIANA AMERICAN	90.6	6,642.4	73
32	ST. LOUIS CTY.	293.4	21,673.1	74
33	CAL. AMERICAN	100.9	7,487.8	74
34	VIRGINIA AMERICAN	44.8	3,331.5	74

EXHIBIT NO. PAK-2

Page 2 of 3

RANK	COMPANY NAME	# CUST (000)	PAYROLL (\$000)	PAYROLL\$/ # CUST
35	CAL. WATER	361.8	26,976.2	75
36	NEWTOWN	8.3	619.6	75
37	GARDEN STATE	28.4	2,135.1	75
38	MOUNTAIN	18.2	1,378.0	76
39	LINCOLN	5.8	444.9	77
40	WILMINGTON	30.0	2,310.0	77
41	MECHANICSBURG	8.1	625.3	77
42	HOOSIER	8.1	632.0	78
43	DAUPHIN CONC.	27.0	2,119.1	78
44	NEW YORK WATER	43.7	3,525.2	81
45	GEN WATER-CT	4.5	368.1	82
46	NORTHERN ILL.	57.0	4,663.2	82
47	STAMFORD	19.4	1,601.7	83
48	CAPITAL CITY	10.0	832.0	83
49	PARADISE VALLEY	4.3	360.4	84
50	SO. CALIF.	237.0	20,036.2	85
51	BECKLEY	16.6	1,405.5	85
52	SALISBURY	2.8	237.4	85
53	ROARING CREEK	16.7	1,420.8	85
54	OHIO WATER	70.0	6,086.2	87
55	PHIL-SUBURBAN	246.0	21,590.0	88
56	BIRMINGHAM	8.2	722.0	88
57	LONG ISLAND	73.8	6,521.2	88
58	NEW YORK AMERICAN	11.3	1,002.0	89
59	PENN WATER	4.5	400.5	89
60	DOMINGUEZ	36.1	3,213.5	89
61	ARTESIAN	49.7	4,454.3	90
62	OHIO AMERICAN	39.3	3,542.4	90
63	TENN. AMERICAN	66.5	5,995.5	90
64	SAN GABRIEL	74.8	6,750.5	90
65	PENN AMERICAN	373.2	33,705.6	90
66	CITIZENS	5.0	453.3	91
67	NEW JERSEY	304.0	27,622.1	91
68	ELIZABETHTOWN	175.5	15,950.2	91
69	GEN WATER PA.	2.9	264.8	91
70	MASS	16.4	1,505.4	92
71	RIO RANCHO	13.7	1,281.9	94
72	ILL. AMERICAN	143.4	13,940.6	97
73	AVON	3.2	315.0	98
74	BRIDGEPORT	104.6	10,391.7	99
75	NEW ROCHELLE	30.1	2,997.8	100

RANK	COMPANY NAME	# CUST (000)	PAYROLL (\$000)	PAYROLL\$/ # CUST
76	PENNICHUCK	21.6	2,177.7	101
77	TIDEWATER	4.6	465.9	101
78	WEST V. AMERICAN	125.8	12,767.9	101
79	BLOOMSBURG	4.8	498.6	104
80	WANAKAH	4.9	511.6	104
81	SHORELANDS	9.3	977.2	105
82	MIDDLESEX	52.6	5,575.1	106
83	FLORIDA CITIES	30.0	3,180.6	106
84	MARYLAND	4.5	478.6	106
85	JAMAICA	119.1	12,732.3	107
86	CONN. WATER	59.5	6,534.8	110
87	GARY HOBART	52.9	5,839.5	110
88	SOUTHERN STATES	108.3	12,153.9	112
89	SHENANGO VALLEY	17.0	1,911.2	112
90	HYDRAULICS	3.5	395.2	113
91	CONS. WATER	4.1	481.0	117
92	SOUTH. NEW HAMP.	8.2	1,075.0	131
93	CONN. AMERICAN	26.0	3,430.4	132
94	JACKSONVILLE	24.3	3,336.1	137
95	HACKENSACK	175.0	24,067.7	138
96	CAMDEN & R	7.1	977.6	138
97	PARK WATER	26.6	3,781.6	142
98	NEW MEXICO UTIL.	3.0	430.2	143
99	PENN GAS	131.1	28,506.0	217
100	PALM COAST	9.9	2,357.5	238
101	COLLEGE	1.7	490.1	288
	AVERAGE PAYROLL DOLLARS PER CUSTOMER			89
	SOUTHERN STATES PAYROLL \$ PER CUSTOMER			112
	DIFFERENCE			23
	DEVIATION FROM AVERAGE			26.2%

SOURCE: NATIONAL ASSOCIATION OF WATER COMPANIES 1993 FINANCIAL
SUMMARY FOR INVESTOR-OWNED WATER UTILITIES (DR17-A)