

RUTLEDGE, ECENIA, UNDERWOOD, PURNELL & HOFFMAN

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

STEPHEN A. ECENIA
KENNETH A. HOFFMAN
THOMAS W. KONRAD
R. DAVID PRESCOTT
HAROLD F. X. PURNELL
GARY R. RUTLEDGE
R. MICHAEL UNDERWOOD
WILLIAM B. WILLINGHAM

POST OFFICE BOX 551, 32302-0551
215 SOUTH MONROE STREET, SUITE 420
TALLAHASSEE, FLORIDA 32301-1841

GOVERNMENTAL CONSULTANTS:
PATRICK R. MALOY
AMY J. YOUNG

TELEPHONE (904) 681-6788
TELECOPIER (904) 681-6515

March 26, 1996

**ORIGINAL
FILE COPY**

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center
Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

Re: Docket No. 950495-WS

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of the Southern States Utilities, Inc. ("SSU"), are the following documents:

1. Original and fifteen copies of the Prehearing Statement of Southern States Utilities, Inc.; and

2. A disk in Word Perfect 6.0 containing a copy of the document entitled "Prehearing."

ACK
AFA 2
APP
CAF
CMU
CTR
EAG
LEG 1
LIN 5

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,


Kenneth A. Hoffman

OPC KAH/r1

RCH cc: All Parties of Record

SEC Trib.3

WAS

QTH

RECEIVED
FPC
DIVISION OF RECORDS AND REPORTING

DOCUMENT NUMBER-DATE

03610 MAR 26 96

FPC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by Southern States Utilities, Inc. for rate increase and increase in service availability charges 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, Polk, Putnam, Seminole, St. Johns, St. Lucie, Volusia and Washington Counties.

Docket No. 950495-WS

Filed: March 26, 1996

ORIGINAL FILE COPY

PREHEARING STATEMENT OF SOUTHERN STATES UTILITIES, INC.

Southern States Utilities, Inc. ("Southern States"), pursuant to Order No. PSC-95-1208-PCO-WS ("Order Establishing Procedure") and Rule 25-22.038(3), Florida Administrative Code, respectfully submits the following Prehearing Statement in the above-captioned docket.

A. Witnesses

Southern States will present the direct testimony of the following witnesses:

Direct Testimony

Subject Matter

- | | | |
|----|-----------------------|---|
| 1. | Arend J. Sandbulte | MP Equity Investment |
| 2. | Scott W. Vierima | Overview |
| 3. | Roger A. Morin, Ph.D. | Cost of Capital |
| 4. | Morris A. Bencini | Misc. expenses/consumption/allocations |
| 5. | Judith J. Kimball | Misc. expenses |
| 6. | Forrest L. Ludsen | Rate structure/weather normalization clause/service |

DOCUMENT NUMBER-DATE

03510 MAR 26 7829

- availability charges/rate case expense
7. Dale G. Lock, CCP Payroll and Benefits
 8. Gerald C. Hartman, P.E. Used and Useful/Plant-in-service/Margin reserve/Economies of Scale/Hydraulic Flow Method/Reuse Investment
 9. James P. Elliott Hydraulic Flow Method
 10. Robert C. Edmunds, P.E. Hydraulic Flow Method
 11. Charles M. Bliss Used and Useful/Service Availability Charges
 12. J. Dennis Westrick, P.E. Plant-in-service
 13. William (Dave) Denny (Mr. Denny will adopt the prefiled direct testimony of Raymond E. Gangnon) Plant-in-service/Quality of Service
 14. Rafael A. Terrero, P.E. Plant-in-service/Quality of Service
 15. Craig J. Anderson Chemical Lab
 16. John Hilton, C.P.M. Purchasing
 17. Bruce E. Gangnon Taxes
 18. Hugh Gower Imputation of CIAC
 19. Carlyn Harper Kowalsky, Esq. Conservation Program
 20. John B. Whitcomb, Ph.D. Price Elasticity/Conservation Rate Structure/Weather Normalization Clause
 21. John F. Guastella, P.E. Reuse and Bulk Sale Pricing

Rebuttal Testimony

1. Richard Harvey Used and Useful/Margin Reserve/Reuse Investments

- | | | |
|-----|------------------------------|---|
| 2. | John Soweby
(By Subpoena) | Used and Useful/Margin Reserve/
Reuse Investments |
| 3. | David York (By subpoena) | Used and Useful/Margin Reserve/
Reuse Investments |
| 4. | Mark Farrell | Conservation Program/Weather
Normalization Clause |
| 5. | Jay Yingling | Price Elasticity |
| 6. | Bruce Adams | Conservation Program |
| 7. | Harold Wilkening | Conservation Program/Reuse
Investments |
| 8. | Arend J. Sandbulte | Shareholder Investment
Overview/Gain on Sale |
| 9. | Forrest L. Ludsen | _____ |
| 10. | John B. Whitcomb, Ph.D. | _____ |
| 11. | Dale G. Lock, CCP | Payroll and Benefits |
| 12. | Frank Johnson | SSU Compensation Adjustment |
| 13. | Brian Broverman | SSU Conservative Cost
Projections/FASB 106 Expense |
| 14. | Hugh Gower | Imputation of CIAC/Gain on
Sale/MP Investment |
| 15. | J. Dennis Westrick, P.E. | Plant-in-service |
| 16. | Bill Goucher | Plant-in-service |
| 17. | Steve Bailey | Plant-in-service |
| 18. | Bruce Paster | Plant-in-service |
| 19. | Charles M. Bliss | Used and Useful |
| 20. | Gerald C. Hartman, P.E. | Used and Useful |
| 21. | Robert C. Edmunds, P.E. | Hydraulic Flow Method |
| 22. | James P. Elliott | Hydraulic Flow Method |
| 23. | Rafael A. Terrero, P.E. | Plant-in-service/Quality of
Service/Hydraulic Flow |

	Method/Reuse Investment
24. William (Dave) Denny	Quality of Service/Plant-in-service
25. Roger A. Morin, Ph.D.	Cost of Capital
26. Scott W. Vierima	_____
27. Karla O. Teasley, Esq.	Customer Service/Marco Lakes Condemnation/Marco preferred source of supply costs
28. Robert Dilg, Esq.	Marco Lakes Condemnation
29. Carlyn Harper Kowalsky, Esq.	Conservation Program
30. Ida Roberts	Customer Information
31. Bruce E. Gangnon	Taxes
32. Judith J. Kimball	Misc. Expenses
33. Morris A. Bencini	Misc. Expenses/Deferred Charges/Rate Design/Projected Consumption

SSU reserves the right to present additional witnesses to address issues which have not been previously raised by the parties, the Commission staff or the Commission.

B. Exhibits

Southern States intends to present the following exhibits:

Direct

Witness

Exhibit

Scott W. Vierima	SWV-1 (Minimum Filing Requirements)
	SWV-2 (Capital Cost Comparisons - CoBank)
Arend J. Sandbulte	AJS-1 (Excerpt - Moody's Investors Service Rating Notice 3/1/95)
	AJS-2 (Excerpt - Duff and Phelps Credit Rating Company News Release)

3/16/95)

AJS-3 (Excerpt - Duff and Phelps
Credit Rating Company News Release
1/22/95)

AJS-4 (Excerpt - A.G. Edwards
Research Comments 1/9/95)

AJS-5 (Excerpt - Oppenheimer & Co.
Research Comments 1/13/95)

AJS-6 (Excerpt - Donaldson, Lufkin
Research Comments 3/3/95)

Roger A. Morin, Ph.D.

RAM-1 (Resume of Roger A. Morin)

RAM-2 (February 1995 Memorandum
addressing return on common equity
determination for Florida Water and
Wastewater Utilities)

RAM-3 (Florida PSC most recent
allowed ROE mid-points)

RAM-4 (Weighted average cost of
capital for the average Florida
water utility)

RAM-5 (Effect of market-to-book
ratio on market return)

RAM-6 (Application of the capital
asset pricing model)

RAM-7 (Value line index companies'
investment characteristics)

RAM-8 (SSU's relative ranking among
Standard & Poors water utility
benchmarks)

RAM-9 (Standard & Poors utility
benchmarks)

RAM-10 (PSC's cost of capital
calculation for the average Florida
water utility at 40% common equity
ratio and calculation of interest
coverage)

RAM-11 (summary of adjustments to leverage formula)

Forrest L. Ludsen FLL-1 (Diagram of SSU wagon wheel analogy)

FLL-2 (Minimum, maximum and average service availability charges per 1994 statewide survey)

FLL-3 (Summary of total water and wastewater service availability charges - 1996)

FLL-4 (Proposed monthly worksheets demonstrating the application of the weather normalization clause)

FLL-5 (Application of weather normalization clause under a 12-month spread back)

John B. Whitcomb, Ph.D. JBW-1 (Dr. Whitcomb's publications)

JBW-2 (February 1993 report prepared by Brown & Caldwell for SWFWMD on water conservation rates and rate structures)

JBW-3 (August 1993 report prepared by Brown & Caldwell for SWFWMD on water price elasticity)

JBW-4 (WATERATE registered users)

JBW-5 (SWFWMD conservation rate study weighting system scoring of uniform rate structure approved in Docket No. 920199-WS)

JBW-6 (Calculation of price elastic water change resulting from SSU's proposed rate structure)

Carlyn Harper Kowalsky CHK-1 (Newspaper articles on water supply issues)

CHK-2 (Letter from SWFWMD dated December 13, 1994)

CHK-3 (Proposed enhancements to SSU conservation program)

	CHK-4 (Letter from Volusia City-County Water Supply Cooperative dated November 1, 1993)
	CHK-5 (Example of SSU water audit)
Judith J. Kimball	JJK-1 (Table of beginning rate base adjustments)
Morris A. Bencini	MAB-1 (Summary of counties allowing non-used and useful property tax credits)
J. Dennis Westrick, P.E.	JDW-1 (Plant additions by service type - FPSC regulated plants)
	JDW-2 (Plant additions by priority - FPSC regulated plants)
	JDW-3 (Information regarding percentage of additional plant placed in service areas with the ten largest customer bases)
	JDW-4 (List of projects which exceed \$100,000.00)
Dale G. Lock, CCP	DGL-1 (Actuarial valuation report of SSU OPEB costs projected for year ended 12/31/94)
	DGL-2 (SSU medical plan cost containment measures)
	DGL-3 (Hewitt study containing competitive pay data and analysis for selected positions)
	DGL-4 (Schedule of recent company-wide training events)
Gerald C. Hartman, P.E.	GCH-1 (Letters from DEP staff to PSC staff dated July 30, 1992 and July 14, 1993)
	GCH-2 (Memorandum Of Understanding between DER and PSC)
	GCH-3 (DEP Rule 62-600.405, F.A.C.)
Rafael A. Terrero, P.E.	RAT-1 (Resume of Rafael A. Terrero)

	RAT-2 (SSU 1993 safety training summary)
William (Dave) Denny	WDD-1 (Analysis of in-county and cross-county labor for year ended 12/31/94)
	WDD-2 (Area supervisors, service areas supervised by area supervisors, and base of operations and service areas served by plant operators and maintenance technicians)
	WDD-3 (Summary of PSC complaint activity for water and wastewater utilities for 1994)
	REG-1 (SSU Emergency/Hurricane Preparedness Plan)
	REG-2 (Emergency Response Team equipment)
John F. Guastella	JFG-1 (Marco Island Raw Water Rate Study)
	JFG-2 (Marco Island Effluent Reuse Rate Study)
Hugh Gower	HG-1 (Illustration of capital recovery through depreciation)

Rebuttal

Witness

Exhibit

Stephen E. Bailey, P.E.	SEB-1 (Regulatory Mandate Project)
	SEB-2 (1995 Actual Plant-in-Service)
Morris A. Bencini	MAB-2 (1995 OAP Projects)
	MAB-3 (1995 Water/Sewer O&M Costs)
	MAB-4 (Miscellaneous Adjustments)
	MAB-5 (Miscellaneous Discovery Responses)
	MAB-6 (Comparison of Water Consumption Projection Methodologies)

to Actual 1995 Consumption)

MAB-7 (Comparison of Water Bills Projection Methodology to reduced 1995 bills)

MAB-8 (Comparison of Average Bi-Monthly Consumption to Rainfall)

MAB-9 (Summary comparison of 1995 billing determinants applied to recomputed 1996 projections)

MAB-10 (Comparison of MFR 1995 projected revenues versus actual 1995 revenues)

Charles M. Bliss

CMB-1 (Comparison of Hydraulic analysis versus lot count used and useful method)

CMB-2 (Summary of Pine Ridge field calibration effort and hydraulic analysis results)

Brian S. Broverman

BSB-1 (Excerpts of 1995 EEI Survey)

BSB-2 (Actuarial report as of January 1, 1995 for the postretirement medical, dental and death benefit programs of Southern States Utilities)

William (Dave) Denny

WDD-4 (SSU response to Public Counsel Interrogatory No. 161)

WDD-5 (SSU response to Public Counsel Interrogatory No. 168)

Robert Dilg, Esg.

GRD-1 (Gray, Harris & Robinson Settlement Recommendations)

Robert C. Edmunds, P.E.

RCE-1 (Study - State Model Calibration of Pine Ridge Water Transmission and Distribution Network)

Mark Farrell

MF-1 (Selected Southwest Florida Water Management District Policies and Requirements)

MF-2 (SSU's 1997 Spring Hill Water Conservation Cost Share Proposal)

MF-3 (SWFWMD "Retrofit programs and Reuse Project Summary Report")

Bruce E. Gangnon BEG-1 (Deposition Errata Sheet and Transmittal Letter)

William C. Goucher, P.E. WCG-1 (Regulatory Mandate Projects)

WCG-2 (1995 Actual Plant-in-Service)

Gerald C. Hartman, P.E. GCH-4 (Economy of Scale Evaluation)

GCH-5 (Unit cost relationship of facility equals the sum of its components)

GCH-6 (Economy of Scale Compendium Illustrations - steel ground storage tank used and useful, margin reserve)

GCH-7 (Miscellaneous FPSC staff memorandum discussing used and useful considerations)

GCH-8 (Map of Drawdown of 3.9 MGD during wet month)

GCH-9 (Hartman & Associates, Inc. letter regarding settlement of Marco Lakes condemnation)

Richard M. Harvey, P.E. RMH-1 (Memorandum of Understanding - Florida Department of Environmental Regulation and Florida Public Service Commission)

RMH-2 (DEP letter to FPSC dated July 14, 1993 regarding used and useful rulemaking)

RMH-3 (DEP letter to FPSC dated May 12, 1995 regarding used and useful rulemaking)

RMH-4 (DEP letter to FPSC dated June 29, 1995 regarding used and useful rulemaking)

Judith J. Kimball

RMH-5 (DEP letter to FPSC dated February 20, 1996 regarding used and useful rulemaking)

RMH-6 (Article: "Miami Looks for alternatives to blue-chip sewer overhaul")

RMH-7 (Excerpts of DEP rules on permitting and construction of public water systems)

JJK-2 (Breakdown of future use plant per 12/31/94 general ledger)

JJK-3 (Conveyance letter of Kimball Late-filed deposition Exhibit Nos. 1 and 2)

JJK-4 (1995 filed and actual plant-in-service)

JJK-5 (Summary of 1995 and 13-month Average FPSC filed and actual plant-in-service additions)

JJK-6 (Schedule of non-used and useful CIAC amounts)

JJK-7 (SSU revised response to Public Counsel Interrogatory No. 252)

JJK-8 (Comparison of Attrition adjustment at 1.95% versus 2.49%)

JJK-9 (SSU Response to Public Counsel Interrogatory No. 343)

JJK-10 (Reconciliation of Sugarmill Woods wastewater CIAC difference between Docket No. 920199 MFRs and Book balances)

JJK-11 (SSU response to Staff Audit Request No. 113)

JJK-12 (SSU response to Staff Audit Request No. 22, CIAC amortization)

JJK-13 (SSU Response to Staff Audit Request No. 71)

	JJK-14 (SSU response to FPSC Staff Audit Document Request No. 95)
	JJK-15 (Excerpt from FPSC Standard procedures for Docket No. 950495-WS)
Carlyn Harper Kowalsky, Esq.	CHK-6 (Water conservation and water utility programs)
Dale G. Lock, CCP	DGL-5 (1993 Comparison of Revenue to payroll and payroll to customers)
	DGL-6 (1993 and 1994 comparison by company-average payroll per employee)
	DGL-7 (SSU 1995 Employee turnover analysis)
	DGL-8 (SSU response to Public Counsel Interrogatory No. 44)
	DGL-9 (SSU job description: Manager of Communications and Governmental Relations)
Forrest L. Ludsen	FLL-6 (Summary of rate schedules and supporting data associated with Staff proposed rate designs)
	FLL-7 (Cost per customer of customer accounts and A&G Expenses without and with Buenaventura Lakes (OOU))
	FLL-8 (Summary of Percentage of customer accounts/A&G expenses to revenues 1991 to 1996)
	FLL-9 (Analysis of Rate Case Expense)
	FLL-10 (Comparison of Treatment types and Stand Alone Residential bills when sorted by percentage of CIAC to plant)
	FLL-11 (Excerpt from Order No. 23511 regarding service availability charges)
	FLL-12 (Comparison of percentage

CIAC when sorted by treatment type and stand alone residential bill)

FLL-13 (Comparison of stand alone residential bills when sorted by treatment type and percentage CIAC to plant)

FLL-14 (Comparison of treatment types and stand alone residential bills when sorted by percentage of CIAC to plant)

FLL-15 (Comparison of proposed final conventional and reverse osmosis uniform rates)

Roger A. Morin, Ph.D.

RAM-12 (Executive Summary)

Bruce Pastor, P.E.

BP-1 (Regulatory Mandate Projects)

BP-2 (1995 Actual Plant-in-Service)

Karla Olson Teasley,
Esq.

KOT-1 (Chronology: Marco Island/Marco Shores water supply Planing)

Rafael A. Terrero, P.E.

RAT-3 (Aquifer Storage and recovery site and condemned 212 acres)

RAT-4 (Excerpts from DEP rules regarding permitting and construction of public water systems)

RAT-5 (1964 Hydraulic flow modelling of Marco Island)

RAT-6 (Recent Analysis of Water Distribution system flow in pipes - Hardy Gross)

RAT-7 (Excerpt from modeling, analysis and design of water distribution systems, AWWA)

RAT-8 (Original Mainframe Program "Water Flow In A Pipe Network by Hardy Gross Solution" by D. R. Wood)

RAT-9 (Excerpt from EPA Handbook "Sewer System Infrastructure Analysis and Rehabilitation")

RAT-10 (Excerpt from Capacity Analysis Report for Sugarmill Woods Wastewater Treatment Facility by Berryman & Henigar (October 1995))

RAT-11 (DEP Permit No. FL0039446-001: Orange Osceola Utilities, Inc. (Buenaventura Lakes))

RAT-12 (Schematic of Wetland Disposal Area)

RAT-13 (DEP Warning Letter No. 94-0031DW095WD: Apache Shores)

RAT-14 (DEP Permit No. FLA012669: Marion Oaks)

Scott W. Vierima

SWV-3 (Parent Company Charges-Detail)

SWV-4 (NYPSC Order Instituting Proceeding)

SWV-5 (Article: "The PUC Role in Assuring Viable Water Service in Small Communities")

SWV-6 (SSU Response to Marco Island Civic Association Interrogatory No. 5)

SWV-7 (Hanson Appraisal Company, Inc. Letter supporting settlement of Collier Lakes Condemnation Action)

J. Dennis Westrick, P.E. JDW-5 (1995 Actual Plant-in-Service Total Company)

JDW-6 (1995 Actual Plant-in-Service: Westrick Responsibility)

JDW-7 (Comparison of Budget to Actual Plant-in-service additions for the period 1992 through 1995)

JDW-8 (Projected 1995 in service projects carried over to 1996)

JDW-9 (Projects placed into service in 1995 but not included in MFR projections)

JDW-10 (Regulatory Mandate Projects)

Jay Yingling

JY-1 (Resume of Jay Yingling)

SSU reserves the right to offer additional exhibits for purposes of cross-examination and to address issues not previously raised by any party, the Commission staff or the Commission.

C. Basic Position

For the vast majority of SSU's service areas, current rates predominantly reflect 1991 costs and investments. SSU has placed approximately \$100 million of plant into service since rates last were established. SSU requests that the Commission provide rate relief commensurate with 1996 test year revenue requirements. The recognition and reflection in rates of 1996 costs, rate base and a return thereon will best reflect SSU's on-going revenue requirements and avoid the necessity of SSU seeking additional rate relief in the near future.

Rate Structure

SSU requests that the Commission authorize a uniform rate structure for water with two service classifications: conventional and reverse osmosis, and a uniform rate structure for wastewater. Interim rates have been established based upon a modified stand-alone rate structure pursuant to Order No. 96-0125-FOF-WS. SSU requests that the Commission revert to the uniform rate structure requested by SSU. However, implementation of the uniform rate structure requested by SSU should be deferred until the

Commission's final agency action determining rate structure in this proceeding is final and no longer subject to appeal. Until such time, SSU requests that it be authorized to charge rates reflecting the Commission's final revenue requirement determination under the current modified stand-alone rate structure.

Test Year Consumption

SSU requests that the Commission establish 1996 test year consumption based upon the consumption levels reflected in the MFRs, which projection reflects a price elasticity adjustment endorsed by both Dr. John B. Whitcomb, Ph.D. and a representative of the Southwest Florida Water Management District, and water conservation adjustments.

Test Year Expenses

SSU requests that the Commission approve test year expenses consistent with the data provided in the MFRs. Actual 1995 expenses of \$25,531,190 (excluding Buenaventura Lakes) were within \$65,000 of the \$25,596,875 (also excluding Buenaventura Lakes) projection in the MFRs. In addition, SSU requests that the Commission authorize a 2.49% attrition adjustment for the 1996 test year as opposed to the 1.95% attrition factor used in the MFRs, due to the issuance of Order No. PSC-96-0177-FOF-WS on February 9, 1996 (after the MFRs were filed) confirming a 2.49% 1996 attrition factor. This request is consistent with the traditional use of the leverage graph in effect at the time of the Commission's determination of revenue requirements to determine cost of capital.

Cost of Capital

SSU requests that the Commission establish rates designed to give SSU the opportunity to earn a 1996 rate of return of 10.32% based upon a return on equity of 12.25% supported by Dr. Roger A. Morin. If the weather normalization clause is not approved, the return on equity should be 12.5%.

Rate Base

SSU requests that the Commission approve the water and wastewater rate base indicated in the MFRs. The water rate base reflects a three year margin reserve for treatment plant and twelve month margin reserve for lines. Wastewater rate base reflects a five year margin reserve for treatment plant and twelve month margin reserve for lines. SSU's treatment plant margin reserves are supported by experts from SSU, Florida engineering firms and the Department of Environmental Protection. These margin reserves are the most economical for SSU and its customers, offer the best protection for the public health and Florida's environment and represent a step toward a more efficient administrative process at SSU and Florida's environmental agencies. SSU also requests that no imputation of contributions in aid of construction be made against margin reserve. An imputation negates the margin reserve and thus fosters uneconomic investment in plant, places public health and the environment in danger and results in costly bureaucracy and administrative expense.

Miscellaneous Expenses

SSU requests that the Commission authorize SSU to recover

costs of its water conservation program which is endorsed by representatives of the Southwest Florida Water Management District, St. Johns Water Management District and South Florida Water Management District.

SSU also requests recovery of costs and investments under SSU's Emergency Preparedness Plan which is required to insure the continuous operation of SSU's facilities for service to our customers.

Finally, SSU requests recovery of payroll equity adjustments for operations and maintenance personnel and customer service personnel in a manner consistent with the customized study prepared for SSU by Hewitt and Associates, a major international wage and compensation consulting firm.

D. Issues and Positions

Issue 1: Should the Enterprise and River Park Plants and facilities be removed from this docket?

SSU: The River Park facilities have been transferred to a homeowners association and should be removed. The common costs previously allocated to customers in the River Park service area should be reallocated to SSU's remaining customers. The Enterprise facilities are operated by and customers are served by SSU pursuant to a receivership. The facilities and customers should remain in this docket. (Bencini)

Issue 2: Is the quality of service provided by SSU at each of its water and wastewater facilities satisfactory?

SSU: Yes. The evidence confirms that service complaints of customers on the Beacon Hills facility primarily are the result of

poor source water quality indigenous to the Arlington area and copper plumbing facilities installed by builders. SSU has taken and is taking steps to address the complaints in a manner consistent with applicable requirements. Quality of service at all other facilities meets applicable rules and standards or is being addressed in a timely manner consistent with rules and standards. (Torrero, Westrick, Goucher, Bailey, Paster)

Issue 3: What adjustments should be made and what corrective action should the Commission require for those systems that are not currently meeting Department of Environmental Protection standards?

SSU: No adjustments are appropriate. (Torrero, Westrick, Goucher, Bailey, Paster)

Issue 4: Should Lehigh land additions representing Plant Held for Future Use be removed from rate base (Staff Audit Disclosure No. 2)?

SSU: Only to the extent indicated in the rebuttal testimony of SSU witness Kimball. (Kimball)

Issue 5: Are any adjustments appropriate to reflect the original cost of the Collier property acquired for Marco Island?

SSU: No. The Collier Lakes were acquired at a reasonable cost reflecting fair value for the property. No less property could have been acquired at a more reasonable cost. (Teasley, Dilg, Hartman, Torrero)

Issue 6: Should an adjustment be made to reclassify a portion of the Collier property for Marco Island to non-utility property (Staff Audit Exception No. 2)?

SSU: No. The property only will be used as a water supply source -- not for residential or commercial development. (Teasley, Dilg, Hartman, Torrero)

Issue 7: Should the transfer of the Section 35 property from plant held for future use to land be allowed for Marco Island?

SSU: Yes. Permits have been obtained. Easements are in progress. If this land had not been secured already by SSU's predecessor, it would have cost SSU and customers significantly more to acquire an alternative site, if one could be found.
(Terrero)

Issue 8: Should Buenaventura Lakes' rate base be reduced to reflect adjustments made in Docket No. 941151-WS, which approved the transfer?

SSU: The rate base should be adjusted, both up and down, to reflect adjustments indicated in the orders affecting the transfer.
(Kimball)

Issue 9: Is the utility's method of determining engineering and administrative overhead pool appropriate?

SSU: Yes. SSU's method is consistent with accounting and ratemaking principles and otherwise reasonable. (Bencini)

Issue 10: Is the amount of overhead allocated to capital projects excessive, and, if so, what adjustments are necessary?

SSU: No, for the reasons referred to in SSU's response to Issue No. 9. Should any adjustments be made, associated expenses must be recovered unless evidence is introduced which establishes that the costs were unreasonable in amount or imprudently incurred.
(Bencini)

Issue 11: Are adjustments necessary to the utility's additions to plant, both historic and proposed?

SSU: Only as stated in the testimony of SSU witnesses Westrick, Bailey, Goucher, Paster and Kimball. (Westrick, Bailey,

Paster, Goucher, Denny)

Issue 12: Is the Utility's methodology for determining ERCs and connected lots for calculating used and useful appropriate?

SSU: Yes. (Bliss)

Issue 13: Should a margin reserve be included in the calculations of used and useful for each facility?

SSU: Yes. A margin reserve is required to ensure economical service, best protect the public health and environment and foster an efficient administrative process. (Hartman, Terrero, Harvey, Soweby, York)

Issue 14: If margin reserve is included in the calculation of used and useful, what is the appropriate margin reserve period?

SSU: Three years for water treatment plant. Five years for wastewater treatment plant. Twelve months for water distribution/transmission facilities and wastewater collection facilities. (Hartman, Terrero, Harvey, Soweby, York)

Issue 15: If margin reserve is included in the calculation of used and useful, what is the appropriate method for calculating margin reserve?

SSU: By linear regression as used in the MFRs. (Bliss)

Issue 16: What is an acceptable level of unaccounted-for-water?

SSU: In general, 12.5% -- with higher levels acceptable depending upon the circumstances, i.e., age of facilities. (Denny)

Issue 17: Do any water facilities have excessive unaccounted-for-water and, if so, what adjustments are necessary?

SSU: SSU operates one system. Company-wide unaccounted for water is below 12.5% and at the 10% level. SSU should not be

penalized for addressing unaccounted for water levels to achieve maximum cost/benefit results. (Denny)

Issue 18: What is an acceptable level of infiltration and/or inflow?

SSU: Acceptable levels depend upon the circumstances and cost/benefit considerations. (Denny)

Issue 19: Do any wastewater facilities have excessive infiltration and/or inflow and, if so, what adjustments are necessary?

SSU: No. (Denny)

Issue 20: Should the hydraulic analyses performed on the Citrus Springs, Marion Oaks, Pine Ridge, and Sunny Hills transmission and distribution lines be the basis for determining used and useful percentages for water transmission and distribution facilities at these four sites?

SSU: Yes. The hydraulic flow method is the best measure of actual use of the facilities. The facilities were planned, designed and constructed using hydraulic flow method. The lot count method ignores engineering design and construction requirements with which SSU must comply and results in a confiscation of SSU property. (Terrero, Edmunds, Bliss, Hartman, Elliott)

Issue 21: What is the appropriate methodology for calculating used and useful for all water and wastewater facilities?

SSU: Per the MFRs. (Bliss, Hartman)

Issue 22: What are the appropriate used and useful percentages for each facility?

SSU: As reflected in the MFRs. (Bliss, Hartman)

Issue 23: If the used and useful calculations in this rate proceeding result in used and useful percentages lower than those allowed in previous rate cases,

what are the appropriate percentages to use?

SSU: Used and useful percentages may not be adjusted downward absent a change in the capacity of the facility due to expansion. Even under these circumstances, no change to used and useful would be appropriate if the capacity change was consistent with the most economical design and construction. To decrease used and useful solely on reduced consumption would discourage utility conservation efforts and result in a confiscation of utility property which was properly built at the time the decision to build was made to meet engineering requirements and customer needs. (Hartman, Ludsen)

Issue 24: What wastewater plant components should be considered as reuse components and what are the appropriate used and useful percentages?

SSU: All facilities required to convert a plant and/or disposal method to reuse capability must be considered 100% used and useful under Florida Statutes. (Terrero)

Issue 25: Should the utility's proposed adjustment to reverse depreciation taken on non-used and useful facilities be approved?

SSU: Yes. This adjustment represents a correction of past errors. (Bencini)

Issue 26: Should CIAC be imputed on the margin reserve?

SSU: No. The imputation of CIAC is counter to economic construction of facilities, places the public health and environment at risk and results in increased levels of administration and increased costs. The imputation constitutes a taking of utility property prudently constructed and places unjustified and unreasonable risk on the lawful recovery of a

shareholder investment as well as a return thereon. (Gower, Ludsen)

Issue 27: What adjustments are necessary to correct accumulated amortization of CIAC related to guideline amortization rates being booked prior to implementation of service rates (Response to FPSC Interrogatory 33)?

SSU: The adjustments as provided in SSU's response to FPSC Interrogatory No. 33 are appropriate if all other factors remain constant. (Kimball)

Issue 28: Is accumulated amortization of CIAC for the Deltona Lakes water division overstated (Audit Exception No. 7)?

SSU: Yes. The amount of the overstatement given in Audit Exception No. 7 is correct. (Kimball)

Issue 29: Should accrued interest receivable be included in the working capital allowance (Audit Disclosure 12)?

SSU: No. (Bencini)

Issue 30: Is SSU's projected balance of Preliminary Survey and Investigations account overstated (Audit Disclosure 14)?

SSU: PS&I actuals for 1995 were below projected MFR amounts. (Bencini)

Issue 31: Should deferred debits for the Deltona Lakes abandoned project be included in the working capital allowance (Audit Exception No. 8)?

SSU: Since the expenditures were prudent, recovery should be allowed as a deferred debit and the unamortized portion should be included in working capital. (Bencini)

Issue 32: What adjustments are necessary to reflect reduced costs associated with the Keystone Heights aquifer performance test?

SSU: 1996 test year expense should be reduced by \$1,073.

(Bencini)

Issue 33: Should deferred debits for the Spring Hill wastewater treatment plant expansion be included in working capital?

SSU: Since working capital is allocated based on number of customers, all components must be included, regardless of jurisdiction, prior to such allocation. (Bencini, Vierima)

Issue 34: Should miscellaneous current assets be included in the working capital allowance?

SSU: Yes. All non-interest bearing accounts other than rate base must be included in order to allow the Company to recover its working capital needs. (Bencini, Vierima)

Issue 35: What is the total company balance of working capital?

SSU: As stated in the MFRs. (Vierima)

Issue 36: What is the appropriate amount and amortization period for the deferred debits incurred in the attempts to obtain a water supply for Marco Island?

SSU: The amount of deferred debits is \$1,465,808. The amortization period is 5 years beginning January 1, 1996. (Bencini)

Issue 37: What are the appropriate rate base amounts in total and by plant?

SSU: Per the MFRs. (Westrick, Goucher, Paster, Bailey, Denny)

Issue 38: Should the Commission adjust the cost of debt to reflect current interest rates for variable cost debt ?

SSU: Yes. If variable cost debt has changed as of the date of the hearings and evidence can be obtained verifying this fact, the new cost of debt may be used. (Vierima)

Issue 39: Should the Commission adjust the amount of credit

support fees charged to SSU by Topeka Group, Inc. and Minnesota Power and Light Company?

SSU: No. SSU could not have secured the underlying debt at the rate indicated without Topeka's credit support. In fact, Topeka guarantees also have been required by lenders before any loans would be provided. The support fee is a necessary and reasonable cost to SSU and customers. (Vierima)

Issue 40: What is the appropriate cost of common equity?

SSU: With the weather normalization clause, 12.25%. Without the weather normalization clause, 12.5%. (Morin)

Issue 41: What is the total amount of accumulated deferred income taxes and what are the appropriate methods for allocating deferred income taxes?

SSU: The amount and allocation methodology is per the MFRs except for deferred taxes on CIAC. The appropriate allocation method for deferred taxes related to CIAC is CIAC activity since 1986, by plant. (Kimball)

Issue 42: What is the total amount of unamortized investment tax credits?

SSU: Per the MFRs. (Gangnon)

Issue 43: What is the appropriate weighted average cost rate for investment tax credits?

SSU: Per the MFRs. (Gangnon)

Issue 44: What is the appropriate overall cost of capital including the proper components, amounts and cost rates?

SSU: Per the MFRs. (Vierima)

Issue 45: What is the appropriate methodology to use to establish test year operating revenues on a per plant basis?

SSU: Per the MFRs. (Bencini)

Issue 46: Should the utility's 1996 Salary and wage attrition adjustment be adjusted (Audit Disclosure No. 15)?

SSU: No, the adjustment proposed by SSU is a reasonable amount to reflect additional payroll necessary as a step to bring operations and maintenance and customer service salaries closer to market levels. (Lock)

Issue 47: Should an adjustment be made to reallocate the salary of SSU's president (Audit Disclosure No. 16)?

SSU: Yes. An adjustment is reasonable. (Lock)

Issue 48: Should the utility's proposed salary adjustment based on the Hewitt study be approved?

SSU: Yes. The adjustment is a reasonable first step to bring operations and maintenance and customer service salaries closer to market levels. (Lock, Johnson)

Issue 49: What adjustments are necessary to remove salaries and benefits necessary with employee lobbying?

SSU: None. There were no lobbying expenses included in the projected test year. (Lock)

Issue 50: Is SSU's accounting treatment for salaries of officers and directors in violation of NARUC accounting instructions?

SSU: Technically, yes. However, no harm to any entity results. A detailed breakdown of officers' salaries are always available and always audited. (Kimball)

Issue 51: Should budgeted overtime labor related to the rate case be removed from salaries expense?

SSU: Yes. The budgeted overtime may be removed from salaries expense but must be included in rate case expense. (Ludsen)

Issue 52: What adjustments are necessary to SSU's Hepatitis Immunization Program (Audit Disclosure No. 11)?

SSU: Those described in SSU's response to FPSC Interrogatory No. 336, adjusted for a 2.49% attrition factor. (Bencini)

Issue 53: Are any adjustments necessary to sludge hauling expense at the Beechers Point/Palm Port facility (Audit Disclosure No. 5)?

SSU: No. The sludge hauling expenses being incurred are the most cost effective remedy available to date. (Denny)

Issue 54: Should SSU's requested amount of purchased power expense for Deltona Lakes be approved (Audit Disclosure No. 8)?

SSU: Yes. Although the total purchased power for 1995 was under budget by approximately \$76,000 (or 14%), this was due largely to wet weather in the first quarter of 1995. Through February 1996, purchased power is under the 1996 budget indicated in the MFRs by only \$1,235 on a total year to date projection of \$75,126. (Denny)

Issue 55: Should adjustments be made for purchased water expenses for the Enterprise water facility (Audit Disclosure No. 9)?

SSU: No. (Denny)

Issue 56: Should an adjustment be made to remove the utility's allocated share of Shareholder Services (Audit Exception No. 5)?

SSU: No. The allocated expenses are reasonable. (Vierima)

Issue 57: Should the utility's requested O&M expenses related to the Hurricane Preparedness Program be allowed (Audit Disclosure 10)?

SSU: Yes. The program is a prudent and reasonable step toward continued assurance of quality water and wastewater service in emergency situations. (Denny)

Issue 58: Are adjustments appropriate to reflect gains or losses on the sale of SSU plants as above the line

income?

SSU: No adjustments are appropriate. Ratepayers do not own utility property serving them and bear no risk of loss from such property. Sharing of gains is particularly inappropriate when SSU has lost assets serving an entire service area as well as the related customers. A sharing of gains from a forced taking under condemnation or threat thereof is particularly unlawful. SSU does not comprehend how it can be appropriate to require sharing of these gains in any amount when, including extraordinary gains, SSU had actual earnings of -3%, 1.3%, 16.3%, and -3.1% on shareholder equity during the period 1992 through 1995. (Sandbulte, Gower)

Issue 59: What are the appropriate conservation program costs that should be allowed?

SSU: Per the MFRs. Several representatives of the water management districts support SSU's program as consistent with both their requirements and the programs of other major water providers in Florida. (Kowalsky, Wilkening, Adams, Farrell)

Issue 60: What is the appropriate amount of current rate case expense associated with Docket No. 950495-WS?

SSU: Per the MFRs, and as increased due to the extension of this proceeding, additional customer notices, additional hearings, etc. through completion of this proceeding. (Ludsen)

Issue 61: What is the appropriate treatment for regulatory commission expense associated with Docket No. 930880-WS (Uniform Rate Docket)?

SSU: Per the MFRs. (Ludsen)

Issue 62: What is the appropriate treatment for regulatory commission expense associated with Docket No. 930945-WS (Jurisdiction Docket)?

SSU: Per the MFRs. (Ludsen)

Issue 63: What is the appropriate treatment for unrecovered rate case expense from Docket No. 920199-WS (Prior Rate Case Docket)?

SSU: Per the MFRs. (Ludsen)

Issue 64: Is an adjustment appropriate to reduce regulatory assessment fees related to Marco Shores purchased water from Marco Island (Audit Exception No. 4)?

SSU: Only if the revenue associated with the transfer of water is eliminated from Marco Island's test year. (Bencini)

Issue 65: Are adjustments necessary to property taxes for used and useful plant adjustments?

SSU: No, per the MFRs. (Bencini)

Issue 66: Is a parent debt adjustment appropriate, and if so, what is the proper amount and the method of allocation to the individual plants?

SSU: Per the MFRs. (Vierima)

Issue 67: What is the above-the-line amount of ITC amortization and what is the appropriate method for allocating the above-the-line ITC amortization to the individual plants?

SSU: Per the MFRs. (Gangnon)

Issue 68: Is an ITC interest synchronization adjustment appropriate, and if so, what is the proper amount and the proper method of allocation to the individual plants?

SSU: Per the MFRs. (Gangnon)

Issue 69: What is the appropriate provision for test year income tax expense, in total?

SSU: Per the MFRs. (Vierima)

Issue 70: What are the test year operating income amounts by plant before any revenue increase in total and by plant?

SSU: Per the MFRs. (Bencini)

Issue 71: Should SSU's revenue requirement be calculated on a total PSC jurisdictional or individual plant specific basis?

SSU: Revenue requirements should be calculated based upon a total FPSC jurisdictional basis. (Ludsen)

Issue 72: What are the revenue requirements in total and by plant?

SSU: Per the MFRs. (Ludsen)

Issue 73: Are SSU's facilities and land functionally related and if so does the combination of functionally related facilities and land, wherever located, constitute a single system as defined under Section 367.021(11), Florida Statutes?

SSU: Yes. The evidence presented by SSU in the proceeding is consistent with the evidence relied upon by the Commission in Docket No. 930945-WS in which the Commission made an affirmative finding on the issue. This finding should be reaffirmed. (Ludsen, Vierima, Bencini, Denny, Terrero, Lock)

Issue 74: What are the appropriate billing determinants for the projected test year in this case (customers - projections of growth; consumption - growth and elasticity adjustments)?

SSU: Per the MFRs. (Bencini)

Issue 75: Should the utility's proposed weather normalization clause be implemented?

SSU: Yes. The weather normalization clause is a win-win-win for SSU, our customers and Florida's water supply. The adjustment both increases and decreases the monthly gallonage charge. The weather normalization clause saves rate case expense which would otherwise be incurred if SSU were required to file another full-blown rate case to compensate for reduced consumption from price elasticity and water conservation. (Ludsen, Whitcomb)

Issue 76: Should rates be adjusted for any service areas to send a stronger water conservation signal?

SSU: This would not be required if SSU's conservation program and rate structure proposal are approved. (Ludsen, Whitcomb)

Issue 77: What is/are the appropriate bulk rate(s)?

SSU: Per the MFRs. (Ludsen)

Issue 78: In light of Section 367.0817, Florida Statutes, should any of the revenue requirement associated with reuse be allocated to the water customers of those systems?

SSU: Not at this time, except per Guastella testimony regarding Marco Island reuse. (Kowalsky, Guastella)

Issue 79: What are the appropriate rates for reuse customers in this case?

SSU: Per the MFRs. (Kowalsky)

Issue 80: What are the appropriate miscellaneous service charges for this utility?

SSU: Per the MFRs. (Ludsen)

Issue 81: What goals and objectives of the Commission are appropriate to consider in determining the appropriate rate structure and service availability for SSU?

SSU: Rate structure should be determined in the manner which best reflects SSU's "one system" manner of operation. Consistency of rate structure should be maintained to the extent practicable. No party disputes the fact that the water/wastewater industry is a rising cost industry. Uniform rates mitigate rate shock which result from forced compliance with regulatory mandates. Service availability charges should be set per the MFRs. The SACs requested by SSU reflect the results of market analysis -- the FPSC guidelines are meaningless to builders, and application of the

guidelines can inhibit growth thereby increasing customer rates unnecessarily. (Ludsen, Whitcomb, Bencini)

Issue 82: What is the appropriate rate structure for SSU in this docket?

SSU: SSU has requested that the Commission authorize a uniform rate structure for water with two service classifications: conventional and reverse osmosis; and a uniform rate structure for wastewater. Interim rates have been established based upon a modified stand alone rate structure. SSU requests that the Commission revert to the uniform rate structure requested by SSU. However, implementation of the uniform rate structure requested by SSU should be deferred until the Commission's final agency action determining rate structure in this proceeding is final and no longer subject to appeal. Until such time, SSU requests that it be authorized to charge rates reflecting the Commission's final revenue requirement determination under the current modified stand alone rate structure. (Ludsen, Whitcomb)

Issue 83: What is the appropriate rate for wastewater-only residential customers?

SSU: Per the MFRs. (Ludsen)

Issue 84: If a capped rate structure is approved, what should be the treatment for indexes and pass throughs on a going forward basis?

SSU: Going forward, indexes and pass-throughs should be accumulated on top of the caps. New caps would be established only in full-blown rate proceedings. (Ludsen)

Issue 85: What are the appropriate rates for SSU?

SSU: Per the MFRs. (Ludsen)

Issue 86: What are the appropriate meter installation charges for this utility?

SSU: Per the MFRs. (Ludsen)

Issue 87: What are the appropriate line extension charges for this utility?

SSU: Per the MFRs. (Ludsen)

Issue 88: Should the utility's plant capacity charges be differentiated by type of treatment?

SSU: Plant capacity charges should set according to the MFRs.

(Ludsen)

Issue 89: Should the utility's plant capacity charges be differentiated by the level of CIAC of the service area?

SSU: No. (Ludsen)

Issue 90: Should the utility's plant capacity charges include a provision for replacement costs as well as plant added for growth?

SSU: No. The changes indicated in the MFRs were determined based upon market analysis. If plant capacity charges rise to a level above competitive market levels there will be no growth, rates will rise and customers will suffer. (Ludsen)

Issue 91: What are the appropriate service availability charges for each plant?

SSU: Per the MFRs. (Ludsen)

Issue 92: Should the utility's requested AFPI charges be approved?

SSU: Yes, per the MFRs. Also, if used and useful levels are adjusted with changes in property taxes, etc., AFPI must be increased to reflect additional costs. (Ludsen)

Issue 93: What are the appropriate annual and monthly discounted rates, and the effective date of AFUDC?

SSU: The effective date should coincide with when final service rates are implemented. The appropriate rates should be based on the projected 1996 capital structure and return on equity. The rules were devised at a time when water and wastewater utilities filed rate cases based on historic test years. When a projected test year is used, application of this rule would constitute retroactive ratemaking. (Kimball)

Issue 94: Should the utility be required to offer the option of electronic funds transfer for direct payment of customer bills?

SSU: This requirement is not necessary. SSU will have implemented the electronic funds transfer process in April 1996. (Teasley)

Issue 95: Are the utility's books and records in compliance with Rule 25-30.450, Florida Administrative Code (Audit Exception No. 1)?

SSU: Yes. (Kimball)

Issue 96: Pursuant to Sections 367.0817 and 403.064, Florida Statutes, and Rule 62-610, Florida Administrative Code, should reuse facilities be considered 100% used and useful?

SSU: Yes. All facilities required to achieve reuse must be considered 100% used and useful per Florida Statutes, as acknowledged by representatives of Florida's environmental regulatory agencies in this proceeding. (Terrero, Hartman, Harvey, Wilkening, York, Soweby)

Issue 97: What is the value and quality of SSU's service?

SSU: SSU provides high quality water and wastewater service throughout Florida. No utility could be expected to provide perpetual service which never exceeds because the standards can be

exceeded on a moment's notice due to circumstances beyond the utility's control. SSU has improved service provided to our customers dramatically from levels provided by prior owners. When non-compliance exists, SSU may not be penalized by the Commission if the period provided by environmental laws and rules for resolution of the non-compliance item has not yet expired. (Terrero, Teasley, Westrick, Bailey, Paster, Goucher, Denny)

Issue 98: Should the Commission reduce SSU's return on equity on account of the value and quality of its service? If so, by how much?

SSU: No. No adjustment to return on equity is appropriate based on the facts and circumstances which exist in this proceeding. (Ludsen, Vierima)

Issue 99: Should the Commission assess a mismanagement penalty on SSU? If so, what should be the penalty?

SSU: No. There is no evidence of SSU mismanagement. (Ludsen, Vierima)

Issue 100: Should an adjustment be made for plant held for future use? (Larkin/DeRonne schedules 5).

SSU: No adjustment is appropriate. (Kimball)

Issue 101: Should an adjustment be made on account of project slippage? (Larkin/DeRonne schedules 6-9).

SSU: No. SSU's 13-month average 1995 plant-in-service results refute Public Counsel's slippage adjustment. (Kimball)

Issue 102: Should an adjustment be made on account of non-used and useful offsets to plant capacity fees and line/main extension fees. (Larkin/DeRonne schedule 10).

SSU: No adjustment is appropriate. (Kimball)

Issue 103: Should an adjustment be made for the Marco Island - Collier purchase. (Larkin/DeRonne

schedule 11).

SSU: No adjustment would be proper. (Teasley, Dilg, Terrero, Hartman)

Issue 104: Should an adjustment be made to the Marco Island water source of supply costs to remove deferred debits and overhead charges. (Larkin/DeRonne schedule 12).

SSU: No adjustment would be proper. If overhead charges were removed, they would have to be re-allocated to the remaining SSU projects. (Bencini)

Issue 105: Should an adjustment be made to disallow the company's proposed transfer of a Deltona site and Marco Island site from property held for future use. (Larkin/DeRonne schedule 13).

SSU: No. (Terrero)

Issue 106: Should SSU's adjustment to accumulated depreciation for non-used and useful mains be allowed. (Larkin/DeRonne schedule 14).

SSU: Yes. This represents a correction of past errors and does not constitute retroactive ratemaking. (Bencini)

Issue 107: Should an adjustment be made to SSU's proposed decrease in accumulated depreciation. (Larkin/DeRonne schedule 15).

SSU: No adjustment is appropriate. New depreciation rates should be implemented concurrently with the implementation of final service rates for proper matching of revenues and expenses. (Kimball)

Issue 109: What amount should the Commission allow in rate base for systems purchased at less than book value. (Larkin/DeRonne schedules 17 & 18).

(a) What acquisition adjustment should be made for the Deltona system?

SSU: No negative acquisition adjustment is appropriate.

(Vierima, Sandbulte)

(b) What acquisition adjustment should be made for the Lehigh system?

SSU: No negative acquisition adjustment is appropriate.

(Vierima, Sandbulte)

(c) What adjustment should be made for the remaining systems?

SSU: No negative acquisition adjustment is appropriate.

(Vierima, Sandbulte)

Issue 110: To what extent, if any, should the Commission accept the projected wage increases of SSU? (Katz, Larkin/DeRonne schedules 19-21).

SSU: The Katz, Larkin/DeRonne adjustments should be rejected.

(Lock, Johnson)

Issue 111: Should an adjustment be made to corporate insurance expense?

SSU: No, except that workers compensation expense should be increased to reflect 1995 actual as an offset against any reduction to SSU expenses. (Kimball)

Issue 112: Should an adjustment be made for non-used and useful property tax expense?

SSU: No. (Bencini)

Issue 113: Should an adjustment be made for discounts on property taxes?

SSU: Yes. This should be reflected as a reduction to A&G miscellaneous expense totalling \$108,331. (Bencini)

Issue 114: Should an adjustment be made for the calculation of the income tax expense/parent debt adjustment?

SSU: No, per the MFRs. (Gangnon)

Issue 115: If the Commission does not make an adjustment amortizing the gain on sale of water and

wastewater system, should an adjustment be made to the equity component of capital structure to account for gain on sale?

SSU: No. This adjustment would be without precedent and would eliminate incentives to invest in water/wastewater utilities. (Sandbulte, Gower)

Issue 116: Should an adjustment be made to normalize test year revenue for weather/rainfall?

SSU: No. Actual 1995 consumption was even lower than the 1995 MFR projections of consumption. An adjustment to increase consumption above the projected levels would be wholly inappropriate. (Whitcomb, Ludsen, Bencini)

Issue 117: Should an adjustment be made for reuse revenue on Marco Island?

SSU: No. (Kowalsky, Guastella)

Issue 118: Should the miscellaneous adjustments proposed by Witness Kim Dismukes on schedule 35 be made?

SSU: No. These adjustments should be revised as proposed by SSU witness Bencini in Exhibit ____ (MAB-4). (Bencini)

Issue 119: Should the Commission allow the Company's proposed conservation expenses?

SSU: Yes. Several representatives of Florida's water management districts support SSU's program and support recovery of the associated expenses. (Kowalsky, Adams, Wilkening, Farrell)

Issue 121: Did SSU purchases of utilities in the past result in efficiencies and, if so, should an adjustment be made to administrative and general and customer expenses for SSU's inefficiency?

SSU: No inefficiency resulted -- Public Counsel incorrectly characterizes increased A&G expenses as inefficient. However, SSU merely reflects true A&G costs, which no longer are subsidized by

developers. Testimony of customers formerly served by Orange Osceola Utilities at Buenaventura Lakes refute Public Counsel's characterization of the level of service provided by SSU as inefficient -- rather, SSU's service is improved service, the cost of which SSU requests be included in rates. (Ludsen)

Issue 122: Should expenses be reduced to reflect salaries and expenses related to SSU's acquisition efforts?

SSU: Adjustments should only be made according to time sheets consistent with the FPSC's past practice. (Vierima)

Issue 123: Should an adjustment be made to remove public relations and governmental relations expense?

SSU: Fifty percent (50%) of the salary of SSU's manager of Communications and Governmental Relations should be removed. (Lock)

Issue 124: Should a true-up budget adjustment be made to test year expenses?

SSU: A true-up adjustment to reflect 1995 actuals may be made, including application of a 2.49% attrition factor to calculate 1996 expenses. (Kimball, Bencini, Ludsen)

Issue 127: Should an adjustment be made to chemical, purchased water, purchased wastewater, and purchased power expenses for excessive unaccounted for water, if any?

SSU: No. (Denny)

Issue 128: Should an adjustment be made to reflect OAP Projects that will be amortized by the end of the test year?

SSU: Per the MFRs. (Bencini)

Issue 129: Should an adjustment be made to reflect the lower cost of the Keystone Heights study?

SSU: No. (Bencini)

Issue 130: Should an adjustment be made to reduce Lehigh's rate base for any land held for future use and for the cost of that land?

SSU: Yes, per witness Kimball's testimony. (Kimball)

Issue 131: Should an adjustment be made to reflect non-used and useful lines constructed by Lehigh Corporation?

SSU: Non-used and useful calculations should be consistently applied to lines. The Commission should apply the lot count methodology used in the MFRs, including the MFRs for Lehigh, regardless of who constructed the lines. (Kimball)

Issue 133: Should an adjustment be made to Buenaventura Lakes rate base to remove non-used and useful wetlands?

SSU: No adjustment would be justified per SSU witness Terrero. (Terrero)

Issue 136: Should the Commission adopt the Company's proposed repression adjustments?

SSU: Yes. SSU witnesses Dr. Whitcomb and Jay Yingling verify the proper use of the WATERATE program to reflect price elasticity adjustments to consumption. SSU's conservation program adjustments are supported by SSU witness Kowalsky. (Whitcomb, Yingling)

Issue 137: Should the Commission adopt the rate structure, i.e., 40% of revenue collected from the BFC and 60% of revenue collection from the gallonage charge, as proposed by SSU?

SSU: Yes. (Ludsen, Whitcomb)

Issue 139: Should the Commission impute CIAC associated with assets constructed by Lehigh Corporation?

SSU: No. SSU customers remain unaffected by the Lehigh Corporation escrow account. The states of New York and Michigan, which are charged with the protection of residents in their states

who purchase land in Florida, approved the modifications to the escrow provisions and developer agreement. (Vierima)

Issue 141: Should CIAC be imputed on any allowed margin reserve?

SSU: No. Imputation of CIAC constitutes a taking of property, encourages uneconomic plant construction, places public health and the environment at risk and creates additional costs of administration and bureaucracy at the utility and state environmental regulatory agencies. (Gower)

Issue 142: Should the fire flow requirement be applied in used and useful calculations?

SSU: Yes. When fireflow is part of the design criteria and requirements it must be acknowledged in the used and useful consideration. (Terrero, Hartman, Bliss, Elliott)

Issue 143: Should the Commission allow 12.5% Company-wide level of unaccounted for water requested by SSU?

SSU: Yes. (Denny)

Issue 144: Should a single maximum day flow be used in calculating the used and useful percentages for water facilities instead of the average 5 maximum day flows?

SSU: Yes. (Hartman, Terrero)

Issue 145: Should the Commission use operation permit capacities instead of construction permit capacities, for used and useful calculations?

SSU: Capacities used should be those set forth in the MFRs.
(Bliss, Terrero)

Issue 146: Should the "firm reliable capacities" be used in used and useful calculations for supply wells, high service pumps and water treatment facilities?

SSU: Yes. These firm reliable capacities are required to

permit uninterrupted service to SSU's customers. To deny recovery of investments in these assets would be pure confiscation. (Hartman, Terrero)

Issue 147: Should an emergency storage of 8 hours of average daily flow be allowed in used and useful calculations?

SSU: Yes. (Hartman, Terrero)

Issue 148: What peaking factor should be allowed for peak domestic hour demands in finished water storage used and useful calculations?

SSU: The peaking factor requested in the MFRs -- 2 times maximum day. (Bliss, Terrero)

Issue 149: Should 10% of the finished water storage be treated as dead storage?

SSU: Yes, and dead storage must be considered in the used and useful consideration.

Issue 150: For high service pumps used and useful calculations, should the maximum daily flows or peak hourly flows be used for peak demands?

SSU: Peak hourly flows plus fireflow. (Bliss, Terrero)

Issue 151: Should facility lands, hydro tanks, and auxiliary power be considered 100% used and useful without analysis?

SSU: Yes. (Terrero)

Issue 152: Should hydraulic analysis be used in the used and useful calculations for water transmission and distribution systems?

SSU: Yes. The lot count method is a false indicator of the used and useful capacity. Distribution and transmission systems are designed and built using the hydraulic flow method, and once constructed, the hydraulic flow method is used to analyze flows, determine system capacity needs, etc. This method is the means of

determining flows accurately. (Edmunds, Hartman, Elliott, Terrero, Bliss)

Issue 153: Should rate base include water mains laid in the ground but not connected to the existing distribution system?

SSU: Yes. Many of the associated crossings have been connected to SSU facilities since first being laid at a savings to SSU's customers. (Terrero)

Issue 154: Should an adjustment be made for any excess inflow and infiltration treated by wastewater plants?

SSU: No adjustments are appropriate under the facts and circumstances in this case. (Denny)

Issue 155: Should the new raw water supply site of Marco Island be included in rate base?

SSU: Yes. (Terrero, Teasley, Dilg, Hartman)

Issue 157: Should adjustments be made to the deep injection well on Marco Island?

SSU: No adjustment should be made. (Terrero)

Issue 158: Should an adjustment be made to the Burnt Store water plant capacity?

SSU: No adjustment should be made. (Bliss, Terrero)

Issue 159: Should the cost of relocating water and wastewater lines for road improvement projects be include in rate base?

SSU: Yes. SSU is required to relocate lines from time to time by governmental authorities as a condition for using the rights-of-way. See, e.g., §337.403, F.S. (Terrero)

Issue 160: What are the appropriate used and useful percentages for the water and wastewater facilities?

SSU: Per the MFRs. (Hartman, Terrero, Bliss)

Issue 161 (SSU): Should actual 1995 plant-in-service be used to calculate 1995 rate base?

SSU: 1995 actual additions for the total company are within 6.42% of MFR projections. The application of actuals would be a very time consuming exercise not warranted by the differential between actuals and projections. (Westrick, Bailey, Paster, Goucher)

Issue 162 (SSU): Should actual 1995 expenses be used to determine 1995 expenses?

SSU: Actual 1995 expenses are within \$65,000 of the MFR projection for 1995. When a 2.49% attrition factor is applied, as opposed to the 1.95% attrition factor used by SSU to project 1996 expenses, the differential decreases to within approximately \$20,000.00. The application of actuals would be a very time consuming process not warranted by this differential. (Bencini)

Issue 163 (SSU): Should the Commission's approved 1996 attrition factor of 2.49% be applied to 1995 expenses as opposed to the 1.95% used in the MFRs?

SSU: Yes, to the extent that the Commission would choose to adjust projected expenses to actual. (Kimball)

Issue 164 (SSU): Should actual 1995 FASB 106 expenses be considered in the 1995 test year?

SSU: Yes. (Lock, Broverman)

Issue 165 (SSU): Should actual plant-in-service costs for projects projected to be in service in 1995 which exceed projected MFR amounts be included in rate base?

SSU: See the Company's response to Issue 161. (Westrick, Boucher, Paster, Bailey)

Issue 166 (SSU): Should projects placed in service by SSU during 1995 which were not included in the 1995 MFR projected plant-in-service be included in rate base?

SSU: See the Company's response to Issue 161. (Westrick, Boucher, Paster, Bailey)

Issue 167 (SSU): If gains on sale are to be amortized and shared by ratepayers, should the amount of the gain first be offset by an amount sufficient to increase the level of utility earnings during the historic period to a level equivalent to the applicable rate of return authorized by the Commission for each year during the historic period?

SSU: The denial of any gain on sale from shareholders would not be proper or lawful. At minimum, any amount to be shared with ratepayers must be reduced by an amount necessary to increase the level of utility earnings during the historic period to a level equivalent to the authorized rate of return for each year during the historic period. (Sandbulte, Gower)

E. Stipulations

None.

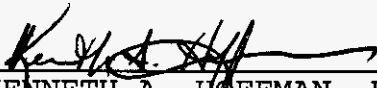
F. Pending Motions

1. Motion to Dismiss filed by Office of Public Counsel and other intervenors on March 12, 1996.
2. Motion to Dismiss filed by Citrus County on March 21, 1996 adopting by reference the March 12, 1996 Motion to Dismiss.
3. SSU's Objections to Hidden Hills Civic Association's First Request for Production of Documents filed on March 25, 1996.
4. Citrus County's Amended Petition for Leave to Intervene filed on March 11, 1996.

G. Other Requirements

There are no other requirements in the Order Establishing Procedure with which SSU cannot comply.

Respectfully submitted,



KENNETH A. HOFFMAN, ESQ.
WILLIAM B. WULLINGHAM, ESQ.
Rutledge, Ecenia, Underwood,
Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee, FL 32302-0551
(904) 681-6788

and

BRIAN P. ARMSTRONG, ESQ.
MATTHEW FEIL, ESQ.
Southern States Utilities, Inc.
1000 Color Place
Apopka, Florida 32703
(407) 880-0058

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the Prehearing Statement of Southern States Utilities, Inc. was furnished by U. S. Mail to the following on this 26th day of March, 1996:

Lila Jaber, Esq.
Division of Legal Services
2540 Shumard Oak Boulevard
Gerald L. Gunter Building
Room 370
Tallahassee, FL 32399-0850

Mr. John D. Mayles
President
Sugarmill Woods Civic Asso.
91 Cypress Blvd., West
Homasassa, FL 34446

Charles J. Beck, Esq.
Office of Public Counsel
111 W. Madison Street
Room 812
Tallahassee, FL 32399-1400

Arthur I. Jacobs, Esq.
P. O. Box 1110
Fernandina Beach, FL
32305-1110

Michael B. Twomey, Esq.
P. O. Box 5256
Tallahassee, FL 32314-5256

Mr. Frank Kane
1208 E. Third Street
Lehigh Acres, FL 33936

Mr. Kjell Pettersen
P. O. Box 712
Marco Island, FL 33969

Mr. Paul Mauer, President
Harbour Woods Civic Association
11364 Woodsong Loop N
Jacksonville, FL 32225

Larry M. Haag, Esq.
111 West Main Street
Suite #B
Inverness, FL 34450


KENNETH A. HOFFMAN, ESQ.

1995/prehearing