

THE LAW FIRM OF
JACOBS & ASSOCIATES

PROFESSIONAL ASSOCIATION
401 CENTRE STREET
THE HISTORIC POST OFFICE BUILDING
SECOND FLOOR

POST OFFICE BOX 1110
FERNANDINA BEACH, FLORIDA 32035-1110

TELEPHONE (904) 261-3693
JACKSONVILLE DIRECT
(904) 355-6070
FAX NO. (904) 261-7879

ARTHUR I. JACOBS

February 13, 1996

FILE COPY

Ms. Blanca Bayo
Clerk, Florida Public Service Commission
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Re: Docket 950495-WS

Dear Ms. Bayo:

Enclosed herewith please find the original and fifteen copies the Testimony of J. Donald Riney, CPA in docket 950495-WS for pre filing. Copies of this testimony have been sent to all parties of record.

Should you have any questions, please do not hesitate to contact me.

Yours sincerely,



Arthur I. Jacobs
Counsel for Amelia Island
Community Assoc. et al.

3
AIJ/bs

Enclosures

1 orig x 5
RECEIVED
FEB 16 10 33 AM '96
ADMINISTRATION
MAIL ROOM

DOCUMENT NUMBER-DATE

01862 FEB 16 96

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL
FILE COPY

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

TESTIMONY

OF

J. DONALD RINEY, CPA

On behalf of Amelia Island Community Association, et al.

Arthur I. Jacobs, Esquire
Post Office Box 1110
Fernandina Beach, Florida 32034
Florida Bar No. 108249
(904) 261-3693

Attorney for the Amelia Island Community
Association, et al.

DOCUMENT NUMBER-DATE

01862 FEB 16 88

FPSC-RECORDS/REPORTING

TESTIMONY
OF
J. DONALD RINEY, CPA

On behalf of the
CUSTOMERS OF NASSAU/AMELIA ISLAND

Before the
FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 950495 - WS

1 Q. What is your name and address?

2 A. J. Donald Riney, 93 Sea Marsh Road, Amelia Island, Fl 32034

3 Q. Do you have an appendix that describes your education,

4 occupational history and your qualifications in regulation?

5 A. Yes, Appendix I, attached to my testimony, provides this data.

6 Q. What is the purpose of your testimony?

7 A. The purpose of my testimony is to respond to Southern States

8 Utilities, Inc.'s (SSU) application for a general rate increase.

9 My testimony will relate only to the rate request impact to

10 customers of Nassau/Amelia Island (Amelia Island). I will

11 demonstrate that the rate increase is unjustified based upon a "stand

12 alone" rate structure for Amelia Island.

13 Q. What do you mean by a "stand alone" rate?

14 A. SSU has combined all water and sewer service areas in Florida

15 into one for purposes of subject rate application. They are requesting

16 a rate increase to generate an overall return. The problem for my

17 client is the rate structure in place for Amelia Island, produces a

18 return to SSU that substantially exceeds the desired financial criteria

19 that SSU has established as a basis for this rate increase. Thus, a

20 "stand alone" rate for Amelia Island justifies a rate reduction, not an

21 increase.

1 Q. Would you review with us the financial data you believe supports
2 the position of a rate decrease for Amelia Island customers?

3 A. Amelia Island is clearly not representative of the average of
4 the compilation of all SSU water and sewer system service areas in
5 Florida. I will address three financial points that demonstrates how
6 the proposed rate increase is unfair to Amelia Island customers:

- 7 1. Contribution in Aid of Construction
- 8 2. Requested Revenue vs Required Revenue
- 9 3. Return on Equity and Rate of Return

10 Q. Would you please explain Contribution in Aid of Construction (CIAC)
11 and how it impacts the Amelia Island system?

12 A. Contribution in Aid of Construction is what the words indicate,
13 payments made by customers of a utility system to pay for a
14 portion of the cost of constructing utility plant. The following
15 analysis demonstrates that the customers of Amelia Island have
16 contributed more to their system than customers on the average of all
17 SSU water and sewer systems in Florida as follows:

18	Water	Amelia Island	Total All Systems
19	Utility plant in service	3,849,336	92,969,177
20	Land	<u>74,503</u>	<u>924,116</u>
21	Total	3,923,839	93,893,293

1	Water (continued)	Amelia Island	Total All Systems
2	CIAC	2,381,741	29,425,241
3	Percent (CIAC to total)	60.7%	31.3%
4	Sewer		
5	Utility plant in service	7,579,505	76,312,036
6	Land	<u>78,993</u>	<u>2,710,472</u>
7	Total	7,658,498	79,022,508
8	CIAC	3,049,145	29,908,141
9	Percent (CIAC to total)	39.8%	37.8%

10 Q. Would you please explain why the requested revenues in this rate
11 case are excessive for the customers of Amelia Island?

12 A. SSU is requesting rates that will generate the following revenues:

13	Amelia Island	Required Revenue	Requested Revenue	Over Sys Req.
14	Water	511,401	1,008,076	496,675
15	Sewer	1,167,829	1,631,558	463,729

16 Between the water and sewer systems, customers of Amelia Island
17 would pay nearly \$ 1,000,000 in revenue to SSU in excess of system
18 requirements.

19 Q. Would you please provide the data that supports your position that
20 the rate increase produces excessive "returns"

1 A. SSU indicates in their application that they are seeking a 12.25%
2 return on equity and a rate of return on rate base of 10.32%.
3 These financial benchmarks are compared to the following returns
4 that would be realized from the Amelia Island system if these
5 rates were allowed:

	Amelia Island System Area	
	Water	Sewer
8 Return on equity	94.33%	35.13%
9 Rate of return	43.12%	19.49%

10 Clearly, these rates are not fair and reasonable when applied to the
11 SSU customers at Amelia Island. All of the data in SSU's application
12 supports a rate reduction when comparing the various financial
13 goals of the Company to the Amelia Island plant, revenues,
14 return on equity and rate of return.

J. Donald Riney
93 Sea Marsh Road
Amelia Island, FL 32034
904-261-8082

Education	Brescia College B. S. - Accounting, May 1959	Owensboro, Ky.
Professional	Florida CPA Kentucky Society of CPAs - Past President Kentucky State Board of Accountancy - Past Member AICPA Management of Accounting Practice Committee - Past Member Kentucky Congressional Key person Committee (CPAs) - Past Chairman Instructor/Discussion Leader for several AICPA seminars	
Experience	J. Donald Riney Provide tax planning and compliance services. Assist attorneys in litigation support matters.	Amelia Island, FL
	Riney, Hancock and Company Developed a public accounting firm in a community of 55,000 commencing with a secretary and expanding to a regional firm with a staff of thirty-five. Responsible for practice management including scope of services and quality control of accounting and auditing, tax research, tax planning and compliance, management advisory services with emphasis on business planning, systems design and implementation. Authored a two volume Comprehensive Practice Management set of manuals for the medical and dental professions. These manuals are used by approximately seventy-five CPA firms in the United States. Advised clients on key business decisions, e.g. sales, mergers, acquisitions and related tax consequences.	Owensboro, Ky.
	Coopers and Lybrand Managed a small office for Coopers and Lybrand with responsibility for tax and audit engagements.	Owensboro, Ky.