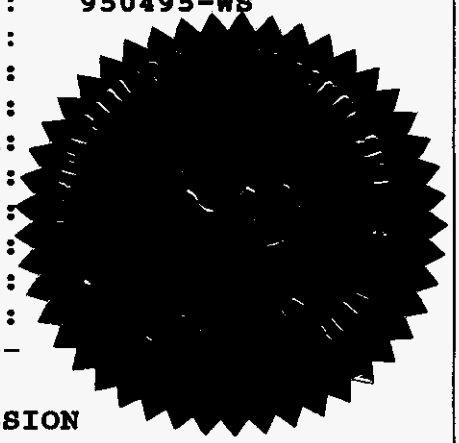
96-04227

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of	:	**DOCKET NO.**
	:	
Application for a rate increase and increase in service availability charges by SOUTHERN STATES UTILITIES, INC. 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.	:	**950495-WS**



SIXTH DAY - EARLY AFTERNOON SESSION

VOLUME 24

Pages 2535 through 2690

PROCEEDINGS: **HEARING**

BEFORE: CHAIRMAN SUSAN F. CLARK
COMMISSIONER J. TERRY DEASON
COMMISSIONER JULIA L. JOHNSON
COMMISSIONER DIANE K. KIESLING
COMMISSIONER JOE GARCIA

DATE: **Monday, May 6, 1996**

TIME: Reconvened at 12:30 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: SYDNEY C. SILVA, CSR, RPR
Official Commission Reporter

APPEARANCES:

(As heretofore noted.)

EXHIBITS - VOLUME 24

NUMBER		ID.	ADMTD.
170			2599
171	(Biddy) Recommended Standards for Wastewater Facilities, Ten States Standards, Edition 1990	2584	2599
172	(Biddy) Manual of Practice, No. 9.	2584	2599
173	(Riney) Qualifications of J. Donald Riney	2602	2602
174	(Larkin and DeRonne) Appendixes of Qualifications and HL-1	2608	2685

I N D E X

WITNESSES - VOLUME 24

PROCEEDINGS

(Hearing reconvened at 12:30 p.m.)

(Transcript follows in sequence from Volume 23.)

CHAIRMAN CLARK: We're ready to go back on the record. Mr. Armstrong or Mr. Feil?

MR. ARMSTRONG: Thank you, Madam Chair.

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TED BIDDY

resumed the stand as a witness on behalf of the Citizens of the State of Florida and, having been previously sworn, testified as follows:

CROSS EXAMINATION

BY MR. ARMSTRONG:

Q Good afternoon, Mr. Biddy.

A Good afternoon.

Q Earlier in your summary of testimony you stated that used and useful should be based on, and I think I'm quoting, "real world projections of growth." Do you recall that?

A Yes, I do.

Q In this case you oppose any margin reserve whatsoever, correct?

A Yes, I do.

Q In your professional experience is it a real

world assumption that a plant can be built at the exact size necessary to meet the requirements of all the existing customers?

A Usually not at the exact size, no, but to the nearest roundoff of what is available, you should be able to.

Q Okay. Now, under your theory, the plant would actually need to be expanded with each addition of customer, correct?

A It would have to be expanded when it exceeded the capacity, yes.

Q So if it is designed solely to meet existing customers, with each new customer you would have to design an expansion of that facility, correct?

A Normally, the developers of utilities I'm familiar with will make a projection of growth, for rapid growth, and they will design the facility or ask the engineer to design the facility with some flexibility and some excess capacity. But that's for future customers that they anticipate in a rapid manner.

Q And what would that excess capacity be that developers you're familiar with would ask for?

A That would vary depending on whether the projections showed a very rapid growth. Normally the

developer or the utility would do population projections, studies of payrolls in the area, employment, what's been the trend in recent developments as far as build-out is concerned, and make a very informed judgment as to how much excess to build in so that they can be sure of recovering their money for those facilities after the development occurred.

Q If that developer expected a development of 200 lots and he expected 50 people in Year 1, what would be, in your experience, what would be the excess capacity he would ask for?

A If he only expected 50 customers in Year 1 --

Q Out of 200 total.

A -- out of 200 total?

COMMISSIONER GARCIA: Excuse me. Could I ask you both to speak into the mikes a little bit more? Because I'm having a little bit of a problem to pick it up.

MR. ARMSTRONG: Sorry. Sure.

A You are going to have to clarify what that 200 means.

Q (By Mr. Armstrong) Well, there's a development that he's planning, 200 lots; hopefully

he's expecting 200 buildings; and in Year 1 he expects to have 50 buildings built, houses. In your experience, what would be the excess capacity he would request the design engineer build into that original plant?

A I think it varies all over the map, depending on how fast he anticipates the full 200 lot development. Normally, like I say, the developers make, because they're in it to make money, they make projections on how fast they're going to be able to build out the facility.

If it's a rapid build-out, they may decide to do the whole 200 lot capacity of the utility system at the beginning. This is a business decision a utility makes or a developer makes when they do a development.

Q And you would agree that that developer makes that business decision based on what he perceives is the most economic benefit that he could derive; is that correct?

A Certainly.

Q So he would factor into that economies of scale, those types of considerations, correct?

A He might for his own purpose, yes, depending on how rapid a build-out he anticipated.

Q And in your response to my prior question, you seemed to say a developer or a utility making considerations of expanding facilities, you seemed to equate the two, that they have to consider these types of things. Like what I mean directly is economies of scale; wouldn't that be correct?

A Well, when you say economy of scale, all factors have to be considered in the economy of scale. Certainly a developer would not go for economy of scale if he has some long-term slow build-out projected.

Q How about a utility? Is it your opinion that a utility considering a plant expansion would expand that plant without considerations of the economies of scale?

A I'm sure there is a point where it becomes more economical for the utility in consideration of the growth in future years to build larger facilities. They do that as a business decision for future customers, and most times they ask for rates that future customers pay as they tie into the system.

COMMISSIONER GARCIA: But aren't there times when there is definitely a benefit for a water company, not a developer but for a water company, to try to predict demands and then those economies of

scale, won't they in the end benefit all the ratepayers?

WITNESS BIDDY: Well, they certainly would not benefit the existing ratepayers initially because they would have to pay more rates for their water.

If there is a rapid build-out of the development so that the future users indeed paid a fair price -- and I'm talking about CIAC funds or allowance for funds prudently invested that each one of the future people who come on board would pay -- then someone might want to look hard at economy of scale.

But the developments I'm familiar with, the successful ones and the ones that are very professional, go about a detailed projection of growth, population growth, economy growth, jobs in the area, payrolls, history of lot sales, et cetera, before they invest their money into a development.

Q (By Mr. Armstrong) In your -- in the testimony we've had so far, you have referred that there is some excess capacity consideration there. But isn't it your testimony that that excess capacity should be disregarded and instead used and useful should be established solely on existing customers and their flows; is that correct?

A Yes. Our position is that the only fair thing to do is to assess the existing customers for the capacities that are presently being used and that the future compensation to the utility for these excess capacities be by other vehicles that the Public Service Commission has, such as CIAC and allowance for funds prudently invested.

Q Okay. And that minimum, you testified a couple of times that the Commission should only give us or permit us to earn a return and recovery of the minimum sized facility necessary for existing customers, correct?

A Yes, sir.

Q And then its your testimony that the Commission should use the average of the five highest days of the maximum month to set that minimum, correct?

A That's correct.

Q Okay. We have five days, five of the highest days?

A In the highest month.

Q Right. If you take the average of those five highest days, that's the minimum that you say that Southern States should earn a return on and recover in their rates, correct?

A For a maximum day, yes, calculations.

Q What happens on those days where we had higher than that average? What happens to the plant if, or to Southern States, if we are not able to meet that maximum?

A The maximum day, single maximum day or even two single maximum days in a maximum month, may well include undetected leaks, flushings, unusual water usages that are not normal to the system.

The average of the five maximum days is a good conservative stance to take to be sure that you are not including those items in your maximum day.

Q How long have you been working on this case?

A Several months.

Q And discovery has been pursued by Public Counsel in this case for at least those several months?

A Yes.

Q And do you have any evidence at all to suggest any of those events as possible events that have occurred?

A No, I don't, I do not have the evidence that leaks, unusual leaks, have occurred. It is my knowledge of water systems in general, unusual events do happen. There are spikes in usage in a month; most

every record I've looked at shows those spikes.

Q Has Southern States withheld any data whatsoever which you could have reviewed to determine whether those spikes actually occurred based on any of these potentials that you've referred to?

A Well, I don't believe we've looked at any data like that, but I suppose we could have got it.

Q Okay. So you didn't look at that data?

A That's correct.

Q On Page 8, around Lines 6 and 7 of your testimony, you refer to the fact that engineers evaluate historic maximum day demands. Do you see that?

A Yes.

Q Can you tell me why the engineers would look at the historic maximum day demands?

A Well, obviously, we are going to design for maximum day in certain facilities.

Q Okay. And if the utility does not design and construct plant to meet the maximum day, isn't it true that there would be a reduction in the quality of the service that the utility could provide on that maximum day?

A Yes, that's true. Although we think that a more representative value of that maximum day is an

average of five maximum days in the year.

Q And included in that derogation of service that might occur if they cannot meet the maximum day -- that's at the water side -- would you agree there could be, for instance, insufficient chlorine contact time for the water?

A I think -- I don't think that would apply in the situation if you had less than maximum day?

Q If the maximum day occurred which exceeded the plant capacity to meet, wouldn't you agree that one of the events that might occur is chlorine contact time might not be sufficient to sufficiently treat the water?

A If there was much difference -- if there was enough difference between what you had and maximum day, that could occur.

Q Okay. And if the chlorine contact time is not sufficient, the water leaving that plant won't meet quality standards, correct?

A Well, certainly, you need efficient contact time.

Q Okay. And if that water does not have sufficient contact time that could be a danger to the public health, wouldn't you agree?

A Well, I believe there's plenty of safeguards

built into the systems to prevent that from happening; but, certainly, chlorination is a mandated part of water treatment course.

Q And the safeguard you are referring to is the actual shut down of the plant to stop that water from going out to the public?

A Well, the residual checks on chlorination in the furthest part of the system has to show at least 1 part per million of chlorine. These utilities are obligated under their operating regimen to constantly monitor this. If you had a highly unusual day, I think the operating personnel of the utility would certainly be checking that.

Q But you left my assumption. My assumption was that the treatment plant could not meet the maximum day demand. That was my assumption. In that instance, if they could not meet maximum day demands, chlorine contact time was not sufficient and the water was leaving the plant not meeting standards, there could be a threat to public health, couldn't there?

A Well, you said the plant could not meet maximum day demand.

MR. ARMSTRONG: Now, Madam Chair, I'm going to ask Mr. Su, he has approached the witness and I'm going to ask that he not speak with the witness. He's

not a panel, I have no notice of any type of panel.

CHAIRMAN CLARK: I agree.

MR. ARMSTRONG: Mr. Su, that means you can't speak to the witness. At all. Thanks.

Mr. Biddy?

CHAIRMAN CLARK: Mr. Reilly, would you clarify for me, I thought Mr. Biddy was on the stand?

MR. REILLY: Mr. Biddy is the witness.

I think if there gets to be an issue of schedules or something that Mr. Su worked on, only then would he excuse himself --

CHAIRMAN CLARK: All right.

MR. REILLY: -- and ask for clarification. But it is not my understanding that he's going to be --

CHAIRMAN CLARK: Okay, all right, if he needs assistance in finding schedules in that case --

MR. REILLY: -- and information.

MR. ARMSTRONG: And you know I would be okay with that, Madam Commissioner.

CHAIRMAN CLARK: Yes. Mr. Biddy, if you do need help in finding schedules, then you may ask for assistance.

WITNESS BIDDY: All right, thank you.

Q (By Mr. Armstrong) There's no schedule

involved here, right, Mr. Biddy?

A No, there's not.

Q All right. I don't think I have the answer to the question. Just a simple yes or no: There could be a threat to the public health if the water doesn't have sufficient chlorine contact time and comes out of that plant not meeting quality standards as a result, correct?

A That's very obvious, yes.

Q Okay, sure. And on the wastewater side, if the plant is not sufficiently designed so that it can meet a max day when it occurs, we might have effluent quality problems, correct?

A That's certainly possible.

Q We might have surges and other things that could be a problem?

A Well, again, there's built-in safeguards in all sewage treatment plants. But if you get massive hydraulics overloads there could be a problem, yes.

Q And the safeguards are shut down of the plant, correct?

A Not altogether. They have reject ponds for overage of flows, or flows, effluents, that do not meet quality standards.

Q They might have reject ponds. Do you know

of any facilities with Southern States that have reject ponds?

A I'm do not know, but most of them do. Most utilities do have reject ponds.

Q Okay. But you're not familiar with Southern States to testify whether they do or not?

A No, I have not inspected the Southern States Utilities facilities.

Q Okay. Now, on the effluent when it is coming out of the plant not meeting standards, there could be a danger to the environment; isn't that correct?

A Well, that's obvious that if the effluent does not meet the standards it is a danger to the environment.

Q And also could be a danger to the public health; isn't that correct?

A If we assume what you are saying, yes.

Q Okay. If a utility is operating a plant such that it is designed to meet the minimum standard you supported, isn't it true that that plant, that theoretical plant, would constantly be operating at maximum capacity?

A Well, I think you missed my point earlier. When you say we, we as the Public Service Commission

oppose margin reserve, this is what you are driving at.

We don't oppose a prudently invested and planned extra capacity for a water plant or a sewage treatment plant; but we say that there are other vehicles by which the Public Service Commission can compensate the utility for that, and that being the CIACs and the allowance for funds prudently invested, rather than saddle the existing users with rate increase for that extra capacity when in fact that extra capacity has been built for the future users.

Q So you suggest that all plant and all improvements we have made to those plants should be assessed a nonused and useful adjustment such that those facilities are designed only for the minimum standard, correct?

A No, I didn't say designed for. I said the fair rate for the users, the existing users, to pay should be the capacities for those users. And any excess capacity -- which is certainly prudent in most cases, certainly a little percentage of the additional capacity -- could be paid for through other vehicles.

The Utility still gets the money, they just don't get it all from the existing customers, they get it from the future customers.

Q So it's certainly prudent to build, you've said, for at least a little extra capacity?

A Yes.

Q Okay. Now, you're aware that Southern States, the testimony provided indicates that we've invested approximately $100 million or we've put about $100 million of plant into service since the last rate case; is that correct?

A I don't have the knowledge of the dollar amounts, but I've seen some numbers to that effect.

Q Okay. Now, what portion of that additional plant in service relates to growth, Mr. Biddy?

A I have no idea.

Q No idea. If it's your testimony that future customers should pay for only the minimum used now, wouldn't it be true that the incremental increase in the plant in service investments that relate to growth should be the only ones that are hit with the type of used and useful adjustments that you have referred to?

A I'm not sure I followed that question. Could you repeat it, please.

Q I'm trying to make it clear, too. (Pause)

I'll take that one back and try to think of how to say it more succinctly. While I am at it, I'll ask another question.

Regarding the water plant again, if we have a plant that can't meet maximum day flows, maximum day flow requirements, isn't it correct that another very practical result would be that the distribution system probably would lose pressure?

A I have seen that happen, yes.

Q All right. And might lose pressure to the point that it would go below the 20 PSI requirement?

A It depends on how severely stressed the system was.

Q Is it your opinion that Southern States, if we have that type of situation where the pressure goes below requirements or we have a situation where the water cannot meet quality standards because we haven't been able to meet peak flow, should Southern States be penalized for that?

A Well, I think the utility has engineers and it's incumbent on those engineers to design facilities where those occurrences do not occur. Certainly, if I'm the engineer for the system, I'm going to recommend to the owner systems that will meet minimum pressures, minimum demands, over whatever phase of the development we're talking about. But we'll do those based on real world projections, extensive studies of population and growth.

Q But you would have to admit it's a basic fact if you are going to average the five highest days, as a practical matter, you're going to say that those two highest maximum days possibly could not have been met by the Utility?

A Well, the system, the average between the five highest days will be somewhat less, a spike or two in the month, the highest month. But you would assume that a prudently designed system would have some spare capacity for future customers.

Q In your experience, what kind of spikes have you seen?

A I've seen tremendous spikes. Depending on the classification of the facility, whether it is a resort area -- resort areas at holiday times is where you see the primary big spikes.

Q And you might -- is it your testimony those spikes only occur because of the unusual events?

A No. No, it is not.

Q Okay.

A Usage, breaks in lines, flushing, et cetera.

Q Okay. And breaks in lines you've talked about. Would you characterize that as an unusual event?

A Yes, certainly.

Q But usage would not be an unusual event?

A No, usage would not. Except for the fact what time of year it is, like the holidays.

Q So what kind of peaking factors have you seen that weren't based on an unusual event?

A Peaking factor for maximum day to go to peak hourly flow, the recommended standards are from 1.3 to 2.0. We think 1.3 should be sufficient for the existing customer base, that's the minimum requirement.

Q Again a practical reality is that if you -- the larger the population being served by a facility, the lower the peak factor has to be; is that correct?

A I didn't necessarily say that but that follows, yes.

Q All right. Would you agree with that?

A Yes.

Q And that's standard engineering?

A Yes.

Q If I refer you to Page 1 of your Exhibit TLB-1, do you see that?

A Yes.

Q At the bottom of the page, under "Model System," it refers to a population of 27,000; is that correct?

A That's correct.

COMMISSIONER GARCIA: I'm sorry, TLB-1, what page?

MR. ARMSTRONG: Page 1.

COMMISSIONER GARCIA: Thank you.

Q (By Mr. Armstrong) At the bottom of the "Model System," there's a reference to a facility serving a population of 27,000. And if I look four lines down from that, it says, "Maximum Hour." That's the equivalent to a peak hour, correct?

A Yes.

Q Okay. Am I looking at this right, that the peak factor there is 1.5?

A Yes, it is.

Q For a facility serving a population of 27,000?

A Yes, that's right.

Q Can you tell me how many of SSU's facilities serving a population of 27,000 or more?

A I do not know.

Q Can you tell me how many SSU facilities serve a population of 10,000?

A I do not know.

Q Can you tell me how many SSU facilities serve a population of 300 or less?

A I'm not aware of the populations of the Southern States Utilities systems.

Q Are you familiar a master plan you performed for Saint Andrews on the Gulf?

A Yes.

Q And that Saint Andrews on the Gulf has a population of approximately 10,000; is that your recollection?

A That would be in that range, yes.

Q In your master plan you used a peak factor of 2 times the max day, didn't you?

A Correct.

Q Okay. And what about your Anowacki Estates (phonetic) master plan? Do you recall that one?

A Yes.

Q You used a peak factor of 2 there, too, correct?

A That's correct.

Q Mr. Biddy, is it your testimony that the DEP would provide a utility with a permit to construct a water system that was not designed to satisfy the projected maximum day demand?

A No, that is not my testimony. My testimony is that the fair used and useful percentage for a ratepayer for maximum day demand should be based on

the very minimum required by all authorities.

Q Can you identify even one permit that you are aware of, one permit that you obtained?

A No.

Q Where the DEP permitted the permit to be issued when the facilities to be constructed were not designed to satisfy maximum day demand?

A No, but. --

Q Answer yes or no to that and then --

A No, I cannot because I have not researched it, number one. Number two, the maximum day demand is a projection for -- it is not in -- when you are designing something it's not already there, so you don't have those factors. So engineers tend to be more conservative. And certainly when you are designing something you do get very conservative as far as designing it and applying for permits.

But the engineering design has nothing to do with fair assessment of the used and useful percentage.

Q So engineers are generally conservative?

A Certainly.

Q Would you agree that an engineer working for a private utility facing used and useful rules would be conservative as well?

A An engineer designing anything should be conservative and follow all the standard safety precautions and safety factors built into all engineering designs, yes.

Q Okay. And you're an expert, Mr. Biddy. Please state to me whether you believe DEP would issue a permit where that permit was designed and the permit applicant has told DEP, "This facility is not designed to meet our projected maximum day"?

A Oh, I don't think they would, no.

Q They wouldn't. Could you identify the PSC rule which requires the utility to test fire hydrants before fire flow could be considered nonused and useful?

A No, I don't know the rule. But from an outside observer evaluating used and useful percentages, we cannot just accept the fact there's fire flow in the system just because the utility says there's an ordinance that requires it. In order to be completely fair to our client and to the public, we ask to see records of fire flow tests.

Q And your clients want fire flow to be available that can put out a fire if they have to, correct?

A Certainly, they do.

Q What was the last time that a house in one of the Southern States' service areas burned down because Southern States couldn't provide fire flow?

A I don't know.

Q Do you know in fact if it ever occurred?

A I do not know.

Q Could you cite to me any PSC order which imposed a requirement that the fire hydrants be tested before fire flow would be considered in the used and useful consideration?

A Well, I just said I don't know of any such rule.

Q Okay. I'm taking about an order here.

A Order?

Q Yes.

A No, I don't know any order.

Q Would you agree that the FPSC has customarily included fire flow in the used and useful calculation?

A I think it has. But I feel sure that any engineer evaluating it from the standpoint of the public would want proof that such exists.

Q Are you familiar with the testimony of Sugarmill Woods witness Budd Hansen?

A Budd Hansen? No.

Q You just answered the question. Okay.

In the real world, if a utility were to design facilities at the minimum size to serve only the existing customers, is it your opinion that customers will pay lower rates?

A Well, you're mixing apples and oranges. You're saying "design" on the one hand and you're saying "rates" on another.

Q Okay, I'm sorry. Let me clarify, then, I see what you are saying.

In the real world, if the utility has provided facilities such that they are minimally sized so as to serve only the existing customers, is it your opinion that customers will pay lower rates?

A Yes.

Q Okay. Regarding economies of scale, do you believe that they exist in the water utility industry?

A Well, they exist in all construction. Those have to be weighed very carefully by the utility or the developer who installs them, make a business decision on how quickly they could get their return on that.

Q Okay. My hypothetical, we have a facility that's built and it is there, it is sized only to meet existing customer needs. And the next customer hooks

up. What does the utility have to do?

A Again, that's not real world. No one has said, certainly I'm not saying, that you go and design a water system for just meeting that 50 original customers that you are going to have on the system. Certainly, the utility needs a cushion, a safety factor in the design. That has nothing to do with the rates. The cushion or the extra capacity for safety factors should be recovered from the future customers.

Q So it's your belief that any nonused and useful plant that's out there should be recovered from future customers?

A Yes.

Q Okay. Can you tell me, did you do the analysis of how much the CIAC charge would have to be in order to accomplish that?

A I did not.

Q Okay. Is it your belief that the margin reserve -- strike that, I'm sorry.

You're aware that Southern States in its own filing has identified approximately $22 million of nonused and useful property? Are you aware of that?

A Well, I read in some testimony they had identified 41 million. I believe that's Mr. Bliss' testimony.

Q Assuming the facts are the facts, $22 or $41 million, as a practical matter looking at those figures, would you agree that the CIAC charge would have to be a rather significant one in order to recapital that investment?

A Well, I think they have such vast undeveloped areas in most of these utility systems that --

Q Excuse me. I want to ask you a question on that.

Earlier you testified that you did not visit or see any of Southern States facilities; is that correct?

A That is correct.

Q So are you testifying out of personal knowledge that Southern States has vast areas at our utility sites?

A I accepted the factual information -- the factual information -- as presented by Southern States is true. In fact --

Q All right, Mr. Biddy, could I ask you where you got the basis for your statement --

CHAIRMAN CLARK: Mr. Armstrong --

MR. REILLY: Yeah, I believe you need to --

CHAIRMAN CLARK: -- you need to not

interrupt the answer to the question.

MR. ARMSTRONG: I'm sorry, Mr. Biddy, continue.

A The Utility furnished the number of connections in each system, the number of capacity of lots in each system. So it was there that I could tell how many lots they have connected and how many lots there are available.

We accepted without question because we simply didn't have the budget from our client to go individually, examine each utility in the field. We did go to a few. But we simply didn't have the budget to verify all the amounts of equipment or the numbers of lots; we accepted as factual and true the data provided by the Utility.

Q If you could assume for me a development again of 100 lots, a typical development which I believe we could say is maybe a square or a circle off of a main artery?

A Okay.

Q Now 70 of those lots have houses on them, if you could assume that for me. Do you believe that there is some mechanism that Southern States could use to solely provide service to those 70 lots without bypassing the remaining unconnected facilities,

unconnected lots?

A Certainly, the engineer who designed a 100 lot system would have provided for 100 lots and he would have recommended at least to his client that the facilities support those 100 lots plus some safety factor.

Now the 70 that are hooked up would be on the system and paying rates based on their fair share of the cost of that facility. The additional people coming on at a later time should be another vehicle, such as CIAC or allowance for funds prudently invested, to pay the utility for those extra capacities.

Q What about the lines that go in front of those other 30 unconnected lots?

A What about them?

Q Is there any way Southern States could avoid having to construct those lines?

A No, there is not. But they are actually, you see, when you are using a lot-to-lot count you are actually including more of than just the existing bare minimums for the existing customers because those lines are sized for the full 100 lots rather than just the 70 lots. So, you know, there's some inequity even on a lot-to-lot basis of the existing customers paying

slightly more than would be their fair share, if you got right down to it.

Q So is it your testimony that the counties and other authorities don't have minimum sized lines that they require be built?

A I didn't say that, no.

Q Because it's true there are minimum sized lines required to be constructed, correct?

A For fire flow, 6 inches is a minimum sized lines, yes.

Q So that's the minimum Southern States could have put in to serve those 70 lots, right?

A That is correct in most instances.

Q Okay. The issue of fire flow, that fire flow is necessary to provide enough water to each individual lot when they have a fire, isn't it?

A Yes, it is.

Q If that fire flow isn't there in order to provide enough water of that sufficient quantity to get that water there, you're not going to be able to put out a fire, correct?

A That's very obvious.

Q Each lot needs that amount of water going through the pipe to put out the fire?

A It needs not only the flow but the pressure

and the duration of the flow.

Q Okay. So why, then, is it appropriate to only give Southern States the ability to recover 70% of the size of that pipe when each lot needs the entire amount to get that fire put out?

A You're assuming we have fire flow in this line now.

Q Assume as you wish.

A It's your hypothetical.

Q And you can make that assumption, sure; assume that the fire flow is there.

A You're assuming there's fire flow in the line. All our calculations on the used and useful that we have in our exhibits, when there's fire flow there, we allowed fire flow.

Q And you allowed fire flow but you applied your 70% in our hypothetical of 70 lot connected versus 100 lots in the subdivision, you applied that 70%, correct?

A That's true. But the --

Q But you can --

A -- fire flow -- excuse me. The fire flow was allowed on the storage facilities, the high service pumps, things of that sort, which would tend to recover the cost of the fire flow.

Q You say, "tend to recover the cost of the fire flow"?

A Yes.

Q Well, you have just spoken to the situation where that fire flow is necessary to put out a fire at every lot.

A Should be, yes, should be there.

Q And then you informed us you only allowed Southern States recovery on 70% of the facilities associated with the fire flow?

A As far as the lines are concerned, yes.

Q Yes, sir.

A But not as far as the pumps and the storage facilities are concerned.

Q In your summary you indicated that Southern States had provided information of fire flow testing for seven facilities, correct?

A That's correct, yes.

Q All of those test results were conducted by the respective fire departments, correct?

A That's what I understand, yes.

Q Isn't it true that Southern States is not required to test fire hydrants under any DEP or other rule?

A Well, that may be true. But if I'm the

engineer reviewing this and evaluating it for the public, I want to be certain that the fire flow does exist. I would think all utilities I'm familiar with regularly test their systems for fire flow or have them tested.

Q If the requirement -- if the entity required to test those hydrants is the county or city fire department, whether it be full-time or volunteer, if SSU were to conduct those tests for that entity, do you believe that should be a recoverable expense?

A To test the facilities? Yes.

Q Hydrants? You indicated that only seven fire flow tests were provided out of the 98 water facilities in this case?

A That's correct.

Q How many facilities have Southern States requested consideration of fire flow for?

A I think a great many of them. I don't know the number right offhand.

Q Would you believe it's something less than 50?

A Yeah.

Q Okay.

A Seems like 40-some-odd, I remember vaguely from the testimony.

Q Do you recall participating in a Docket 940109 regarding St. George Island before this Commission?

A Yes, I did.

Q And in that docket you presented a hydraulic flow analysis, correct?

A I remember that, yes.

Q And you asked the FPSC to rely on your hydraulic flow in that case?

A I was not testifying to used and useful but I was testifying to the condition of the system. And we did do extensive modeling on that system, yes.

Q And you requested that the FPSC rely on that hydraulic flow modeling that you did, correct?

A For condition of the system, for flow and pressure.

Q And you did not submit to the FPSC any calibration of that hydraulic flow study, did you?

A I've forgotten. I don't think we did.

Q Okay. In response to some questions from Mr. Jacobs earlier, you referred to -- and correct me if I'm wrong, but it seemed to me there was some inference that used and useful considerations should be impacted in some way by decisions made when a utility acquired a new utility or a new facility. Is

that your testimony?

A My testimony is that when a utility acquires a system, it is doing -- making a business decision and assuming the risk for that system. And if in fact they are buying a system that has a very sparse development with lots of vacant lots and knowing full well the policies of the Public Service Commission towards such sparsely development, then they are making a decision at their own risk.

Q Can you cite to me any case or other precedent where those types of considerations came into play when making an actual used and useful determination in a case?

A Well, as far as I know, the policy of this Commission has always been for some years the lot-to-lot analysis rather than the hydraulic analysis for transmission lines and distribution systems.

Q So you can't cite to me any particular order where the Commission when making its used and useful determination said, "Well, the utility purchased these facilities so we're going to hit them with this used and useful deduction," can you?

A I would certainly assume they probably have considered that, but I don't have any specific cases.

Q So you -- okay, thank you.

Again, in response to some questions, you referred to the fact that high rates might inhibit growth; do you recall that?

A Certainly.

Q Would you also agree that high service availability charges, are you familiar with that concept?

A High service ability charge? CIAC charges?

Q Right.

A It might, yes.

Q You're familiar with the concept, first of all?

A Yes, yes.

Q Okay. And high service availability charges might also inhibit growth, correct?

A Very, very well could.

Q Okay. And I just want to be clear on the record that it is your testimony that without that growth, existing customers are hurt because the cost of facilities that must go into service are spread over a small customer base; correct?

A If full used and useful percentages are allowed for that, yes, it would hurt the existing customers.

Q Okay. Now with regard to that portion of

the plant placed in service by Southern States since rates last were established, with regard to that portion of that plant that is unrelated to growth, is it still your belief that future customers should be the ones who must pay for that plan?

A Are you talking about ordinary maintenance costs.

Q I'm talking about environmental compliance, improvements, anything that's necessary to keep and maintain compliance with rules, laws and standards.

A Well, my analysis was based on capacities comparisons and not, I did not look at specifically what items were purchased or added for environmental compliance regulations or maintenance. So I would -- I don't -- I haven't made a study of that, I can't answer your question.

Q If I asked it this way: If the investments are made to improve a plant so as to comply with a rule, such as the new sludge stabilization rules, is it your opinion that future customers should pay for that plant as opposed to the current customers?

A No, that is not my testimony. I would think it would be perfectly appropriate for whatever percentage used and useful of the capacity that the existing customers pay for such items.

Q If Southern States has a treatment plant which is currently under the current methods of calculating used and useful operating at 80% used and useful, the sludge rule comes down and we have to provide sludge stabilization equipment, we have to provide that equipment so as to satisfy the entire plant capacity, correct?

A That's true.

MR. ARMSTRONG: Madam Chair, could I just have one minute to review a few pages? Thanks.

(Pause)

Q (By Mr. Armstrong) Mr. Biddy, do you know whether any counties actually require the provision of a hydraulic flow calculation before they will even permit any T&D distribution facilities to be constructed?

A I'm certain that there are counties that do require it, yes, sir.

MR. ARMSTRONG: Okay, thanks, Mr. Biddy, appreciate it. That's it.

CHAIRMAN CLARK: Staff?

MR. PELLEGRINI: Chairman Clark and Commissioners, as a preliminary matter, in Mr. Biddy's revised testimony there are at least five places in which Mr. Biddy relies upon discovery documents not

yet in evidence. The problem is that it makes -- that omission makes the statements unusually difficult to assess.

CHAIRMAN CLARK: It's up to you, the witness, to supply the documentation to support his testimony. If they're not there, they're not there.

MR. PELLEGRINI: Well, I think Staff's offer would be to do the work necessary to get the documents into evidence if that is agreeable to OPC?

MR. REILLY: We have no objection to entering those documents into the record. We felt that what we did was sufficient, but we have no objection to doing that.

MR. ARMSTRONG: Madam Chair, if we could be heard?

CHAIRMAN CLARK: Yes, Mr. Armstrong.

MR. ARMSTRONG: Everyone has the opportunity to put in their testimony; and they prefiled that testimony; and Southern States has the opportunity to review that testimony and rebut it if necessary. If they haven't chosen to put in those exhibits, I don't think it would be appropriate in a due process point of view to allow it in now well.

MR. PELLEGRINI: Well, the --

CHAIRMAN CLARK: Mr. Pellegrini, do you have

any cross examination of this witness?

MR. PELLEGRINI: Yes, we do.

CHAIRMAN CLARK: All right. If you need those exhibits for cross examination, it would be appropriate to use them then. But it's up to the party sponsoring the witness to have the appropriate exhibits attached.

MR. PELLEGRINI: I understand that. We don't rely on the same documents in our cross examination.

CHAIRMAN CLARK: Okay.

CROSS EXAMINATION

BY MR. PELLEGRINI:

Q Mr. Biddy, good afternoon.

A Good afternoon.

Q You state on Page 8 of your revised testimony that the single maximum day flow may include leaks, flushing, and unusual usage and unaccounted for water; isn't that the case?

A Yes.

Q If the maximum day used in the used and useful calculations were adjusted for these factors -- leaks, flushing, and unusual usage, in addition to having the excessive unaccounted for water deducted -- would you agree that it would then be acceptable for

use in the used and useful calculations?

A Yes, sir, I would. If you had a real accurate way of adjusting it, yes.

Q In your experience, is there such a method available for the accurate determination of these events?

A It's difficult sometimes to tell the extent of these unusual events that occur.

Q In your testimony, Mr. Biddy, you mentioned two specific AWWA manuals, AWWA Manuals M-31 and M-32; is that correct?

A That's correct, yes, sir.

Q Is it your practice to normally rely on the information contained in those manuals in your business?

A Yes, it is.

Q Similarly, you also mention recommended standards for waterworks and recommended standards for wastewater facilities; is that correct?

A Yes, sir, the Ten States Standards.

Q And do you normally rely upon these standards?

A Very much so, yes, sir.

Q Would you agree that it would be appropriate for Commission Staff to also rely on the information

contained in these four documents?

A I would say absolutely, yes.

Q With respect to hydraulic modeling, are you aware that the Utility is using current sources of is supply when modeling the build-out scenario?

A Yes, I was.

Q On Page 17 of your testimony, you state there that, "Any change in high service pumps, distribution storage, customer demands and water main size will increase or decrease water flows in water pipes"; is that correct?

A That is correct.

Q Based on that, wouldn't you agree that if the Commission Staff -- if the Commission did allow hydraulic analysis for used and useful in this proceeding that build-out demands would need to be determined with the sources of supply needed at build-out?

A Yes, absolutely.

Q Are you aware that SSU Witnesses Bliss, Edmunds and Elliott do not support the necessity to input build-out supply conditions?

A I'm not aware of that, but I can't imagine why they would take that position.

Q Mr. Biddy, some of the used and useful

percentages that you have derived, they are lower than what was authorized for the Utility in the last rate proceeding; are you aware of that?

A That may be the case. I did not let that influence my calculations.

Q My question is, do you believe that the Commission should use the percentages derived in this proceeding, even if lower?

A Yes, absolutely.

Q Have you reviewed the Utility's methodology for calculating used and useful in the last rate proceeding, 920199?

A No, I have not, just in this proceeding.

Q Are you familiar with that methodology, that is, the one used in the the last proceeding?

A I think I saw it early on; but it wasn't the real subject of this case, so I did not dwell on it.

Q Would your understanding of it be sufficient to compare it with the methodology being proposed in this proceeding?

A No, it would not.

Q All right. Mr. Armstrong questioned you in reference to a hydraulic analysis submission in the St. George docket a few moments ago, do you recall?

A Yes, sir, I do.

Q Do you recall the Commission calculated used and useful on the lines in The Plantation based on lots connected to the lots available?

A Yes, sir, I recall that.

Q On Page 4, Line 9, of your direct testimony?

A Yes, I have it.

Q There I believe you describe the Marion Oaks wastewater treatment plant as a good example in this filing. Do you see that?

A Yes.

Q Do you mean to suggest that this was a good plan because it obviated, or should have, the need for margin reserve?

A Yes.

Q Did you mean to suggest anything beyond that?

A It was a example of a well-planned and phased development with plant expansions being planned at the time for the need due to the population increase. So I thought it was a very well-planned system.

Q Do you know whether the Marion Oaks -- do you know whether the Marion Oaks plant was constructed originally as a 1 MGD capacity plant and permitted as a .2 MGD plant to be phased in over time to 1 MGD, or

was it constructed at some lesser capacity to be expanded to larger capacity as time went on?

A To my knowledge, the construction permit was originally .2 MGD with the allowable expansions in four phases to 1.0 MGD.

Q Are you aware of Mr. Terrero's rebuttal testimony in this respect?

A I have read it. I didn't dwell on it, but I read his rebuttal testimony.

Q Does it -- or would it surprise you that he puts forth the justification for margin or appears to put forth a justification for margin reserves of 16, 31 and 35 years?

A It wouldn't surprise me, but I couldn't understand why nor agree with that.

Q And that he interprets your testimony to in reality be in support of his position?

A I can't imagine how he could make that assumption.

Q Are you personally aware of any SSU plants that were permitted for a given construction capacity and then permitted at much -- at a less final operating capacity?

A I believe the one, let me find it. I can't recall the name of the system right now, but I believe

there was one system permitted for a 1 MGD contact stabilization plant; and they operated it in extended aeration for the first half a million gallon per day, but their permitted capacity was a full 1 MGD. I can't recall which system that was right offhand.

Q Is that a system that you make reference to in your testimony, by chance?

A Yes, it is.

MR. PELLEGRINI: At this time, Chairman Clark, I'm going to distribute three exhibits that I intend to use in my final line of questioning with Mr. Biddy. The first of these is OPC's Production of Document No. 279.

CHAIRMAN CLARK: That will be marked --

MR. PELLEGRINI: Which is already -- I'm sorry, it has already been entered as Exhibit 81, so it needs not to be reentered, of course. So the first is Recommended Standards for Wastewater Facilities, Ten States Standards.

CHAIRMAN CLARK: Okay, Recommended Standards for Wastewater Facilities, Edition 1990, will be marked as Exhibit 171.

MR. PELLEGRINI: The second is WPCF Manual of Practice No. 9, MOP 9.

CHAIRMAN CLARK: That will be marked as

Exhibit 172.

(Exhibit Nos. 171 and 172 marked for identification.)

Q (By Mr. Pellegrini) Mr. Biddy, in your testimony, on Page 21, I think, in the revised version, you stated, "In the Recommended Standards for Wastewater Facilities, 200 gallons per inch of pipe diameter per mile is the recommended guideline and that criteria is generally used by the FDEP."

Do you see that?

A Yes, sir, I do. And that is correct.

Q Is this to suggest that this guideline is the most appropriate one to apply?

A It is the one that applies to all new designs. It is the one that FDEP wants you to use in your specifications for construction. There are other criteria for evaluating existing systems that are more liberal.

Q Your answer was it was appropriate for new systems? Did I understand you correctly?

A Yes, yes.

Q And it is the one you would recommend as a matter of preference for new systems?

A For new systems, yes.

Q But it is not the one you would recommend as

a matter of practice -- not practice, but of preference for existing systems?

A Well, I think it's a good one to compare existing systems with to, when you are evaluating the condition of the lines as you, whether it is more cost-effective to clean and repair the lines than it is to transport and treat those for sewage, if it is, if this criteria on well-constructed new lines is greatly exceeded, then I think it gives you a good guideline as to where your money should be spent.

Q Well, that notwithstanding, your calculations were based on the EPA method used by Southern States; is that correct?

A That is correct, the 120 gallons per capita per day. Which I think is a very liberal allowance.

Q Could you defend your use of that methodology in this instance?

A Can I defend my use of that?

Q Yes.

A Again, there are a pretty wide range of variables on that issue, the most stringent being the Ten State Standards for the 200 gallons per inch per mile. That seemed like a pretty good compromise to me. There are more liberal allowances than EPA, even.

Q How would you justify the apparent laxity or

greater laxity, put it that way, in the EPA standard?

A How would I justify using that?

Q No. How would you justify the existence in the standard, the EPA standard, of a greater laxity -- a greater apparent laxity than in the Ten States method?

A The EPA standard I believe is an older standard. And we know that years ago clay pipe was used extensively for sewage collection systems. Clay pipe notoriously leaks and has I/I problems, especially joints. I think this is probably a somewhat outdated liberal allowance; but nonetheless, it was used for these existing systems by the utility in furnishing their excess infiltration inflow. And we did not challenge that.

Q It would seem, though, that you have laid a basis for challenging the application of that methodology, haven't you?

A I didn't hear you.

Q It would seem that you have laid the basis for challenging the application of the EPA methodology to even to existing systems; wouldn't you agree?

A Yes, sir. Had we chosen, I think we could have made a good case for using the Ten States Standards guidelines.

Q Mr. Biddy, let me turn your attention to an exhibit marked 81, a copy of which you have before you in the recent distribution. OPC Production of Document No. 279?

A Yes, okay.

Q It would appear that -- it would appear that you found unremarkable SSU's response which stated that inflow and infiltration was overstated for five plants due to the inaccuracies created by the EPA conversion factor of 2.7. Is that true?

A Where are you reading from?

Q I'm not. I simply don't see in your testimony that -- well, in the response, SSU's response, I refer to the last paragraph or the last, next-to-the-last paragraph where the Utility comments that the numbers calculated for five of the systems were -- constitute overstatements because of the use of the population factor of 2.7? Do you follow me?

A I haven't found that yet, no. It says --

Q It's the Paragraph begins, "Appendix DR 279-A is the analysis"?

A Yes.

Q Do you see it goes on to say, "All but eight of the plants indicate that no further analysis is required"?

A Yes.

Q "And further, that makes the analysis of Amelia Island, Sunshine Park, et cetera, understated in terms of allowable I/I"?

A Yes.

Q I find no comment in your testimony relative to that statement. Is that true?

A We did not make a comment relative to that statement. We accepted the data as reported by Southern States Utilities.

Q Then you do not find that statement to be a particularly remarkable statement?

A Well, it, you would need to analyze each one of these areas to see what is the true population equivalent for a single customer, find out if that were true or not.

Q Well, would you dispute the Utility's contention?

A I believe we could probably make a case for a different customers per connection. But it was our position that we would, since we did not have the time nor the budget to individually go to each one of these systems and investigate it, that we would accept as factual all the data reported by Southern States Utilities.

Q In tabulation TLB-4, you made an adjustment for Leilani Heights of 16.1% for excessive I/I. Isn't that the case?

A Yes, we did.

Q Are you not aware that an inflow and infiltration program -- study program or investigation program is in progress?

A No, I am not aware.

Q Would you agree, Mr. Biddy, that some of SSU's service areas consist of retirement or seasonal communities?

A Yes, sir.

Q And that the average, that the average population, that is, per residence or connection, is something less than the population factor of 2.7?

A I would agree, yes.

Q Perhaps decidedly less than 2.7?

A Some areas I would think so, yes.

Q Would you then agree with the suggestion that the result for some of those facilities shown with less than the allowable infiltration and inflow, that those may also be misstatements in the other direction?

A Yes, sir, I would.

Q For the reason of by reason of applying the

population factor of 2.7?

A Yes. Again, I would say you would have to individually analyze each system by going to the system and doing all the population projections, getting all the demographics of the area, and then you could make a reasonable, rational decision about the number of people per residence.

Q Let me ask you this. Let me ask you to consider this expression for determining infiltration and inflow, excess infiltration and inflow. It's a formula, proposed formula: Wastewater flows minus 80% of water flows equals total inflow and infiltration.

Do you have that?

A Yes, uh-huh.

Q And given the problems that we have discussed in applying the EPA method, would you not consider this method -- the one that I've suggested -- would you not consider that this would achieve more accurate results for calculating inflow and infiltration?

A Yes, I think that will certainly determine the amount of inflow and infiltration. It's, of course, an empirical formula. The 80% is assuming that you are going to -- that 80% of the water sold is going to the sewage system. But that's very accurate,

I think, as accurate as you can have of determination of the amount of I/I.

Q Referring once again to the Ten States Standards and MOP 9, both of which are before you as exhibits marked 171 and 172 for identification?

A Yes, I have them.

Q In the one case, in the Ten States Standards, an excessive inflow and infiltration allowance is given as 200 and in the MOP 9 as 500 gallons per inch of pipe diameter per mile per day; is that correct?

A That is correct, yes.

Q Would you not agree that these methods would produce a better result not only because the amount of pipe is taken into account but also because of the inaccuracies created by using the EPA method?

A Yes, I think it probably would. Because they do take into consideration the length of pipe involved.

Q Which of the two allowances would you select as a matter of preference, the Ten States Standards or the MOP 9?

A Well, obviously, if I'm designing a new system, I'm bound by the Ten States Standards because the EPA -- I mean the DEP insists on it.

I think more than determining the amount or the allowable amount of the I/I, there's a better method yet. And I --

Q I'm sorry, a better method yet?

A Yet than what you've said, and that is to determine whether it is more economical to transport and treat the excessive I/I, whatever it is, than it is to rehabilitate the lines. So that's a judgment call I think that the engineer has to make as he evaluates a system, whether it is more economical to clean and repair the lines or to transport and treat that sewage.

Q Would the 500, would the 500 guideline be more appropriate, more equitable, for older systems?

A Yes, it would.

Q Than for newer systems?

A For older systems, yes.

MR. PELLEGRINI: No further questions, Chairman Clark.

MR. ARMSTRONG: Madam Chair, if I may, Staff didn't produce a witness in this case on used and useful. And what we had was a proposal that we heard for the first time regarding a new used and useful method. And the witness agreed that might be an appropriate method. If I could have just one

question?

CHAIRMAN CLARK: Yes, Mr. Armstrong.

MR. ARMSTRONG: Thank you, Madam Chair.

RECROSS EXAMINATION

BY MR. ARMSTRONG:

Q Mr. Biddy, do you recall the new proposed method for determining I/I just proposed by Staff?

A The 80% rule?

Q Right.

A Yes, I heard that.

Q Okay. Do you recall a I&I master plan which you performed for the City of Apalachicola?

A Yes, I do.

Q Would you admit in that master plan you identified the allowable I&I as 1,500 gallons per day per inch per mile?

A I think we did probably. It was a very old system that was full of holes, been there since the 40s, very bad system.

Q And that would be the rationale behind the 200 gallons per inch in your testimony at Page 21, that is for a new system. It would be likely that a new system would have less I&I, correct?

A Certainly, a new system would have less I&I.

Q So it should be held to a higher standard?

A Well, I think it's still a matter of economy, whether it is more economic to transport and treat than to repair your lines.

The Ten States Standards is a guideline for well-constructed, new systems. And I would think you would need to compare that inflow and the cost of treating the excess over that with the cost of repairing the lines.

MR. ARMSTRONG: Right. Okay, Mr. Biddy, thanks very much.

Thank you, Madam Chair.

CHAIRMAN CLARK: Redirect?

MR. PELLEGRINI: Chairman Clark, could we have a moment? Brief moment?

CHAIRMAN CLARK: Go ahead. (Pause)

MR. PELLEGRINI: None.

CHAIRMAN CLARK: Redirect?

REDIRECT EXAMINATION

BY MR. REILLY:

Q When DEP requirements speak of sizing components to meet max day demand, can a utility meet this max day demand with a max day which is calculated based on the average of five max days?

A I think you probably could.

Q If a water system is designed to serve a max

day demand which is based on this average of the five max days, would you expect that system to have insufficient chlorine content time for its finished water?

A No, I would not.

Q And why would that be?

A Because we have within the operation of plants the proviso that the testing occur at the furtherest point in the system for residual chlorine. If you had a max day or you were even anticipating anything close to a maximum day, you would certainly be in the process of monitoring that.

Q In this proceeding, is it your recommendation that utilities only design systems to meet existing customer demands?

A No, it is not.

Q Rather, is it your testimony that a prudent utility should build a system with excess capacity to meet reasonable growth?

A Certainly, it should be, you should have some cushion and some safety factor for excess capacity where the utility had carefully studied the projected growth.

Q Mr. Armstrong asked you some questions about a hydraulic flow study that you offered in another

docket, I believe the St. George Island docket?

A That is correct.

Q And was it the purpose of that study in any way for the purpose of calculating any used and useful calculations in that docket?

A No, it was not.

Q You were also asked some questions about recovery of a utility's investment in plant in service to meet environmental requirements; is that correct?

A Yes, I was.

Q I think in one particular example there was a sludge removal capacity, a system that was being required in his hypothetical; is that correct?

A That's correct, yes, sir.

Q Is it your testimony that any such expenditures would in fact be recoverable in rate base but that a used and useful percentage would be applied to that investment; is that correct?

A Absolutely.

Q Consistent with your recommendation in all utility investment?

A That's correct, yes, sir.

Q Is it a prudent decision to design a facility that will take 20 or 30 years to reach build-out capacity?

A I can't imagine any system where it would be, no.

Q Does the hydraulic analysis proposed by Southern States account for the ultimate capacity of each pipe?

A It does not.

Q And why is that the case?

A Because with the addition of different pumping characteristics, pressure flow at the pump, high service pumps, you could change the characteristics -- the flow characteristics in that pipe to a vast range of values.

Q So to the extent that the water pipes often have a capacity greater than build-out, is it not true that even the lot count method, it can be said, overstates the percentage of used and useful necessary to serve current customers?

A It does, yes.

Q Can you use one calibration on one system to draw the conclusion that no calibration is needed for the other systems?

A No, you cannot. Each system is an individual system and has its own specific characteristics.

Q Is it true that the lot count method ignores

the cost of looping lines and fire flow sizing?

A No. No, it does not. They pay their pro rata share or their percentage share of that, the total cost.

Q Is it justified to allow fire flow requirements simply because a fire hydrant was installed in a distribution system?

A No.

Q Is it cost-effective to use supply wells and treatment plant to meet fire flow demands?

A It is not.

Q And the reason?

A You have to size your high service pumps on your wells to such an extent that it requires much larger pumps, much larger use of electricity. Besides that, your water well would have to be enormous to provide fire flow. Even a minimum of 500 gallons a minute would be a large well in comparison to most supply wells.

Q Isn't it correct that DEP uses annual average -- or annual daily flow to issue its permits instead of annual daily flow with a max month?

A Yes, sir.

MR. REILLY: Okay. No further redirect.

CHAIRMAN CLARK: Exhibits?

MR. REILLY: We would look to move Composite Exhibit 170 in the record.

CHAIRMAN CLARK: It will be entered in the record without objection.

MR. PELLEGRINI: Staff would move Exhibits 171 and 172 for identification.

CHAIRMAN CLARK: Exhibits 171 and 172 will be entered into the record without objection.

Thank you, Mr. Biddy, you're excused.

(Exhibit Nos. 170, 171 and 172 received in evidence.)

(Witness Biddy excused.)

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CHAIRMAN CLARK: I have been reminded that we have not finished Mr. Ludsen. Is now the appropriate time to go back to Mr. Ludsen and the cross examination by Staff?

MR. ARMSTRONG: Madam Chair, I understood that we were going to just finish his direct and cross together as he comes up on the list.

MS. O'SULLIVAN: Direct and rebuttal, do you mean?

MR. ARMSTRONG: Oh, what did I say? Direct and rebuttal.

MS. O'SULLIVAN: That would be a good idea.

Staff would agree with that.

CHAIRMAN CLARK: Okay. Thank you for reminding me.

I think the next witnesses are the panel, Mr. Larkin and Ms. DeRonne; is that correct, Mr. Beck?

MR. BECK: Yes, ma'am, Madam Chairman.

CHAIRMAN CLARK: And after that we go to Ms. Dismukes?

MR. BECK: Yes.

CHAIRMAN CLARK: Mr. Jacobs, when are we going to take up Mr. Riney?

MR. JACOBS: I am discussing with everyone the opportunity to stipulate to that testimony. And I have everybody but one, we're working on that right now.

CHAIRMAN CLARK: All right. Why don't we take ten minutes and let the the witnesses get settled and we'll reconvene at 10 after 2:00.

(Brief recess.)

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CHAIRMAN CLARK: We'll go back on the record.

Mr. Beck, before we start the putting in the testimony of your witnesses, I understand that we can stipulate a few more people, a few more witnesses?

Ms. O'Sullivan, why don't you walk me through that.

MS. O'SULLIVAN: That's correct, we've agreed to stipulate in the testimony of Mr. Robert Casey on behalf of Staff.

CHAIRMAN CLARK: Okay.

MS. O'SULLIVAN: And the following DEP witnesses scheduled to testify on May 8, from Fort Myers. Andrew Barienbrock, Gary Maier and William Allen. We will cancel that Fort Myers teleconference date.

CHAIRMAN CLARK: Okay. Why don't I suggest when we get to the teleconference at 4:30 today then we'll go ahead and go through the motions of stipulating all of the witnesses for Staff from DEP down to Allen?

MS. O'SULLIVAN: All right.

CHAIRMAN CLARK: Okay? And at the appropriate time we'll go through the motions of putting Mr. Casey's testimony in the record. But I understand we can also do Mr. Riney?

MR. JACOBS: Madam Chairman, we have reached a stipulation with all parties that Mr. Riney's testimony of five pages and then just his qualifications which contain two pages attached thereto would be entered in as it is written.

CHAIRMAN CLARK: Okay. Let's do this. The prefiled direct testimony of Mr. J. Donald Riney consisting of five pages will be inserted in the record as though read; and the attachment outlining his qualifications consisting of two pages will be marked as Exhibit 73 and it will be admitted in the record -- excuse me, Exhibit 173 and it will be entered in the record without objection.

(Exhibit No. 173 marked for identification and received in evidence.)

Q. What is your name and address?

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

Q. Do you have an appendix that describes your education, occupational history and your qualifications in regulation?

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

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to respond to Southern States Utilities, Inc.'s (SSU) application for a general rate increase. My testimony will relate only to the rate request impact to customers of Nassau/Amelia Island (Amelia Island). I will demonstrate that the rate increase is unjustified based upon a "stand alone" rate structure for Amelia Island.

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

A. SSU has combined all water and sewer service areas in Florida into one for purposes of subject rate application. They are requesting a rate increase to generate an overall return. The problem for my client is the rate structure in place for Amelia Island, produces a return to SSU that substantially exceeds the desired financial criteria that SSU has established as a basis for this rate increase. Thus, a "stand alone" rate for Amelia Island justifies a rate reduction, not an increase.

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

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

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

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

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

Water	Amelia Island	Total All Systems
Utility plant in service	3,849,336	92,969,177
Land	74,503	924,116
Total	3,923,839	93,893,293

	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	78,993	2,710,472
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"

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

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

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

MR. JACOBS: Thank you very much.

CHAIRMAN CLARK: Mr. Beck.

MR. BECK: Thank you, Chairman Clark. I be believe neither member of the panel have been sworn.

(Witnesses collectively sworn.)

- - - - -

HUGH LARKIN, JR.
DONNA DERONNE

were called as a panel of witnesses on behalf of the Citizens of the State of Florida and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. BECK:

Q Mr. Larkin, would you please state your name?

A (Witness Larkin) Hugh Larkin, Jr.

Q By whom are you employed?

A I'm a senior partner in the certified public accounting firm of Larkin and Associates.

Q Ms. DeRonne, would you state your name?

A (Witness DeRonne) Donna DeRonne, and I'm a regulatory analyst with Larkin and Associates.

Q Mr. Larkin, did you and Ms. DeRonne cause prefiled testimony to be filed in this case?

A (Witness Larkin) Yes.

Q Do either of you have any changes,

corrections or additions to make to the testimony?

A Not at this time, no.

MR. BECK: I would ask that their testimony be inserted into the record as though read.

CHAIRMAN CLARK: The prefiled direct testimony of Mr. Hugh Larkin and Ms. Donna DeRonne will be inserted into the record as though read.

Q (By Mr. Beck) Mr. Larkin, you have an appendix with your qualifications attached to your testimony; is that right?

A That's correct.

Q Ms. DeRonne, is the same also true for you?

A (Witness DeRonne) Yes.

Q In addition to your appendixes with your qualifications, you also have a separately bound Exhibit marked HL-1?

A (Witness Larkin) Yes.

MR. BECK: Commissioner, I would ask that the appendixes and the exhibit be identified as one exhibit.

CHAIRMAN CLARK: The appendixes of the witnesses' qualifications and the separately bound exhibit will be marked as Composite Exhibit 174.

(Composite Exhibit No. 174 marked for identification.)

DIRECT TESTIMONY OF HUGH LARKIN, JR.

AND DONNA DERONNE

ON BEHALF OF THE CITIZENS OF FLORIDA

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

SOUTHERN STATES UTILITIES

DOCKET NO. 950495-WS

I. INTRODUCTION

Q. WHAT ARE YOUR NAMES, OCCUPATIONS AND BUSINESS ADDRESS?

A. My name is Hugh Larkin, Jr. I am a Certified Public Accountant licensed in the States of Michigan and Florida and the senior partner in the firm of Larkin & Associates, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan 48154.

I am Donna DeRonne, a Certified Public Accountant, licensed in the State of Michigan. I am a regulatory consultant in the firm of Larkin & Associates, Certified Public Accountants, registered in Michigan, with offices at 15728 Farmington Road, Livonia, Michigan 48154.

Q. PLEASE DESCRIBE THE FIRM LARKIN & ASSOCIATES.

A. Larkin & Associates is a Certified Public Accounting and Regulatory Consulting Firm. The firm performs independent regulatory consulting primarily for public service/utility commission staffs and consumer interest groups (public counsels, public advocates, consumer counsels, attorneys general, etc.). Larkin & Associates has extensive experience in the utility regulatory field as expert witnesses in over 300

regulatory proceedings including numerous water and sewer, gas, electric, and telephone utilities.

Q. HAVE YOU PREPARED AN APPENDIX WHICH DESCRIBES YOUR QUALIFICATIONS AND EXPERIENCE?

A. Yes. We have attached Appendix I, which is a summary of our experience and qualifications.

Q. BY WHOM WERE YOU RETAINED, AND WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. Larkin & Associates was retained by the Florida Office of Public Counsel to review the rate increase request by Southern States Utilities ("SSU" or "Company"). Accordingly, we are appearing on behalf of the Citizens of Florida ("Citizens").

Organization

Q. HOW WILL YOUR TESTIMONY BE ORGANIZED?

A. We will address, in order, the following:

II. Overall Financial Summary

III. Minnesota Power & Light's Investment in SSU

IV. Rate Base

V. Adjustments to Operating Income

II. OVERALL FINANCIAL SUMMARY

Q. HAVE YOU PREPARED AN EXHIBIT TO PRESENT IN SUPPORT OF YOUR TESTIMONY?

A. Yes, we have prepared Exhibit 174 (HL-1).

Q. WAS EXHIBIT 174 (HL-1) PREPARED BY YOU?

A. Yes. This exhibit was prepared by us or under our direct supervision and is correct to the best of our knowledge and belief.

Q. PLEASE DISCUSS SCHEDULE 1, WHICH IS ENTITLED "SUMMARY OF ADJUSTMENTS".

A. Schedule 1 consists of a summary of each of our proposed adjustments to rate base, operating income and income taxes. The schedule lists each adjustment as well as the impact of each adjustment on the revenue requirement. The impact on the revenue requirement resulting from each recommended adjustment to rate base includes the impact of the overall rate of return recommended by Citizens Witness Rothschild and the capital structure recommended by Citizens Witness Dismukes. The overall rate of return of 9.43% is presented on page 2 of Schedule 1. The overall rate of return is based on Ms. Dismukes adjusted capital structure and SSU's proposed cost rates, with the exception of Mr. Rothschild's recommended return on equity of 10.10%. Also shown on page 1 of the schedule is the impact on revenue requirement resulting from Citizens' recommended overall rate of return.

As shown on line 33, the cumulation of Citizens' recommended adjustments results in a $27,296,563 reduction in SSU's proposed revenue increase of $18,137,502. In other

words, Citizens' recommendations result in a revenue sufficiency for SSU of $9,159,061.

Q. WHAT IS THE PURPOSE OF SCHEDULES 1-A AND 1-B?

A. We understand that the Citizens will pursue two separate 100 basis point return on equity penalties against Southern States Utilities for substandard quality of service and mismanagement for a combined penalty of 200 basis points. Schedule 1-A reflects the impact of a 100 basis point reduction in return on equity, while Schedule 1-B reflects the impact of a 200 basis point reduction.

The effect of a 100 basis point reduction in return on equity is an increase in the recommended rate reduction of $593,111 per year, while a 200 basis point reduction results in a $1,201,830 increase in the recommended rate reduction. As shown on Schedule 1-B, the combination of the two 100 basis point penalties would reduce the return on equity of 10.1% recommended by Witness Rothschild to 8.1% and would change the required reduction in rates from $9,159,061 to $10,360,891.

Q. SHOULD THE REVENUE SUFFICIENCIES PRESENTED ON SCHEDULE 1, 1-A and 1-B, LINE 34, BE CONSIDERED THE CITIZENS' FINAL POSITION?

A. No, it should not. The revenue requirement reduction prior to penalties shown on Schedule 1, line 33, totaling $27,296,563, along with the calculated revenue sufficiency of $9,159,061, reflects the impact of the following items: (1) our proposed adjustments; (2) Citizens Witness Dismukes' recommended adjustments; (3) Citizens Witness Biddy's recommended used and useful percentages; (4) Citizens Witness Katz's recommended payroll adjustments; and (5) Citizens Witness Rothschild's

recommended return on equity. As of the date this testimony was completed, February 9, 1996, there were several Late Filed Exhibits outstanding. Some of the Late Filed Exhibits outstanding were requested as far back as the depositions occurring the week of November 6, 1995, over two and a half months ago. Consequently, each of the above listed witnesses reserve the right to update their testimony and exhibits.

III. MINNESOTA POWER & LIGHT'S INVESTMENT IN SSU

Q. IN MR. SANDBULTE'S TESTIMONY, HE IMPLIES THAT MINNESOTA POWER & LIGHT COMPANY HAS INVESTED APPROXIMATELY $78 MILLION IN FUNDS FROM EQUITY STOCKHOLDER INVESTMENTS IN SOUTHERN STATES UTILITIES. IN YOUR OPINION, IS THAT CORRECT?

A. No, it is not. Minnesota Power & Light's actual equity investment -- that is, funds that have been raised by the issuance of capital stock by Minnesota Power & Light ("MP&L") -- is in all probability much lower than the $78 million as Mr. Sandbulte claims. SSU's response to Citizens Interrogatory 5 provided the amount of equity investment that Mr. Sandbulte claims to have been made by Minnesota Power & Light in Southern States Utilities. This amount is approximately $78,000,000. Mr. Sandbulte's claim is that the entire $78 million was provided by equity shareholders. Minnesota Power & Light, like all utilities, raises funds both through equity and debt issuances. In addition, they have sources of funds through deferred taxes. The equity percentage of MP&L's capital structure, as shown in the Minimum Filing Requirements on Schedule C-8, page 1 of 2, is 45.25%. Correctly, the amount of equity investment in any investment that MP&L might make is 45.25% of the total dollar investment. This is true because funds cannot be traced and they are fungible. As

such, the source of investment in Southern States Utilities would be from all sources available to MP&L. The actual equity component of the capital structure, 45.25%, times the Southern States Utilities investment of $78,000,000 would show that the actual equity investment of the parent company is, in reality, approximately $35,295,000, resulting in the actual investment being only approximately $35.3 million. The remainder of the investment would have been provided by the ratepayers in the State of Florida.

As shown on Schedule 27, MP&L has sold components of the utility system in Florida at substantial gains. The telephone segment of SSU and the Universal Investment was sold at a gain net of tax of approximately $32 million. The net of tax gain on the sale of St. Augustine was $4.2 million. The net of tax gain on the sale of Deltona Lakes was $600,000. The gain on the sale of Seminole Utilities was $1.6 million net of tax. And finally, the gain on the sale of Venice Gardens Utilities ("VGU"), less dividends paid to MP&L, was approximately $7 million. So, total gains from the sale of segments of Florida Utilities has provided net gains of approximately $45.95 million to MP&L. In other words, net funds were provided by the sale of utility properties supported by ratepayers of approximately $38.75 million. Thus, the gain on sales of utility properties have actually exceeded MP&L's "equity" investment actually provided by stockholders of MP&L. In fact, as shown on Schedule 27, the net gain on sales has exceeded the "equity" investment provided by MP&L stockholders by approximately $3.46 million.

Q. WHAT SIGNIFICANCE DOES THIS HAVE IN THIS FILING?

A. The Commission must be cognizant of the fact that when it determines the rate base

and provides the rate of return on the capital structure which is significantly higher in equity than MP&L's actual equity investment, it is, in fact, allowing the leveraging of a very small equity advance by MP&L to be magnified by gains of utility property and the fact that part of the equity investment has been financed by debt. Thus, Mr. Sandbulte's and the Company's claim that it is not receiving a fair return on its equity investment must be viewed in light of the fact that ratepayers have provided most of the equity in the form of gains realized by MP&L on the sale of utility property supported by ratepayers, and that approximately 55% of the "equity" investment in SSU is supported by debt and other sources of capital.

. . .

IV. RATE BASE

Q. HAVE YOU PREPARED A SCHEDULE SUMMARIZING THE CITIZENS' PROPOSED ADJUSTMENTS TO RATE BASE?

A. Each of our recommended adjustments to rate base are summarized in Column (1) of Schedule 1. We will discuss each of the respective adjustments below.

Additionally, if the Commission does not accept for ratemaking purposes the recommendation of Citizens Witness Kim Dismukes that the gains on the sales of utility properties be passed on to ratepayers, then an adjustment similar to that presented on Schedule 27 should be adopted.

Non-Used and Useful Facilities

Q. HAVE YOU ADJUSTED FOR NON-USED AND USEFUL FACILITIES?

A. Yes. Citizens Witness Ted Biddy has recommended the appropriate used and useful ("U&U") percentages applicable to each of SSU's service areas included in the rate case.

We applied Mr. Biddy's recommended percentages to the appropriate plant in service, accumulated depreciation and depreciation expense sub-accounts.

Q. HAVE YOU PREPARED A SCHEDULE SHOWING THESE CALCULATIONS?

A. Yes. These calculations are shown on Schedules 2 through 4. Schedules 2, 3 and 4 show the application of Mr. Biddy's recommended U&U percentages to SSU's requested plant in service, accumulated depreciation and depreciation expense, respectively, for each service area. Pages 1 through 5 of each of the schedules provides a summarization of the overall impact of the application of Mr. Biddy's recommended non-used and useful percentages. As shown on page 5 of Schedule 2, the non-used and useful offset to plant in service should be increased by $51,552,603. The amount of non-used and useful accumulated depreciation should increase by $13,184,287, as shown on page 5 of Schedule 3. Additionally, SSU's proposed depreciation expense should be reduced by $1,939,328 to account for the Citizens recommended non-used and useful rates, as demonstrated on page 5 of Schedule 4. The remaining pages of Schedules 2, 3 and 4, pages 6 through 146, have been provided to SSU on diskette. The remaining pages provide the detailed calculations behind the adjustments on a service area by service area basis, presenting first the water areas, then the sewer areas.

Additionally, Citizens Witness Biddy has recommended that a portion of SSU's hydropneumatic tanks be considered non-used and useful, while SSU has reflected the tanks as being 100% used and useful. The hydropneumatic tanks are not recorded in their own separate plant sub-account. In the same respect, Witness Biddy has recommended that a portion of auxiliary power be considered non-used and useful,

while SSU apparently has considered the auxiliary power to be 100% used and useful in its calculations. For sewer plant, the auxiliary power is not recorded in its own separate plant sub-account. Consequently, we have not applied Witness Biddy's recommended non-used and useful percentages, as shown on Exhibit TLB-2, to the 170 hydropneumatic tanks for water facilities at this time.

There are Late Filed Exhibits outstanding for which the responses may impact Witness Biddy's recommended non-used and useful percentages. Consequently, we wish to reserve the right to update the non-used and useful offsets upon receipt of the necessary information from SSU.

Q. YOU STATED THAT YOU HAVE APPLIED CITIZENS WITNESS BIDDY'S RECOMMENDED NON-USED AND USEFUL PERCENTAGES TO SSU'S PROPOSED PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO ANY OF THESE CATEGORIES?

A. Yes. We recommend several adjustments to plant in service, accumulated depreciation and depreciation expense later in this testimony. However, due to the volume of service areas and calculations included in the used and useful adjustment, we have reflected the impacts of the Citizens' recommended non-used and useful percentages in each of the respective schedules associated with our recommended adjustments as opposed to including the adjustments in the non-used and useful calculations presented in Schedules 2 through 4.

Q. DO THE CITIZENS' USED-AND-USEFUL RECOMMENDATIONS INCLUDE AN

ALLOWANCE FOR MARGIN RESERVE?

A. No, the impacts of SSU's proposed margin reserve have been excluded from the calculation of the Citizens' recommended used-and-useful percentages.

Margin Reserve

Q. WHY HAVE THE IMPACTS OF MARGIN RESERVE BEEN EXCLUDED FROM THE USED AND USEFUL CALCULATIONS?

A. It is inappropriate for margin reserve to be included in the used and useful calculations. By its very nature, margin reserve represents assets associated with future customers who have not yet come on line. The filing is already based upon a future test year, utilizing projected revenues based on the level of customers and the associated usage anticipated to exist during the future period. The used and useful calculations recommended by the Citizens considers the level of customers and usage that will be in existence during that future test year. The inclusion of a margin reserve to account for future customers above and beyond the future test year level represents investment that will not be used and useful in serving the current customers.

Clearly, the result of including the impacts of margin reserve is that current ratepayers will pay, via rates, for plant that will be used to serve future customers. This clearly causes an intergenerational inequity between ratepayers.

Q. IF A MARGIN OF RESERVE IS DISALLOWED IN THE USED AND USEFUL CALCULATIONS, WILL SSU BE HARMED?

A. No, SSU will not be harmed. SSU is currently permitted to recover amounts from

new customers via the Allowance for Funds Prudently Invested ("AFPI") charges. Consequently, if the margin of reserve is disallowed in the used and useful calculation, SSU will still recover the carrying costs associated with the assets that are currently considered non-used and useful through the AFPI charges at some point in the future. Additionally, the amounts would be collected from the customers who actually benefit from the capacity. However, if the margin of reserve is allowed, it will be the current customers who are harmed via their support of assets that will be utilized to serve future customers.

Q. IF A MARGIN OF RESERVE IS INAPPROPRIATELY REFLECTED IN THE USED-AND-USEFUL DETERMINATION, WOULD A CORRESPONDING ADJUSTMENT TO CIAC BE REQUIRED?

A. Yes. If a margin of reserve is included in the used-and-useful calculations, then, at the very least, to achieve proper matching, an amount of CIAC equivalent to the number of equivalent residential connections ("ERCs") represented by the margin of reserve would have to be reflected as a rate base offset. The application of the CIAC that will be collected from these future customers would at least serve to partially offset, or mitigate, the impact on the existing customers resulting from their inappropriately allocated responsibility to pay for plant that will be utilized to serve future customers.

Q. SSU HAS TAKEN THE POSITION IN THIS CASE THAT MARGIN RESERVE SHOULD NOT CONTINUE TO BE OFFSET BY CIAC. PLEASE COMMENT ON SSU'S ARGUMENTS.

A. SSU has provided numerous witness who address the issue of imputing CIAC against the margin reserve and why the practice should be discontinued. SSU Witness Ludsen

appears to be the primary witness on the issue. Mr. Ludsen indicated that there were two primary reasons for not imputing CIAC on margin reserve. In his reasoning, he stated that "by imputing CIAC against the margin reserve, the Commission places the risk that connections will not occur on Southern States and our shareholders." (Direct Testimony of Forrest Ludsen, page 30) Apparently, SSU would like to receive a full benefit, without risk, by including a margin reserve in its used and useful calculations representing the estimated number of new ERCs it projects that it will connect to its system in the future. However, SSU does not want to accept the risk that its estimated future ERCs are overestimated. Clearly, SSU's argument is inequitable to ratepayers. Should the Commission authorize the inclusion of margin reserve in used and useful calculations, it is imperative that the related CIAC be imputed.

Plant Held for Future Use

Q. HAS SSU INCLUDED ANY PLANT HELD FOR FUTURE USE IN THE FUTURE TEST YEAR?

A. Yes. SSU's proposed plant in service amounts on an Florida Public Service Commission ("FPSC") regulated basis, prior to the non-used and useful offsets, includes $33,082,895 which the Company has recorded in Account 1030 - Property Held for Future Use. During the deposition of SSU Witness Judy Kimball, Ms. Kimball indicated that the majority of the $33 million related to lines at the systems that were purchased from Punta Gorda and the Deltona/United systems.

Q. WHAT TYPE OF ASSETS ARE RECORDED IN ACCOUNT 1030 - PROPERTY HELD FOR FUTURE USE?

A. The NARUC Uniform System of Accounts for Class A Water Utilities describes items

to be recorded in Account 1030 as follows:

> This account shall include the original cost of property owned and held for future use in utility service under a definite plan for such use. There shall be included herein property acquired but never used by the utility in utility service, but held for such service in the future under a definite plan, and the property previously used by the utility in utility service, but retired from such service and held pending its reuse in the future, under a definite plan, in utility service. (Emphasis added)

Consequently, assuming that SSU is properly applying the Uniform System of Accounts for recording assets, the amounts included by SSU in Account 1030 are not used for the provision of utility service. In other words, such assets are, by definition, 100% non-used and useful.

. . .

Q. DOES SSU'S NON-USED AND USEFUL ADJUSTMENT REMOVE THE ENTIRE BALANCE OF PLANT HELD FOR FUTURE USE?

A. No, it does not. As previously mentioned, Ms. Kimball indicated that the $33 million relates predominately to lines in the systems that were previously owned by Punta Gorda and the Deltona / United systems. Schedule 5 presents the amounts removed by SSU in its non-used and useful plant in service adjustments for Accounts 360.2 and 361.2 - Collection Sewers - both Force and Gravity and Account 331.4 - Transmission and Distribution for each of these service areas. As demonstrated in this schedule, SSU has removed approximately $28 million in lines for these systems via its non-used and useful adjustment. This amount definitely falls short of the $33 million of plant held for future use. Based on SSU's figures, a portion of the plant held for future use would still be included in plant in service, and 100% of the remaining lines that are included in Account 1010 - Plant in Service would have to be considered as used and useful. This clearly is not appropriate.

Q. OF THE ELEVEN SERVICE TERRITORIES LISTED ON SCHEDULE 5, DO ALL OF THE TERRITORIES INCLUDE A PORTION OF PLANT HELD FOR FUTURE USE IN USED AND USEFUL PLANT IN SERVICE IN THE MFRS, OR ONLY SELECT TERRITORIES?

A. We do not know, at this time. As of January 26, 1996 we are still awaiting a response to Late Filed 1 from the Deposition of Judith Kimball, occurring during the week of November 6, 1995, which should provide a breakdown of the $33 million of plant held for future use recorded on SSU's books on a system by system basis. The information to be provided should be compared, at a minimum, to the amounts SSU is removing via its non-used and useful adjustments, as presented on Schedule 5.

Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO REMOVE THE AMOUNT OF PLANT HELD FOR FUTURE USE THAT IS STILL INCLUDED IN PLANT IN SERVICE AFTER SSU'S NON-USED AND USEFUL ADJUSTMENTS?

A. Not at this time. Since the Citizens' recommended non-used and useful percentages are larger than the percentages recommended by SSU for each of the eleven systems, it appears, at this point, that the Citizens recommended non-used and useful adjustment removes the plant held for future use that SSU included in plant-in-service. However, upon receipt of Ms. Kimball's Late Filed 1, we intend to compare the amounts removed by the Citizens for non-used and useful lines in each of the eleven service territories to the amount recorded on SSU's books as plant held for future use. Consequently, we reserve the right to update our recommendation regarding the level of plant in service to include in rate base for the eleven systems identified on Schedule 5 upon receipt of Late Filed 1 in order to ensure that, at a minimum, the lines that SSU considers plant held for future use (i.e., 100% non-used

and useful) are excluded.

Plant-In-Service Additions - Project Slippage

Q. WHAT IS THE BASIS OF SSU'S REQUESTED PLANT-IN-SERVICE?

A. SSU's starting point is its 1994 historic test year plant-in-service. SSU then adds its projected 1995 and 1996 additions, subtracts its projected retirements, and makes a few specific adjustments to plant-in-service to determine the future test year plant in service based on the projected thirteen-month average balances. SSU's plant additions were budgeted on a project by project and service area by service area basis.

Q. WHAT LEVEL OF ADDITIONS HAS SSU PROJECTED FOR PLANT IN SERVICE?

A. According to Exhibit__(JDW-1), attached to the Direct Testimony of SSU Witness J. Dennis Westrick, the Company has projected additions of $27,015,825 to FPSC regulated plant in service in 1995 and $16,710,620 in 1996 for water, sewer and general plant, combined.

Q. SHOULD SSU BE ALLOWED TO INCLUDE ITS ENTIRE BUDGETED ADDITIONS IN DETERMINING THE FUTURE TEST YEAR THIRTEEN MONTH AVERAGE PLANT IN SERVICE BALANCE?

A. No, not without adjustment. As of August 31, 1995, SSU had experienced significant slippage in its project schedule. As a result, it does not seem likely, at this point, that SSU will complete all of the projects it has projected to complete by the end of the future test year. Additionally, it appears highly unlikely that SSU will be able to place into service all of the projects that it projected to have in service by December 31, 1995 on time. Consequently, the starting point, and each subsequent month, of plant-in-

service utilized to calculate the thirteen month average test year level is overstated.

Q. PLEASE EXPLAIN.

A. SSU provided a plant in service additions status report as Appendix 165-A, attached to Citizens Interrogatory No. 165, which provided a 1995 budget to actual comparison as of August 31, 1995. The status report provided, on a project by project and system by system basis: the scheduled and actual project completion date; the scheduled and actual in-service date; the budgeted cost; and the actual cost. Based on the information provided, we determined that SSU had projected that a total of 260 projects would be in service by December 31, 1995, with 176 of those projects to be in service by August 31, 1995. As of August 31, 1995, only 107 of the budgeted 176 projects to be in service by that date were actually in service. Consequently, SSU was 69 projects behind schedule as of August 31. In order to complete the number of projects projected to be in service by December 31, 1995, SSU would have to place into service 153 projects during the final four months of 1995. This amount represents 143% of the projects placed into service during the first eight months of 1995.

Q. APPROXIMATELY HOW FAR BEHIND SCHEDULE IS SSU?

A. Based on an analysis of Appendix 165-A, as of August 31, 1995, SSU was an average of 2.025 months behind schedule on its projects. The average number of months behind schedule was determined by taking the difference between the budgeted in-service date and the actual in-service date (rounded to the nearest half month) for all 176 projects projected to be in-service by August 31 and determining the average number of months off schedule. We should note that for the 69 projects that were projected to be in-service by August 31 that were not yet in service, the calculation included only the

amount of months behind schedule as of August 31. Consequently, the actual average behind schedule factor could be significantly higher for 1995 than the 2.025 months, depending upon when the 69 overdue projects are actually completed. The 69 overdue projects, when weighed separately, were already, on average, 4.4 months behind schedule.

Q. SHOULD SSU'S PROJECTED FUTURE TEST YEAR PLANT IN SERVICE BE ADJUSTED TO TAKE INTO ACCOUNT THE LEVEL OF PROJECT SLIPPAGE?

A. Yes. At this point, it appears highly unlikely that SSU will complete by December 31, 1995 all of the additional 153 projects that were budgeted to be in-service by December 31, 1995. Since SSU's projected test year plant in service is based on a thirteen month average balance beginning with December 31, 1995, SSU's projected plant in service is overstated.

Q. WHAT ADJUSTMENT DO YOU RECOMMEND?

A. As demonstrated on Schedules 6 and 7, we recommend that future test year plant in service be recalculated to reflect the thirteen month average of SSU's projected plant in service for the period October 31, 1995 through October 31, 1996. By placing the thirteen month average calculation back by two months, the adjustment would reflect the fact that, on average, SSU's projects are, at a minimum, two months behind schedule. As shown on Schedules 6 and 7, plant in service should be reduced by $1,973,372 and $372,937 for FPSC regulated water and sewer, respectively, in order to account for project slippage.

Q. WHAT IS THE PURPOSE OF YOUR ADJUSTMENTS TO THE OCTOBER AND

NOVEMBER 1995 PLANT IN SERVICE BALANCES ON SCHEDULES 6 AND 7?

A. SSU booked several of its adjustments to plant in service in the future test year MFRs but not in the interim year MFRs. These adjustments include the Buenaventura assets and the re-allocation of general plant. Additionally, SSU added the 1995 Lehigh line additions as an adjustment to its average interim year plant in service. Consequently, each of these adjustments would not have been included in SSU's projected monthly balances for October and November 1995 in the interim MFRs. We added the adjustments to the October and November 1995 balances on our schedules.

Q. PLEASE DISCUSS THE NON-USED AND USEFUL OFFSET APPEARING ON THE SCHEDULES.

A. In calculating the Citizens recommended non-used and useful plant in service on Schedule 2, we utilized the Citizens recommended non-used and useful percentages applied to SSU's projected average plant in service balances. Consequently, our recommended adjustment to plant in service for project slippage should be offset to account for the fact that part of the adjustment would be removed in the non-used and useful calculations. As demonstrated on page 2 of Schedules 6 and 7, we allocated our recommended slippage adjustments to each of SSU's plants utilizing SSU's projected additions to those plants for the period November 1995 through October 1996. We then applied the Citizens recommended average non-used and useful percentages from Schedule 2 for each plant to the allocated adjustment for that plant to determine the non-used and useful offset to our project slippage adjustment.

Q. DOES YOUR RECOMMENDED PROJECT SLIPPAGE ADJUSTMENT IMPACT DEPRECIATION?

A. Yes. As shown on Schedules 8 and 9, SSU's proposed future test year accumulated depreciation should be decreased by $73,212 for FPSC regulated water and $14,955 for FPSC regulated sewer. Test year depreciation expense should be reduced by the same amounts. The amounts were determined by applying the future test year average water and sewer depreciation rates to our recommended adjustment to water and sewer plant in service, respectively.

Non-Used and Useful Offsets to CIAC

Q. PLEASE DISCUSS SSU'S ADJUSTMENTS TO OFFSET CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") WITH NON-USED AND USEFUL FACTORS.

A. SSU has applied average non-used and useful percentages on a service area by service area basis to certain of its CIAC classifications, thereby reducing the CIAC offset to rate base, in order to account for the fact that a portion of the assets being supported by the CIAC have been removed from rate base via the non-used and useful calculations. The CIAC classifications to which SSU applied the non-used and useful adjustment include: plant capacity fees, line/main extensions, contributed lines, and contributed property other than lines.

Q. IS SSU'S ADJUSTMENT TO REDUCE ITS CIAC OFFSET TO RATE BASE BY THE AVERAGE NON-USED AND USEFUL PERCENTAGES APPROPRIATE?

A. Not entirely. We agree that the CIAC associated with contributed lines and contributed property other than lines should be offset by a non-used and useful factor, as a portion of the contributed property is not included in rate base for which SSU would earn a return due to the non-used and useful offsets to plant in service. However, it is not appropriate for SSU to offset plant capacity fees and line/main

extension fees by a non-used and useful factor.

Q. WHY NOT?

A. Plant capacity fees typically consist of cash provided by a utility's customers. Additionally, as the Company has included a separate category for line/main extensions which is separate from contributed lines and contributed property other than lines, we are also assuming that the line/main extensions represent cash contributions received by SSU as opposed to property contributions. Therefore, these two categories, plant capacity fees and line/main extensions, apparently represent cash contributed by SSU's customers. It is not appropriate to offset such cash contributions by a non-used and useful factor. SSU has collected the same amount of cash from these customers despite the fact that a portion of the plant that may have been purchased or built by SSU from the funds represents non-used and useful investment. The entire amount of the cash received is still cost free capital to SSU. SSU has not, to our knowledge, returned a portion of each customer's cash contributions to the respective customer for CIAC which may pertain to non-used and useful assets. Therefore, SSU's customers should receive a benefit for their cash contributions via a full offset to rate base for the amount contributed.

Q. WHAT ADJUSTMENT IS NECESSARY TO REMOVE SSU'S PROPOSED NON-USED AND USEFUL OFFSET TO CIAC RELATED PLANT CAPACITY FEES AND LINE/MAIN EXTENSIONS?

A. As shown on Schedule 10, future test year rate base should be decreased by $2,315,994 to remove SSU's non-used and useful offset to these two categories of CIAC.

Marco Island - Collier Purchase Adjustment

Q. SSU PURCHASED THE COLLIER PITS AS A WATER SUPPLY SOURCE FOR MARCO ISLAND DURING THE INTERIM YEAR. WHAT AMOUNTS DID SSU INCLUDE IN ITS FILING FOR THE COLLIER LAND PURCHASE?

A. SSU included $9,199,918 in projected additions to plant in service - land in its filing for the purchase of the Collier land. This consisted of $4,400,000 added to land in its 1994 historic test year MFRs and an additional $4,799,918 added to the MFRs in the 1995 interim test year.

Q. HAS THE LAND ACTUALLY BEEN PURCHASED?

A. Yes. In early 1994, SSU entered into condemnation proceedings with the Barron Collier Family for the rights to the land. During April 1995, a settlement was entered into for the purchase of the land.

Q. HOW DID THE ULTIMATE COST PAID BY SSU COMPARE TO THE ESTIMATED AMOUNTS INCLUDED IN THE FILING?

A. The settled upon purchase price for the Collier land was $8.0 million. Additionally, SSU incurred $436,845 in professional service fees, including legal and engineering costs, associated with the purchase. This resulted in a total actual cost for the Collier land of $8,436,845, which is $763,073 less than the amount included in the MFRs for the estimated purchase costs.

Q. HAS SSU REFLECTED THE $8,436,845 AS THE ACTUAL PURCHASE COST FOR BOOK PURPOSES?

A. No, it has not. In SSU's project summary for the Collier property acquisition, SSU has

reflected a total cost of $10,120,256. This amount includes the Citizens calculated cost of $8,436,845, plus an additional $1,683,411 of allocated overheads, including $1,646,930 of allocated administrative and general overhead costs.

Q. SHOULD THE AMOUNT OF OVERHEAD ALLOCATED TO THE PURCHASE BY SSU BE INCLUDED IN THE COLLIER LAND ADDITION?

A. No, it should not. The Collier purchase consisted of a purchase of land, not the construction of assets. As a result, it is not appropriate for SSU to allocate the $1,683,411 of overhead to the purchase of land. Consequently, for determining the actual purchase cost for purposes of calculating the amount of additions to utility land, SSU's proposed allocation of overhead should be disallowed. We should note that this appears to be consistent with SSU's own capitalization policies. In response to Citizens Interrogatory No. 145, Appendix 145-A, SSU provided the changes to its capitalization policy it implemented in July 1993. The Company policy for purchased assets states as follows: "For capitalized assets other than construction, the original cost includes freight, sales tax, and installation costs." The Company policy for constructed assets is as follows: "The cost of construction to be included in the plant accounts consists of direct costs (which are necessary and clearly related to the construction of a depreciable asset) such as material and labor; overheads such as engineering, supervision, general and administrative expense and insurance; and an allowance for funds used during construction (AFUDC)." Clearly, the purchase of land should fall into the purchased asset category, not the constructed asset category.

Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO SSU'S FILING RELATED TO THE COLLIER LAND PURCHASE?

A. Yes, we are. First, the $9,199,918 estimated amount included in the filing for the Collier Land purchase should be reduced to $8,436,845 to reflect the actual purchase cost of the land. The Citizens recommended actual cost specifically excludes the allocation of overheads to the purchase, as such allocations are not appropriate. Additionally, Commission Staff, in its Audit Report - Project Test Year End December 31, 1996 ("Audit Report"), submitted to SSU on November 1, 1995, recommended that a portion of the cost of the Collier Property be allocated to Account 121 - Nonutility Property for the value of the real estate acquired. Staff recommended that the amount be allocated based on either the direct acreage method or the lump sum purchase method. We concur with Staff's recommendation.

Q. PLEASE DISCUSS STAFF'S RECOMMENDATION IN MORE DETAIL.

A. The Collier land purchased by SSU consisted of 56.29 acres of lakes, 71.28 acres of wetlands and 84.93 acres of uplands, consisting of an overall purchase of 212.5 acres. Clearly, the 84.93 upland acres will not be fully utilized in the provision of water service to SSU's customers. It is Staff's, along with the Citizens' position, that the land that is not, and most likely will not be, used and useful in the provision of water service should be excluded from rate base. In its audit report, Staff correctly pointed out that the NARUC Uniform System of Accounts for Class A Water Utilities, under the section entitled Utility Plant - Land and Land Rights, states as follows:

> When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 103 - Property Held for Future Use, or account 121 - Non-utility Property, as appropriate.

In its report, Staff recommended that the cost of the land purchased be allocated between uplands and lakes based upon either the direct acreage method or the lump sum purchase method. The direct method recommended by Staff allocated the cost between land and upland, excluding the wetlands in the calculations. This resulted in a more conservative approach, as the inclusion of wetlands would have decreased the portion allocated to lakes.

Q. WHAT IS YOUR RECOMMENDATION?

A. We agree with Staff's recommendation that the purchase be allocated between Water Source Land - Account 303 and Account 121 - Nonutility Property, based on the direct acreage method, excluding the wetlands in the calculation. This resulted in 60.1% of the total cost being allocated to Account 121 - Non-Utility Property. As shown on Schedule 11, Utility Land should be reduced by $5,833,617 in order to reflect the actual Collier land costs and the allocation of a portion of the cost to Account 121 - Non-Utility Property.

Marco Island Water Source of Supply Costs

Q. PLEASE DISCUSS SSU'S REQUEST RELATED TO THE RECOVERY OF THE DEFERRED MARCO ISLAND WATER SOURCE OF SUPPLY COSTS.

A. Prior to SSU's ultimate purchase of the Collier property, SSU had undergone significant efforts to obtain a raw water supply source for its Marco Island service area. These efforts included: (1) attempt to renegotiate the Collier water lease; (2) attempted purchase of Dude pit property; (3) attempt to interconnect with the City of Naples' water supply source; and (4) obtaining additional water supplies from an already existing SSU land parcel. The first three of the efforts mentioned above failed.

SSU has transferred the costs associated with its four separate efforts into a deferred debit account and is now requesting recovery of the deferral over a five year amortization period, with the unamortized balance being included as an increase to rate base.

Q. WHAT IMPACT DOES SSU'S REQUEST HAVE ON THE RATE FILING?

A. SSU has deferred a total of $1,465,808 associated with the four separate attempted water supply efforts. SSU has included $1,319,227 in rate base related to the efforts, representing the average test year balance of its proposed deferred debit balance. SSU has also included $293,162 in pro forma amortization expense associated with a five year amortization of the deferral.

Q. SHOULD SSU BE PERMITTED ITS PROPOSED DEFERRED DEBIT TREATMENT?

A. No, it should not. To the best of our knowledge, SSU has not specifically sought or obtained permission from the Florida Public Service Commission to defer the costs. SSU should not be permitted to arbitrarily defer costs for future recovery via rates. Some of the charges that SSU has included in its proposed deferral date back as far as June 1990. In response to Citizens Interrogatory No. 151, SSU provided the project summaries for each of the four efforts. The summary contained a listing of each of the items charged to each of the four separate efforts. The entire deferral of $1,465,808 relates to charges that were invoiced to SSU over the period June 1990 through November 1994. There are additional reasons that the deferrals associated with each of the four separate efforts should be disallowed.

Q. PLEASE DISCUSS THE ATTEMPTED RENEGOTIATION OF THE COLLIER WATER LEASE.

A. Prior to SSU's acquiring the Collier property, SSU obtained water from the lakes on the property via a lease, which was set to expire on December 31, 1994. SSU attempted to renegotiate the lease prior to its expiration. It was after SSU determined that the Collier family would not renegotiate the lease that SSU proceeded to attempt to purchase the Collier property. SSU has included all costs associated with its attempt to renegotiate the lease, totaling $59,639, in its proposed deferred debit. According to information provided by SSU in the response to Citizens Interrogatory No. 151, the costs were charged to SSU during the period February 1992 through August 1993. Also included in SSU's proposed total cost is $816 of overhead charges.

Q. WHY ARE YOU RECOMMENDING THAT SSU'S PROPOSED DEFERRAL ASSOCIATED WITH THE ATTEMPTED LEASE RENEGOTIATIONS BE DISALLOWED?

A. The Company's attempted renegotiations failed. Such failed renegotiation costs should have been treated by SSU as a expense during the period that such costs were incurred. SSU has no basis for treating the lease renegotiation costs differently than it would treat any other costs incurred for legal matters, i.e., expensing them in the period in which they were incurred. Additionally, SSU did not obtain specific Commission permission to defer these costs, which were incurred during 1992 and 1993. SSU should not be permitted to now come in and request that these historic costs be included in rates. Additionally, it is inappropriate for SSU to begin to amortize these period costs in 1996, over three years subsequent to when the actual costs were incurred.

SSU's request to include overhead charges in the deferral is also completely inappropriate. SSU did not construct any facilities in its attempt to renegotiate the lease. Consequently, overhead charges should not be applied to the renegotiation costs. We also question why some of the specific charges incurred by SSU were categorized by SSU as being directly associated with the water lease renegotiation costs. Such charges include $13,051 for an inspection of the property and $851 for a title search and title copies.

Q. PLEASE DISCUSS SSU'S EFFORTS TO INTERCONNECT WITH THE CITY OF NAPLES' RAW WATER SUPPLY.

A. SSU incurred total legal and consulting costs of $483,362 associated with its attempted interconnection with the City of Naples' raw water supply source. These costs were incurred by SSU over the period October 1992 through December 1994. SSU has also proposed to include an additional $6,120 in the attempted interconnection costs for overhead charges that SSU allocated to its efforts. This brings SSU overall proposed cost to $489,482.

Q. SHOULD SSU BE PERMITTED TO INCLUDE ITS PROPOSED DEFERRAL IN RATES?

A. No, it should not. First, SSU did not obtain specific Commission permission to defer these costs. Additionally, SSU has presented no evidence to compel the parties that these costs should be treated as anything other than normal period expenses. SSU should have charged these costs to expense during the 1992 through 1994 period in which the costs were incurred. SSU should not be permitted to now recover these costs which SSU arbitrarily deferred via rates, beginning in 1996. Additionally, SSU

should not have allocated overhead costs to its attempted interconnection efforts.

Q. WHAT LEVEL OF COSTS HAS SSU DEFERRED ASSOCIATED WITH THE ATTEMPTED DUDE PIT PROPERTY PURCHASE?

A. SSU is requesting to recover $886,409 associated with its attempted purchase of the Dude property. Included in the amount are costs associated with engineering services, appraisal and survey services, legal services, permitting appeals, marketing, travel and $11,082 of overhead allocations. These charges were invoiced to SSU over the four year period, June 1990 through May 1994.

Q. SHOULD SSU BE PERMITTED TO RECOVER THESE COSTS IN CURRENT RATES?

A. No, it should not. Consistent with our position on SSU's other Marco Island deferred raw water source of supply charges, these costs should have been charged to expense over the period in which they were incurred. At the very least, they should have been charged to expense in the period in which SSU determined that the purchase would not go through. Some of these charges were incurred by SSU over five years prior to the beginning of the future test year. Yet, SSU is proposing to accumulate all of the charges and begin to defer such costs beginning in 1996, apparently to ensure that all of the related costs are included in rates charged to current ratepayers. SSU accepted the risk that the purchase may not go through prior to its incurring significant engineering and legal costs associated with the property. SSU now apparently wishes to be held completely harmless from its past decisions by recovering the costs from ratepayers, regardless of the ultimate outcome of its actions.

Q. ARE THERE ANY SPECIFIC COSTS CHARGED TO THE DUDE PROPERTY DEFERRAL WHICH YOU QUESTION?

A. Yes. For example, SSU has included costs associated with charges from Image Marketing Associates. It is our understanding that Image Marking Associates does a great deal of SSU's advertising, including image building advertising. We question why any marketing charges were allocated to the attempted property purchase. SSU's allocation of overhead charges to the attempted purchase is also clearly inappropriate.

At the time the negotiations were in progress for SSU's attempted purchase of the property, the property was in foreclosure. Through the negotiations SSU was required to pay half of a $180,000 charge to defer the foreclosure action. The charge was non-refundable unless the property was actually acquired by SSU. SSU ended up paying the full amount contingent on future reimbursement from another party for the other $90,000. SSU has included the total $180,000 in its proposed deferral. This is clearly inappropriate.

Q. PLEASE DISCUSS SSU'S DEFERRAL OF COSTS ASSOCIATED WITH ATTEMPTING TO OBTAIN ADDITIONAL WATER SUPPLIES FROM PROPERTY ALREADY OWNED BY SSU.

A. SSU included $30,279 (including $379 of allocated overhead) in costs associated with its design and permitting of a new wellfield on its 160 acre land parcel. The costs, consisting primarily of charges for a Raw Water Source Alternative Analysis conducted by Hartman & Associates, were invoiced to SSU during the period September 1992 through April 1993. Such deferred costs should not be included in rate base via SSU's proposed deferred debit.

Q. HOW SHOULD SUCH COSTS HAVE BEEN TREATED BY SSU?

A. The costs should have either been expensed during the period incurred or should continue to be deferred and ultimately charged to the new wellfield that will be built, with subsequent depreciation over the life of the wells. Which of these treatments would be appropriate is dependant upon what services were provided to SSU in the Raw Water Source Alternative Analysis. However, such costs clearly should not have been deferred for recovery in the current rate case via SSU's proposed deferred debit.

Q. ARE THERE ANY ADDITIONAL REASONS WHY THESE COSTS SHOULD BE DISALLOWED?

A. Yes. Even if it was appropriate for SSU to defer such costs to be capitalized as part of the wellfield project, the costs should not be included in the current case. The 160 acres upon which SSU proposes to build the new wellfield is discussed in a subsequent section of this testimony. The land is the same land that SSU has attempted in this case to transfer from plant held for future use to land in service. The Company does not know, at this point, whether the land, and related wellfield, will be used and useful in the provision of service to customers before the end of the future test year. Consequently, the land and the related engineering and permitting costs should be excluded from rate base at this time.

Q. WHAT ADJUSTMENT IS NECESSARY TO EXCLUDE THE IMPACTS OF SSU'S PROPOSED DEFERRED MARCO ISLAND WATER SOURCE OF SUPPLY COSTS FROM THE FUTURE TEST YEAR?

A. As shown on Schedule 12, rate base should be reduced by $1,319,227 to remove SSU's proposed test year average deferred debit balance. Additionally, test year expenses

should be reduced by $293,162 to remove SSU's proposed amortization of the deferral.

Transfer Land Back to Property Held For Future Use

Q. PLEASE DISCUSS SSU'S PROPOSED ADJUSTMENT TO TRANSFER LAND FROM PROPERTY HELD FOR FUTURE USE TO PLANT IN SERVICE.

A. SSU has proposed an adjustment to transfer four parcels of land from plant held for future use to plant in service. The adjustment increases SSU's proposed utility land by $267,155. According to the Direct Testimony of SSU Witness Judith Kimball, the land was removed from rate base as non-used and useful in SSU's last rate case. The Company proposes to transfer the parcels to used and useful land in the current case.

Q. DO YOU AGREE WITH SSU'S PROPOSED ADJUSTMENT?

A. No, not in its entirety. According to SSU's response to Citizens Interrogatory No. 167, the Company intends to utilize two of the four sites, the Citrus Springs site and the Marion Oaks site, for the provision of utility service to customers by the end of the future test year. Consequently, we are not taking issue with SSU's transfer of these two sites, totaling $13,300, to utility land. However, we do take issue with SSU's transfer of the Deltona site ($33,000) and the Marco Island site ($220,855). It is our position that these two site should remain in property held for future use at this time.

Q. WHY SHOULD THE TWO SITES REMAIN IN PROPERTY HELD FOR FUTURE USE?

A. Based on the information provided by SSU, it does not appear as though these sites will be used and useful prior to the end of the future test year. Citizens Interrogatory No. 167 asked SSU when it anticipates that the Deltona Lakes site will be used in the

provision of water to customers. SSU responded that "It is not known at this time when service will be required from this site." Additionally, Citizens Interrogatory No. 151 asked SSU when it anticipated that the wells that SSU intends to build on the Marco Island site will be used in the provision of services. SSU responded as follows: "It is estimated (anticipated) that the wells will be used in the provision of service in the next five years." Additionally, SSU Witness Westrick was asked during deposition if he knew when in the next five years the wells will be utilized for the provision of service. Mr. Westrick responded that he did not know.

Q. WHAT IS YOUR RECOMMENDATION IN REGARD TO THE TWO SITES?

A. Obviously, based on SSU's various responses, it is not known, at this point in time, whether or not the Deltona and Marco Island sites will be used for the provision of services to customers prior to the end of the future test year. Consequently, we recommend that SSU's proposed adjustment to transfer these sites into rate base, totaling $253,885, be disallowed. Our recommended adjustment is presented on Schedule 13.

Accumulated Depreciation - Non-Used and Useful Mains

Q. WHAT IS THE PURPOSE OF THE ADJUSTMENT PRESENTED ON SCHEDULE 14?

A. The purpose of this adjustment is to remove SSU's proposed adjustment to accumulated depreciation for non-used and useful mains, which is retroactive and inappropriate for determining going-level rate base. The adjustment increases SSU's proposed accumulated depreciation by $592,634 in order to remove the impacts of SSU's proposed adjustment.

Q. PLEASE DESCRIBE SSU'S ADJUSTMENT, WHICH YOU ARE REMOVING.

A. SSU made an adjustment to the beginning balance of accumulated depreciation in its MFRs for the future test year. SSU Witness Judith Kimball describes the purpose of the adjustment in her Direct Testimony as follows:

> It represents the cumulative effect of depreciation taken on non-useful assets through 1991 and 1992-1994 depreciation expense on non-useful water and wastewater mains at Deltona Lakes and Marco Island. The Company has not had the opportunity to recover the carrying costs of these assets as these plants do not have AFPI tariffs for mains. The Company was not recovering this expense in its AFPI factor through 1991, thus it was improper to recognize the expense in the rate case. When rates were established, any depreciation expense related to these non-useful assets was removed from expense in the revenue requirement calculation. As a result, it is also being removed from accumulated depreciation in the current docket. (Page 15, lines 4 - 14)

Q. IS SSU'S PROPOSED ADJUSTMENT APPROPRIATE?

A. No, it is not appropriate. Apparently, SSU has gone back in this case and re-evaluated its position taken in past cases. In instances in which SSU currently feels that it should have taken a different position in previous cases, SSU is now seeking to retroactively reflect the impact of positions it feels it should have taken. There is absolutely no reason that SSU could not have requested Commission permission to offset accumulated depreciation in prior rate cases for the portion associated with non-useful assets. Clearly, as indicated in Ms. Kimball's direct testimony, SSU did offset depreciation expense in those cases to recognize that a portion of the assets were non-used and useful. There was no apparent reason that SSU could not have requested similar treatment in those cases for accumulated depreciation. There is no reason to allow SSU to now come in and request retroactive treatment for facts it overlooked in the past, in some cases going as far back as pre-1991, over four years ago.

Q. WHY DIDN'T SSU REQUEST THAT THE ACCUMULATED DEPRECIATION BE OFFSET FOR THE NON-USED AND USEFUL PORTION IN THE PRIOR RATE CASES INSTEAD OF WAITING UNTIL THIS CASE AND REQUESTING THE CUMULATIVE IMPACT?

A. Citizens Interrogatory No. 152 asked SSU why it did not seek such treatment in its previous rate case proceedings. SSU responded as follows:

> The Company did not request the adjustment to accumulated depreciation in prior proceedings for non-used and useful distribution and collection assets at plants without offsetting AFPI recovery. Prior to this application, records of sufficient detail allowed for an accurate adjustment were not available. As a result, the Company suffered from a lower revenue requirement than should have been the case in the prior rate proceedings and throughout the period when we were developing the necessary information.

Q. DOES THE COMPANY'S RESPONSE PRESENT A VALID REASON FOR ALLOWING SSU TO NOW RETROACTIVELY ADJUST ACCUMULATED DEPRECIATION?

A. No, it does not. As indicated in the Direct Testimony of Judith Kimball, as previously quoted, the Company was able to offset depreciation expense in the past cases for non-useful assets. At the time of the previous cases, SSU had to have known which systems it was and was not collecting AFPI tariffs in. As accumulated depreciation balances is a derivative of the depreciation expense calculations, it seems logical that the amount of offset to accumulated depreciation should have also been readily available to SSU. The Company's response to Citizens Interrogatory No. 152 stated that the Company feels that it "suffered from a lower revenue requirement than should have been the case in the prior rate proceedings". Apparently, SSU would now like to come in and make up for the "lower revenue requirement" it feels it received in the prior proceedings in the current case. In the prior cases, the Commission set what it

felt was just and reasonable rates for SSU based on the factual evidence presented to it.

Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?

A. We are recommending that SSU's proposed adjustment be disallowed in its entirety, as presented in Schedule 14. As shown on the schedule, our recommended adjustment takes into account the amount of SSU's proposed accumulated depreciation adjustment that we would have already removed in our non-used and useful accumulated depreciation adjustment presented in Schedule 3.

Accumulated Depreciation - Change in Depreciation Rates

Q. PLEASE DISCUSS THE COMPANY'S ADJUSTMENT TO ACCUMULATED DEPRECIATION RELATED TO A CHANGE IN DEPRECIATION RATES.

A. In a prior rate case utilizing a 1991 test year, the Company's proposed depreciation expense was based on the average life rates resulting from Rule 25-30.140. The new utility rates resulting from the respective case, Docket No. 920199-WS, did not go into effect until September 1993. The Company is taking the position that it was not proper to reflect the new depreciation lives on its books "until such time as the revenue to recover the expense associated with those rates is generated." (Direct Testimony of Judith Kimball, page 24) Consequently, SSU is proposing, in the current case, to restate accumulated depreciation for the period 1991 through August 1993 to reflect the prior depreciation rates utilized by SSU.

Additionally, SSU adjusted its depreciation rates to reflect the Rule 25-30.140 rates in 1989 for several of the Deltona plants for Docket No. 900329-WS, which was

subsequently dismissed. The new rates were carried forward to Docket No. 920199-WS. SSU stated that the accumulated depreciation "should have been changed to build-up for the following rate cases, but it never was." Apparently, SSU feels that it should not have been required to reflect the new depreciation rates for ratemaking purposes until such time that the new depreciation rates were recovered in customer charges.

Q. SHOULD SSU'S PROPOSED ADJUSTMENT TO ACCUMULATED DEPRECIATION BE PERMITTED?

A. No, it should not. SSU's preposition that it should not be required to reflect higher expenses on its books "until such time as the revenue to recover the expense associated with those rates is generated" is inappropriate. SSU should not be permitted to retroactively adjust its books for items that it feels it has not fully recovered in rates in the past. Consequently, we recommend that SSU's proposed adjustment to its MFRs be disallowed. As shown on Schedule 15, rate base should be decreased by $527,690 in order to remove SSU's proposed decrease in accumulated depreciation, in its entirety. The adjustment takes into account the amount that would have already been removed in Schedule 3 - Non-Used and Useful Accumulated Depreciation.

<u>CIAC Amortization - Overstatement</u>

Q. WHAT IS THE PURPOSE OF YOUR ADJUSTMENT PRESENTED ON LINE 18 OF SCHEDULE 1, ENTITLED "CIAC AMORTIZATION - OVERSTATEMENT"?

A. According to Staff's audit report, SSU agreed that there was an error in the MFRs in regards to accumulated amortization of CIAC. The error resulted from the sale of

Deltona Lakes to Volusia County. The Company retired $10,451 of CIAC - water, but failed to retire the associated accumulated amortization of the CIAC. In response to FPSC Document Request No. 22, SSU indicated as follows:

> It appears that the MFRs did not pick up this retirement of amortization which accounts for $10,451 of the total difference. In other words, water accumulated amortization on the MFRs is overstated by $10,451.

Consequently, we have reflected this correction on Schedule 1 at line 18.

Acquisition Adjustment

Q. WHAT IS AN ACQUISITION ADJUSTMENT?

A. An acquisition adjustment is essentially the difference in the purchase price paid to acquire a utility asset or group of such assets and the depreciated original cost of those assets at the date of acquisition. In simple terms, an acquisition adjustment represents the difference between the purchase price paid, including acquisition related costs, and the rate base determined as of the date of the transfer.

The NARUC Uniform System of Accounts ("USOA") for water utilities contains the following specifications for acquisition adjustments:

> 114. Utility Plant Acquisition Adjustments
>
> A. This account shall include the difference between (a) the cost to the accounting utility of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and (b) the original cost, estimated, if not known, of such property, less the amount or amounts credited by the accounting utility at the time of acquisition to accumulated depreciation, accumulated amortization and contributions in aid of construction with respect to such property.
>
> B. This account shall be subdivided so as to show the amounts included herein for each property acquisition and the amounts applicable to each utility department and to utility plant in service and utility plant leased to others. ...

> C. The amounts recorded in this account with respect to each property acquisition shall be amortized, or otherwise disposed of, as the Commission may approve or direct.

The USOA for sewer utilities contains similar specifications.

Q. PLEASE STATE YOUR UNDERSTANDING OF THE COMMISSION'S POLICY CONCERNING ACQUISITION ADJUSTMENTS.

A. The Commission's policy concerning acquisition adjustments, as stated in Order 23024, has been that, in the absence of extraordinary circumstances, a subsequent purchase of a utility system at a premium or discount does not affect the rate base calculation:

> An acquisition adjustment results when the purchase price differs from the rate base calculation. It is Commission policy that in the absence of extraordinary circumstances a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. (90 FPSC 6:22)

Additionally, it appears that in instances where an acquisition adjustment exists, the Commission also gives consideration to whether the utility has requested rate base inclusion of the acquisition adjustment. For example, in Order No. 23024, Docket No. 891321-WU, involving the transfer of assets from Gospel Island Estates to SSU, Inc., the Commission stated:

> The circumstances in this exchange do not appear to be extraordinary, nor has Southern States requested an acquisition adjustment. Therefore, an acquisition adjustment is not included in the calculation of rate base. (90 FPSC 6:22)

Q. HAS THE COMPANY RECORDED ACQUISITION ADJUSTMENTS FOR ANY OF THE WATER AND SEWER SYSTEMS INCLUDED IN THIS FILING?

A. Yes. In response to Citizens Interrogatory No. 16, the Company provided the

acquisition adjustments recorded on its books on a system by system basis. Additionally, the Commission has approved of the inclusion of acquisition adjustments in the past for twelve of SSU's water systems and six of SSU's sewer systems, resulting in net negative acquisition adjustments of ($64,578) for FPSC regulated water systems and ($519,787) for FPSC regulated sewer systems.

Q. SHOULD THE NEGATIVE ACQUISITION ADJUSTMENTS RECORDED ON THE BOOKS OF SSU FOR THE UTILITY SYSTEMS IN THIS CASE BE REFLECTED IN THE DETERMINATION OF RATE BASE?

A. Yes. The negative acquisition adjustments resulting from SSU/Topeka Group's purchase of utility systems should be reflected in the determination of rate base in this proceeding.

Q. HAVE YOU PREPARED A SCHEDULE LISTING THE NEGATIVE ACQUISITION ADJUSTMENTS PROPOSED FOR REFLECTION IN RATE BASE?

A. Yes, the acquisition adjustments recorded on SSU's books as of December 31, 1994 are listed on Schedule 17, page 1, on a system by system basis for those systems in which SSU has realized a negative acquisition adjustment. We should note that the negative acquisition adjustments presented on the schedule for the Lehigh acquisition and the Deltona/United systems differ from the amount of acquisition adjustment purported by SSU. The Citizens disagrees with SSU's calculation of the acquisition adjustment on these purchases. We discuss these two acquisition adjustments in a subsequent section of this testimony.

Additionally, for the systems in which the Commission has specifically allowed for an

acquisition adjustment in previous rate cases, the amount approved by the Commission, on both a positive and negative basis, is included in the schedule.

As shown on the schedule, the overall negative acquisition adjustments, along with the acquisition adjustments previously approved by the Commission, totaled $13,644,489 as of the end of the historic test year. It is this amount that should be offset against rate base.

Q. FOR WHAT REASONS SHOULD THESE NEGATIVE ACQUISITION ADJUSTMENTS BE RECOGNIZED IN THE DETERMINATION OF RATE BASE?

A. These negative acquisition adjustments should be recognized for several reasons.

First, in most instances, it was Southern States Utilities/Topeka Group's choice to invest in the acquired systems. SSU/Topeka Group was not forced to invest in these utilities; they did so voluntarily. According to evidence presented in response to Citizens request for Production of Document No. 38, out of the 141 FPSC regulated systems owned by the SSU/Topeka Group, SSU identified that the FPSC or a representative thereof specifically encouraged only four of the system purchases.

Second, the fact that the acquisition price for these systems was below the depreciated original cost may indicate that the depreciated original cost overstated the value of the acquired assets in terms of providing utility service to customers. It appears that these systems were acquired by SSU/Topeka group in arms' length transactions. There is no presumption of collusion involved here. Nor does it appear these were abusive transfers having the primary purpose of inflating the rate base, as occurred during the

1930s and 1940s during the heyday of the great utility holding company systems. The fact that SSU/Topeka Group was able to acquire these systems in an arm's length transaction at a price below depreciated original book cost suggests that the true value of the assets acquired is less than net book value. This should be recognized in the determination of rate base by incorporating the negative acquisition adjustment.

Third, and most important, unless the negative acquisition adjustments are reflected in the rate base determination, SSU/Topeka Group's investors will earn an overall rate of return on assets which are not supported by their investment. These investors have not funded the full amount of the depreciated original cost rate base. Their investment is somewhat less. The difference, of course, is represented by the negative acquisition adjustment. Reflecting the negative acquisition adjustment is necessary to bring the rate base into line with SSU/Topeka Group's actual investment in the utility assets. If this is not done, SSU/Topeka Group will continue to receive a windfall. It will continue to earn on assets in which it has no investment. It will inappropriately receive an "unearned" return. In other words, ratepayers will be required to pay both a return and depreciation expense on investment which was not actually made, which is clearly a violation of well-established regulatory principles.

Fourth, the negative acquisition adjustment issue should be viewed in the context of this rate case, considering the large level of increases being requested by SSU in this case. Additionally, all of SSU's FPSC regulated systems are included in this filing, making now the perfect opportunity for the Commission to address this issue on a total SSU basis, rather than piecemeal in future SSU rate cases that may include only selected systems.

Q. ARE THERE ANY ADDITIONAL REASONS THAT NEGATIVE ACQUISITION ADJUSTMENTS OUGHT TO BE REFLECTED IN THE RATE BASE?

A. An asset generally sells for less than its depreciated value for one of two reasons.

First, the asset has generally deteriorated at a rate greater than the depreciation rate used has reflected. Therefore, the asset, in reality, through normal wear and tear has deteriorated in value far greater than the books have indicated.

Second, the asset has not been properly maintained because the motivation of the owner was not originally to enter into the utility business. These temporary utility owners were motivated generally by the desire to market real estate and did not maintain facilities in order to provide reasonable and adequate service. These utilities' facilities, therefore, have deteriorated because of a lack of maintenance or a lack of proper installation in the initial phase. The original owner, in a desire to keep utility rates down, did not maintain the utility property because higher rates may have discouraged sales of real estate lots that he was constructing to residents. These artificially low utility rates allowed the developer to sell his property by maintaining lower than normal utility rates. The property, therefore, deteriorated and, when it was sold, it was sold at a real market value absent normal maintenance. Ratepayers should receive the effect of this negative acquisition adjustment in their rates, since the underlying reason for the lower than book value sale of the assets was a lack of reasonable maintenance. If the Commission were not to reflect these negative acquisition adjustments, these ratepayers who have been subsidizing the developer by paying rates which should have reflected normal maintenance, now find themselves in a position where they have to make up the level of maintenance that was neglected by

paying a rate of return and depreciation on deteriorated assets.

Q. WOULDN'T REFLECTING THE NEGATIVE ACQUISITION ADJUSTMENTS IN RATE BASE DISCOURAGE NECESSARY IMPROVEMENTS AND REPAIRS?

A. We do not believe that recognizing the negative acquisition adjustments in rate base would discourage necessary system improvements and repairs. Utility regulation provides a cost-plus environment for utilities whereby necessary capital improvements and normal, recurring expenses, if prudently incurred, are recoverable, along with the opportunity to earn a reasonable return on the investment made.

Q. ARE YOU RECOMMENDING THAT THE COMMISSION ABANDON ITS POLICY WITH RESPECT TO POSITIVE ACQUISITION ADJUSTMENTS?

A. No, we are not. Because of the widespread abuses concerning transferred utility asset write-ups which occurred in the past and the potential for future abuse, there is a need to view positive acquisition adjustments with a much higher degree of regulatory skepticism and scrutiny. Reflecting a negative acquisition adjustment in the determination of rate base harms neither the utility's investors (since they have no investment) nor the ratepayers. On the other hand, given the potential for abuse and for harm to ratepayers, there should continue to be a heavy burden of proof upon the utility to justify why a positive acquisition adjustment is deserving of rate base treatment. Correspondingly, the Commission should continue its presumption against such treatment unless the utility can show that extraordinary circumstances exist.

Q. HAVE YOU ALSO REFLECTED THE AMORTIZATION OF THE NEGATIVE ACQUISITION ADJUSTMENTS IN THE DETERMINATION OF NET OPERATING

INCOME FOR THE AFFECTED UTILITY SYSTEMS?

A. Yes. This is necessary to protect ratepayers from paying for the return of an investment the utility has not made and to prevent shareholders from over-recovering their actual investment. The amortization amounts are summarized on Schedule 18 and result in a $327,051 reduction in future test year amortization expense. Additionally, Schedule 18 reflects, as an offset to our recommended negative acquisition adjustment, the 1996 average accumulated amortization of each of the negative acquisition adjustments, totaling $2,240,626.

Q. HOW DID YOU DETERMINE THE AMOUNT OF ACCUMULATED AMORTIZATION AND ANNUAL OFFSET TO AMORTIZATION EXPENSE?

A. In response to Citizens Interrogatory No. 16, SSU provided the amount of accumulated amortization as of December 31, 1994 and the annual amortization expense for the FPSC approved acquisition adjustments. For the FPSC approved amounts, we carried the amortization forward to the future test year and reflected the test year average accumulated amortization amount.

Unfortunately, SSU's response to Citizens Interrogatory No. 16 failed to provide the amount of accumulated amortization recorded on SSU's books, or the annual amortization expense for each of the non-FPSC approved acquisition adjustments. However, via a letter to the Office of Public Counsel from SSU's General Counsel, Brian Armstrong, dated November 7, 1995, SSU indicated the following:

> Interrogatory No. 16: SSU provided Public Counsel with information concerning acquisitions and acquisition adjustments in Appendix DR38-A and DR16-A. SSU provided Public Counsel with the amortizations for PSC approved acquisition adjustments because these are the only adjustments which are included in the rate base calculations in the MFRs in this case.

Appendix 38-A and 16-A provide each plant's acquisition adjustment at 12/31/94 as well as the date of acquisition. With the information now in Public Counsel's possession, the amortization balances for acquisition adjustments not approved by the Commission can be derived by applying a 40 year amortization.

As a result of SSU's instructions provided in the letter, we have calculated an estimated accumulated amortization and annual amortization expense for the non-FPSC approved acquisition adjustments based on a 40 year amortization period, taking into account the purchase date for each respective system. The results are presented on Schedule 18.

Acquisition Adjustment - Lehigh

Q. YOU PREVIOUSLY STATED THAT THE CITIZENS DOES NOT AGREE WITH SSU'S CALCULATION OF THE ACQUISITION ADJUSTMENT RELATED TO THE LEHIGH PURCHASE. PLEASE EXPLAIN.

A. At the time that SSU acquired the Lehigh Corporation, SSU/Topeka Group acquired more than just a utility. SSU also required a large amount of real estate, including golf courses and hotels. The overall purchase price for the Lehigh Corporation was $40 million. At the time of purchase, the assets of the Lehigh Corporation totaled approximately $99 million. Consequently, when the purchase is looked at as a whole, SSU/Topeka Group received assets of $59 million above the purchase price paid. Consequently, a negative acquisition adjustment of approximately $59 million existed in the overall Lehigh Corporation purchase.

However, at the time of the purchase, SSU/Topeka Group apparently took the position that they paid at least 100% of the asset value for the utility assets, with all of the

discount on assets being applicable to the non-utility assets. This is apparent by the fact that SSU has actually recorded a positive acquisition adjustment on its books for the utility portion of the purchase.

Q. DO YOU AGREE WITH SSU'S POSITION?

A. No. The purchase price paid for Lehigh Corporation should be allocated between utility and non-utility businesses based upon the proportion of assets for the utility and non-utility operations. As shown on page 2 of Schedule 17, at the time of the purchase of Lehigh Corporation, approximately 6.567% of the total assets purchased were utility assets. Consequently, the same percentage, 6.567%, of the overall negative acquisition adjustment of $59 million should be allocated to the utility portion of the purchase. As shown on the schedule, this allocation results in a negative acquisition adjustment for the utility operations of $3,873,763. It is the ($3,873,763) that we have reflected on page 1 of Schedule 17 as the acquisition adjustment for Lehigh.

Acquisition Adjustment - Deltona/United Systems

Q. PLEASE DISCUSS THE ACQUISITION ADJUSTMENT ASSOCIATED WITH THE PURCHASE OF THE DELTONA/UNITED SYSTEMS.

A. According to SSU's response to Citizens POD-38, SSU has not recorded an acquisition adjustment, either positive or negative, for each of the systems acquired in the purchase. However, there was a significant negative acquisition adjustment inherent in the purchase. Our recommended negative acquisition adjustment, totaling approximately $7.57 million, is presented on page 3 of Schedule 17.

Q. PLEASE EXPLAIN THE CALCULATION PRESENTED IN THE SCHEDULE.

A. The Citizens have analyzed information on the acquisition that was produced by Southern States in Docket Nos. 920199 and 920655. SSU has alleged that it paid $40,305,000 for the purchase of the Deltona / United systems. However, based on the Citizens' analysis, it was determined that the purchase price purported by SSU included $11.3 million of non-cash outlays and organization costs and $7 million associated with a settlement of a lawsuit related to the acquisition. The non-cash outlays and the settlement amounts should be excluded from the purchase price paid for purposes of calculating the acquisition adjustment. Excluding these costs results in an adjusted purchase price of $22 million. Additionally, as the acquisition consisted of a stock purchase, the amount of debt assumed by SSU should be considered in the analysis. SSU assumed $30 million of debt as part of the acquisition. Inclusion of the debt assumed results in an overall cost to SSU/Topeka Group of $52 million.

At the time of the purchase, the assets acquired by SSU totaled $59,571,712. The subtraction of the total assets at the time of the purchase from the Citizens adjusted cost results in a negative acquisition adjustment for the systems acquired of $7,571,712. It is this amount that we have reflected on page 1 of Schedule 17 as the overall negative acquisition adjustment associated with the Deltona / United acquisition.

V. ADJUSTMENTS TO OPERATING INCOME

Salary & Wage Expense

Q. WHAT IS THE PURPOSE OF YOUR ADJUSTMENTS TO SALARY AND WAGE EXPENSE APPEARING ON SCHEDULES 19 AND 20?

A. The purpose of the adjustments presented on Schedules 19 and 20 is to present the

impact on SSU's proposed future test year salary and wage expense resulting from Citizens Witness Paul Katz's recommendations.

Q. *PLEASE EXPLAIN.*

A. Citizens Witness Paul Katz has recommended that SSU's projected wage increases for the future test year be disallowed in their entirety. Consequently, Mr. Katz is sponsoring the theory behind the disallowance, while we are sponsoring the calculations necessary to reflect the impact of his recommendations on SSU's proposed future test year expenses.

Q. WHAT LEVEL OF SALARY AND WAGE INCREASES HAS SSU INCLUDED IN PROJECTED TEST YEAR EXPENSES?

A. Essentially, SSU's adjustment is twofold. SSU began its future test year salary and wage expense calculations with its projected 1995 salary and wage expense, which included the impacts of a projected 1995 salary and wage increase of 5.81%. SSU then applied a projected 5.87% salary and wage increase to the 1995 salary and wage expense. To the resulting amount, SSU added additional salary and wage expense associated with its reallocation of common costs, which resulted in a higher level of common costs being charged to FPSC regulated systems due to the addition of new regulated systems, such as the projected Buenaventura purchase. SSU then applied its proposed "market adjustment" (otherwise known as the Hewitt Study adjustment) of 4.765% to the total. The combination of these two separate projected 1996 wage increases resulted in an overall projected salary and wage increase during 1996 of 10.91%. *This is in addition to the 5.81% average increase projected to be granted to* employees in 1995.

Q. WHAT ADJUSTMENT IS NECESSARY TO REMOVE THE IMPACTS OF BOTH OF SSU'S PROJECTED 1996 WAGE INCREASES FROM FUTURE TEST YEAR SALARY AND WAGE EXPENSE?

A. As shown on Schedules 19 and 20, future test year expenses should be reduced by $593,755 and $433,297 for FPSC regulated water and sewer systems, respectively, for a cumulative reduction to test year expenses of $1,027,052.

Q. WHAT IMPACT DOES THE RECOMMENDED ADJUSTMENTS TO SALARY AND WAGE EXPENSE HAVE ON TEST YEAR PAYROLL TAX EXPENSE?

A. As shown on Schedule 21, test year payroll tax expense needs to be reduced by $82,164 to reflect the impact of the recommended salary and wage expense adjustments.

Corporate Insurance

Q. SHOULD SSU'S PROPOSED FUTURE TEST YEAR CORPORATE INSURANCE EXPENSE BE ADOPTED WITHOUT REVISION?

A. No, it should not. SSU's future test year corporate insurance expense was based on its budgeted test year expense, grossed up by its proposed 1.95% attrition factor. The corporate insurance budget includes the following types of insurance: workers' compensation, general liability, property damage, high risk property damage, flood, auto liability, inland marine, excess liability, directors and officers liability and excess auto. In response to Citizens Interrogatory No. 252, Appendix 252-A, SSU provided the actual premiums for each of its insurance types for 1992 through 1995 and the budgeted 1995 amounts by type. Based on SSU's response, on a total SSU basis, the actual 1995 premiums for insurance are $140,846 less than the $757,940 budgeted amount. As a result, we recommend that SSU's projected property insurance be

revised based upon the actual insurance premiums paid in 1995.

Q. ARE THERE ANY PARTICULAR TYPES OF INSURANCE IN WHICH SSU'S 1995 BUDGET APPEARS TO BE SIGNIFICANTLY LARGER THAN THE ACTUAL PREMIUMS?

A. Yes. In particular, SSU's budgeted workers' compensation cost is significantly higher than both the 1994 and 1995 actual premiums. In fact, based on a review of the response to Citizens Interrogatory No. 252, it appears as though the workers' compensation insurance cost to SSU has been consistently declining since at least 1992. The 1992 cost was $388,599 while the actual 1994 cost was $186,063. The actual premium paid in 1995 was $136,023. This is significantly less than the $250,000 projected by SSU for budgeting purposes.

Q. ARE THE PREMIUMS PROVIDED IN RESPONSE TO CITIZENS INTERROGATORY NO. 252 SUBJECT TO ANY TRUE-UPS?

A. SSU indicated in its response to the interrogatory that "The premiums for Workers' Compensation, General Liability and Auto Liability are subject to year-end audits which could result in additional premiums being charged or credits being issued." SSU also indicated that the true-ups will not be known until January, 1996. However, as SSU has presented no evidence in this case which indicates that it will be charged additional premiums or credits, we recommend that the actual 1995 premiums, prior to true-up, be utilized in estimating future test year corporate insurance expense. It is likely that SSU's insurers attempted to estimate what the actual cost will be in determining the premium that needs to be collected, in order to avoid significant true-ups. Consequently, based on the lack of evidence presented to the contrary, we

continue to recommend that future test year corporate insurance costs be estimated based on the actual 1995 premiums to SSU to date, i.e., prior to any positive or negative true-ups.

Q. WHAT ADJUSTMENT TO SSU'S PROPOSED FUTURE TEST YEAR CORPORATE INSURANCE EXPENSE DO YOU RECOMMEND?

A. Our recommended adjustment to corporate insurance expense, which reduces SSU's proposed expense by $96,458, is presented on Schedule 22. As indicated on the schedule, our adjusted corporate insurance expense allows for the actual 1995 insurance premiums grossed-up by 1.95% to account for attrition, based on SSU's proposed attrition factor. The resulting estimated 1996 insurance premiums, totaling $629,127, are then allocated to FPSC regulated insurance expense based on the percentage derived from SSU's recommended amounts. The allocation would account for both the removal of the non-FPSC regulated amounts and the allocation of a portion of the costs to overhead as opposed to expense.

Non-Used and Useful Property Tax Expense

Q. DID SSU ADJUST ITS TEST YEAR PROPERTY TAX EXPENSE TO REFLECT THE FACT THAT A PORTION OF SUCH EXPENSE PERTAINS TO COMPANY ASSETS THAT ARE NOT USED AND USEFUL IN THE PROVISION OF UTILITY SERVICE?

A. Yes. On a service area by service area basis, SSU applied the average non-used and useful percentage for each respective service area to its adjusted projected 1996 property tax expense for the service area.

Q. YOU STATED THAT SSU APPLIED THE PERCENTAGES TO ITS ADJUSTED PROJECTED 1996 PROPERTY TAX EXPENSE. WHAT ADJUSTMENTS DID SSU MAKE TO ITS PROJECTED 1996 PROPERTY TAX EXPENSE?

A. The Company has asserted that several of the counties in which it operates takes into consideration the fact that a portion of the utilities assets are not used and useful via the application of a percentage reduction to certain plant accounts in determining the tax basis to which the respective tax rate is applied. Consequently, SSU asserts that, for the affected service area, the respective property tax expense does not include a charge on the plant that would be considered non-used and useful. In calculating its adjustment, SSU applied the respective county mill rates to the amount of plant that would have been removed by the county in determining the property tax expense. SSU then adjusted its projected test year property tax expense for each of these service areas to reflect the property tax expense that would be charged if the county considered the assets 100% used and useful. The Company then applies its average non-used and useful percentage for the service area to the adjusted property tax expense to determine the amount of non-used and useful offset.

Q. ARE YOU PROPOSING ANY ADJUSTMENTS TO SSU'S PROPOSED TEST YEAR PROPERTY TAX EXPENSE?

A. Yes, we are proposing an adjustment to property tax expense. Our adjustment, which is presented on Schedule 23, recalculates the appropriate non-used and useful offset to property tax expense based on the non-used and useful rates recommended by Citizens Witness Biddy. Similar to SSU's calculations, we have applied the average non-used and useful rates, by service area, to the respective service area's projected property tax expense. As shown on page 5 of the schedule, the revised calculations result in an

additional $731,678 offset to property tax expense.

Q. ARE THERE ANY ADDITIONAL REASONS THAT SSU'S PROPOSED PROPERTY TAX EXPENSE SHOULD BE ADJUSTED?

A. Yes. For seven of SSU's service areas, SSU's proposed used and useful property tax expense is higher than the level of property taxes that SSU actually projects that it will have to pay. As previously discussed, SSU adjusted the property tax expense for the service areas in which the respective county offsets a portion of assets by a non-used and useful percentage. In theory, SSU's adjustment is appropriate. If the respective township currently does not charge property tax expense on assets the township considers non-used and useful, it would not be appropriate to simply apply the average non-used and useful percentage to the township adjusted property tax expense. However, the Company should not be permitted to collect via rates a level of property tax expense that is larger than the amount that SSU will actually have to pay to the county.

Q. PLEASE EXPLAIN.

A. In seven of the systems in which SSU "added back" the assets excluded by the respective county in determining the test year property tax expense, the Company's calculations result in its calculated used and useful property tax expense actually exceeding the amount of property tax expense that SSU has projected that it will actually have to pay the respective county. These seven systems include: Deltona Lakes - Water, Marco Shores - Water, Marion Oaks - Water, Pine Ridge - Water, Sunny Hills - Water, Deltona Lake - Sewer and Marion Oaks - Sewer. Schedule 24 presents, for each of these systems, the amount of property tax that SSU is projecting

it will actually have to pay, SSU's property tax add-back adjustment and the total used and useful property tax expense being proposed by SSU. For these systems, SSU should not be permitted to collect from ratepayers an amount for property taxes which exceed the amounts that SSU projects that they will actually have to pay. As shown on Schedule 24, SSU's proposed property tax expense for the seven systems exceed the amount that it projects it will actually have to pay by $54,894.

Q. HAVE YOU FURTHER ADJUSTED THE PROPERTY TAX EXPENSE FOR THESE SEVEN SYSTEMS?

A. No, we have not. For each of the seven systems, the average non-used and useful percentages recommended by Citizens Witness Biddy exceeds the percentage requested by the Company. Consequently, the application of our recommended average non-used and useful percentages to SSU's projected property tax expense, as shown on Schedule 23, resulted in our recommended future test year property tax expense being less than the amount that SSU projects it will have to actually pay. Consequently, if our non-used and useful adjustment is adopted by the Commission, then the concern is alleviated.

Property Tax Discounts

Q. DOES SSU RECEIVE DISCOUNTS ON PROPERTY TAXES PAID TO THE COUNTIES?

A. Yes. During the historic test year, SSU received $134,768 in discounts on invoiced property taxes from the counties. SSU Witness Morris Bencini indicated during depositions that the discounts are the result of paying property taxes by certain dates.

Q. IN RECORDING PROPERTY TAX EXPENSE, DOES THE COMPANY BOOK THE INVOICED PROPERTY TAXES OR THE AMOUNT OF PROPERTY TAXES ACTUALLY PAID?

A. The Company books the total invoiced property tax amount to property tax expense in account 4081.1000. The discount is credited to Account 6758.0000.256 - Miscellaneous Expense - Discounts.

Q. DID SSU INCLUDE THE DISCOUNTS RECEIVED ON PROPERTY TAXES IN THE FUTURE TEST YEAR?

A. During depositions, SSU Witness Morris Bencini was asked if discounts on property tax expense were included in the future test year. Mr. Bencini indicated that discounts on property taxes would be included in the operating budget, which is the basis of the interim test year, under miscellaneous expense, Cost Element Code 256 - Discounts. However, upon review of the 1995 operating budget, we determined that there were no budgeted charges (neither credits nor debits) to cost element code 256 - Discounts. Consequently, the discounts that SSU receives for property taxes would not be reflected in the future test year.

Q. WHAT IS YOUR RECOMMENDATION?

A. The Company's proposed future test year property tax expense, which is based on the full projected invoiced property taxes, should be reduced to reflect the fact that SSU receives discounts on the invoiced amounts. As shown on Schedule 25, future test year property tax expense should be reduced by $108,331. The amount was derived based on the application of the average discount received on property taxes during 1994 to the adjusted future test year property tax expense for the FPSC regulated

counties.

Income Tax Expense - Parent Debt Adjustment

Q. HAVE YOU REVIEWED THE CALCULATION OF SSU'S PARENT DEBT ADJUSTMENT?

A. Yes. SSU Schedule C-8, page 1 of 2, presented the capital structure that SSU used in deriving its proposed parent debt adjustment, which reduces income tax expense. SSU witness Bruce Gangnon was questioned regarding some of the details of this, as well as other income tax issues, during his deposition on November 6, 1995.

Q. WHAT REASON DID MR. GANGNON PROVIDE FOR INCLUDING ACCUMULATED INVESTMENT TAX CREDITS IN THE CAPITAL STRUCTURE OF MINNESOTA POWER & LIGHT ON COMPANY SCHEDULE C-8, PAGE 1 OF 2, FOR PURPOSES OF COMPUTING THE PARENT DEBT ADJUSTMENT?

A. Mr. Gangnon indicated that such Accumulated ITC was included in error, and that it should be removed.

Q. DO YOU AGREE THAT IT SHOULD BE REMOVED?

A. Yes. Since the deferred ITC has a cost rate for regulatory purposes of the overall cost of capital, SSU's calculation, which had included it in the capital structure at zero cost, served to understate the proportion of long-term debt in the capital structure and the weighted cost of long-term debt. Moreover, any deferred ITC at the parent company (MP&L) level, would not relate to assets at Southern States Utilities. Rather, the deferred ITC at the MP&L parent company level on MP&L's books would relate to ITC generated on MP&L's assets, not on SSU's assets. Since the deferred ITC at the

MP&L level has nothing to do with the SSU assets, it should not be included in the MP&L capital structure for purposes of computing the parent debt adjustment.

Q. HAVE YOU PREPARED A CALCULATION OF THE NECESSARY ADJUSTMENT?

A. Yes. This is shown in Exhibit __(HL-1), Schedule 26. For ease of reference, these schedules are formatted similar to the schedules presented in SSU's rate filing, specifically, the C Schedules presented in MFR Volume IV. Schedule 26, page 1, shows the $18,027 decrease to the amount of income tax expense that was reflected in SSU's rate filing that is necessary to reflect the revisions. (See Column E, line 16.) Income tax expense for SSU's water and wastewater utilities decreases by $9,765 and $8,262, respectively. (See Columns F and G, line 16, respectively.)

Page 2 of Schedule 26 shows the calculation of the parent debt adjustment. Pages 3 and 4 shows the MP&L and Topeka Group capital structures that were used in the calculation.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes, at this time. However, as of the date this testimony was completed, the Citizens were still awaiting several late filed exhibits that may impact this testimony and other Citizens' Witnesses testimonies. The review of the remaining outstanding Late Filed Exhibits may result in additional recommendations and modifications of our existing recommendations. As such, we reserve the right to update this testimony at a future time.

Q (By Mr. Beck) Mr. Larkin, do you have a summary of your testimony provided?

A (By Witness Larkin) I will briefly summarize what's contained in our testimony.

We present the overall financial summary of the Office of Public Counsel witnesses' testimony and the end revenue requirement for sufficiency, as it turned out to be in this case. In addition to that, we make some calculations to give effect to Mr. Biddy's, used and useful calculations. I guess I should point out at this time he has made some changes that aren't reflected in these schedules attached to this testimony and we would provide a late-filed exhibit to update those to reflect his changes.

We support the exclusion of a margin of reserve from the used and useful plant. We make comments related to plant held for future use. We also recalculate the 13-month average rate base, pointing out there is a slippage in the Company's construction program and therefore the 13-month average calculated by them would not be accurate.

We make adjustments for nonused and useful offset to CIAC, we make adjustments to Marco Island property, Marco Island water source of supply, transfer of land back to the property held for future

use.

We remove some adjustments that the Company made related to accumulated depreciation and changes in depreciation rates and related adjustments to CIAC amortization.

We also support the reflection of negative acquisition adjustments in the rate base and calculate changes to the acquisition of Lehigh and Deltona United systems.

On the operating income statement, we calculated the salaries and wages adjustment as sponsored by another OPC witness. We calculated changes to corporation insurance, nonused and useful property taxes, and property tax discounts, and income taxes.

That summarizes a broad category of adjustments we calculated.

MR. BECK: Thank you. The witnesses are available for cross examination.

CHAIRMAN CLARK: Mr. Jacobs?

MR. JACOBS: No questions.

CHAIRMAN CLARK: Mr. Twomey?

MR. TWOMEY: No questions.

CHAIRMAN CLARK: Mr. Feil?

MR. FEIL: Did I miss something or was there

testimony inserted into the record? Not that I want it inserted into the record.

CHAIRMAN CLARK: I believe it was.

MR. BECK: You missed something.

MR. FEIL: All right, I may have missed something. Excuse me.

CROSS EXAMINATION

BY MR. FEIL:

Q Mr. Larkin and Ms. DeRonne, as a first set of questions I would like to know why it was that you were chosen to testify in this case as a panel? In other words, is one of you testifying about various subject areas and the other is testifying about other subject areas?

A (Witness Larkin) No. The calculations were voluminous as they pertain to reflecting Mr. Biddy's used and useful calculations. And since I am not a computer literate person, we needed somebody of intelligence to do those calculations. So I asked Ms. DeRonne to do those.

So essentially I will support the theory, she will support the calculations. There might be certain details that she might be more familiar with than I am; but essentially, the calculations are her responsibilities, everything else is mine.

Q So there were no theory questions which she is sponsoring as part of her testimony in this case?

A Probably not. She might know something about where the details came from and where this number came from that I wouldn't know, but that's essentially why it was done the way it was.

Q Well, since most of the questions I ask are theoretical in nature, I will direct them to you. If Ms. DeRonne has anything to add, I suppose she could add, but most of my questions it would seem to be directed to you. Some of them, as I said, Ms. DeRonne may have to answer.

A That's fine.

Q For clarification, if I could refer you to Page 38 of your testimony?

A Yes.

Q Concerning recorded acquisition adjustments in this filing, to your knowledge, has the Company requested any adjustments not authorized by prior Commission orders?

A No, not to my knowledge.

Q Do you agree that the combined acquisition adjustments previously approved and included in this application netted of amortization have the effect of lowering rate base by $331,000?

A I know it's lower. But that's a question she could answer as to whether that's the net of the numbers.

Q Ms. DeRonne, would you agree with that subject to check?

A (Witness DeRonne) Yes, subject to check.

Q Are you aware that as of the end of 1995 the combined net audited acquisition adjustment for all SSU acquisitions since its incorporation in 1961 is a negative $552,000, including the plants that are not under PSC jurisdiction?

A (Witness Larkin) I believe that there is a number that's somewhat in the ballpark.

Q So you would agree subject to check?

A Yes.

Q Ms. DeRonne, you as well, would you?

A (Witness DeRonne) Yes.

Q On Page 9, Line 17, you refer to your Schedule 17 in which you oppose additional negative acquisition adjustments not approved in prior PSC cases?

A (Witness Larkin) Yes.

Q And then referring to the next page, Page 40, toward the bottom starting at about Line 20, you acknowledge that the various acquisitions were

arms length and not abusive. And as such, you suggest that those with negative acquisition adjustments were ones in which the true value of the assets was less than their book value at the time of acquisition.

Do you believe the same is true with respect to the value of assets acquired at a premium, that is, that those assets reflect a value that exceeded the book value?

A No.

Q Why not?

A Well, they meant -- well, let me change that answer. They could or couldn't. But we think the principle that ought to be applied for utility ratemaking is that if the assets which were sold at a premium were actually reflective of that value, that the ratepayer is entitled to that. That he supported those assets and that his participation as a customer in this monopoly added value; and, therefore, he should not be charged ever greater than the original cost dedicated to public service.

Where the opposite is true with a negative adjustment so that the assets either have deteriorated or have less value and he should receive the benefit of that.

Q So is it your testimony that by virtue --

simply by virtue of having paid less than net book value that is evidence that the assets were undervalued -- or, excuse me, overvalued if purchased at net book value?

A Would you repeat that?

Q I'm sorry. Do you think that the purchase of the assets at below net book value by itself is sufficient evidence that the assets are not properly valued if they were purchased for net book value?

A I think it's, it should be considered prima facie evidence and that that benefit should flow to the ratepayer.

Q Are you aware of any evidence in this case that supports the statement that SSU's facilities or the facilities that it has purchased have been poorly maintained?

A I don't, I'm not aware of any evidence. But my prior experience in this state and with many of these same utilities indicated that there wasn't proper maintenance and that was part of the problem.

Q You refer to "many of these same utilities." What specifically are you referring to by that statement?

A I have testified in years past on Marco Island and many of the others Deltona Utilities that

were purchased subsequently by SSU.

Q So are you saying that the Marco Island facilities were not well-maintained at the time of acquisition?

A I don't know what they were at time of acquisition. I know that there was problems about maintenance throughout the years.

Q Do you believe that SSU is being penalized and its investors underearning on assets acquired above book value?

A No.

Q Why not?

A Well, when one pays above book value for an asset, it means that its earning capacity is or earnings potential is greater than what is reflected on the books, and that you pay a premium to purchase something that is of value to you either now or in the future.

But the ratepayer has already paid his cost. He's already paid for that benefit when he purchased the land. He purchased the right to get utility services at that cost dedicated to when that property was first dedicated to utility service. He shouldn't pay any more than that.

Q So it's your testimony that when a utility

pays above net book value that does not reflect a higher value of the assets?

A It might reflect it. But it's something that the utility or the entity who purchases it is willing to pay above the net book value of that asset. But that's not what the ratepayer should be charged. He should only be charged what that property cost as it was originally dedicated to public service.

Q Could I refer you to --

A I might point something out. The Company's witnesses believe just the opposite: That you ought to get the benefit in the rate base of the premium, that ought to be put in the rate base, and the negative adjustment shouldn't be reflected.

So it's not like we're taking a position that's unusual. Because we're just the opposite of the witnesses you are sponsoring. They say, "Give us the premium, put that in the rate base, but don't reflect the negative."

And we're saying, "You can't effect the premium and we're entitled to the negative."

Q So to your knowledge has SSU requested any positive acquisition adjustments in this case?

A No -- well, other than those already in the rate base.

Q That were already approved in prior Commission orders?

A Yes.

Q Do you know which those are?

A Not off the top of my head. There are about seven of them, six of them.

Q So it's your testimony that the rate base should be the net book value at the time the Utility assets were first dedicated to public service --

A Except --

Q -- except --

A -- in the instance where there is a negative acquisition.

Q All right. Could I refer you to Page 41 of your testimony, please. Near the bottom at about Line 20, you cite a fourth reason for your theory concerning acquisition adjustments. Where you say, "Fourth, the negative acquisition adjustment issue should be reviewed in the context of this rate case."

If the Commission rejects the prior three reasons that you cite, is it your testimony that because the level of increase may be perceived to be large in this case that the Commission should consider modifying its long-standing acquisition adjustment policy?

A Yes.

Q Simply because of the level of rates and for no other reason; is that correct?

A Well, I gave the other reasons. But if you get right down to it, when you get to a point that rates are too high based on a normal ratemaking principle, then you have to go to a value of service and you have to say, "This cost is too high for ratepayers to pay and we have to do something to get that down." And one of the things you can do is reflect negative acquisition adjustments.

Q Mr. Larkin, are you aware of prior Commission cases -- Florida Commission cases. I recognize you testify in a great number of jurisdiction, but any Florida Commission cases where the Commission has made a negative acquisition adjustment just because it perceived rates as being too high?

A I haven't researched that, so I don't know whether they have or they haven't.

Q Are you aware of any Florida Commission cases where the PSC has reduced rates just because the cost of service generally was perceived as high?

A Not based just on the cost of service. But I'm sure that they have considered other factors in

deciding whether particular adjustments should be made or not made.

Q On Page 42 of your testimony -- actually, let me skip over that if I may. Let me ask you the following question: If Topeka -- or Topeka, which is SSU's parent -- had acquired a Florida utility along with other nonutility assets and a premium was paid for the nonutility assets, is the value of the utility to the customers increased by a pro rata share of the premium?

A No.

Q And why would that be, for the same reasons you cited before?

A Yes.

Q Are you familiar with the concept, the economic concept, of the time value of money, I assume?

A Yes.

Q And you consider that to be a valid concept? Money does --

A Yes. Generally so.

Q Are you familiar with a form of corporate bonds called zero coupon bonds?

A Yes.

Q Can you tell me, how does the Deltona Series

A convertible preferred stock as sold to Topeka differ from zero coupon bonds with respect to yield payments?

A Well, they aren't zero coupon bonds, they are preferred stocks that had a coupon rate associated with them that wasn't paid.

Q Well, how does it differ with respect to the yield payments?

A How does it differ?

Q Yes.

A Well, it differs in that you didn't pay it. That in the end, a zero coupon bond, the bond holder agrees to take his interest when he gets the cash from the bond. There is no such agreement related to that preferred stock.

So you can't say, "Well, it is just the same thing as zero coupon bonds." It had a coupon rate, it had a requirement. That wasn't paid and, therefore, we don't think it ought to be added to the cost.

Q Are you aware that in Section 4 of the Deltona Corporation's Certificate of Designation describing the new Series A Issue in 1995 it states, "The holders of shares of Series A should be entitled to receive cumulative quarterly cash dividends"?

A Yes.

Q Would you agree that the amount of approved

dividends on the Deltona Series A preferred stock owned by Topeka for the period of 1985 through 1989 exceeds your proposed negative acquisition adjustment for the Deltona Utility assets required?

A I defer that to Ms. DeRonne.

A (Witness DeRonne) I'm not aware of the exact amount of those.

A (Witness Larkin) We'll take that subject to check. I'll agree with that subject to check.

Q You'll agree with it subject to check? Okay, thank you.

With respect to the Marco Island land issue which you have testified to, is my understanding correct that you support the PSC Staff auditors' position but have no additional arguments on your own? Is that correct?

A That's correct.

Q Okay, thank you. If I could refer you to Page 27 of your testimony, asking you to hop forward.

A Yes.

Q I guess I can direct this question to either one of you. With respect to testimony that begins near the top -- well, at Line 1 and through Line 7. Do either one of you have any experience in Florida negotiating long-term leases?

A No.

Q Do you know under what circumstances -- excuse me, before I get to that question. Ms. DeRonne, do you have any experience?

A (Witness DeRonne) No.

Q Do you know under what circumstances a long-term lease would need to be recorded in the public records?

A (Witness Larkin) Under what circumstances?

Q Yes.

A That it would have to be reflected as --

Q Recorded --

A -- a recorded deed?

Q Yes.

A No, that's a legal question.

Q Don't you think a leaseholder of a long-term lease might be interested in knowing the title ramifications if their leasehold interest could be foreclosed upon?

A They might. But that wasn't a cost that eventually was productive to the ratepayer, it was a sunk cost that you lost on. We don't believe that those ought to be accumulated and added.

Q Well, don't you think if the real property interest in the lease was foreclosed upon that the

ratepayers might have a concern with that?

A Certainly.

MR. FEIL: Okay. Could I have a moment, please? (Pause)

Nothing further at this time.

CHAIRMAN CLARK: Staff?

CROSS EXAMINATION

BY MS. O'SULLIVAN:

Q Staff has questions on three specific areas. First turning to Page 17 of your testimony, Schedules 6 and 7. You propose that the 13-month average be pushed back two months; is that correct?

A (Witness Larkin) Yes.

Q Have you reviewed Ms. Kimball's testimony which addresses your proposed slippage adjustment?

A Yes.

Q Where she states that on a 13-month average the variance between budget and actual plant additions is a positive 2.52%?

A (Witness DeRonne) That was if the Lehigh addition was excluded from the analysis?

Q Yes.

A Yes, we're aware of that.

Q All right. When calculating the variance between budget and actual, wouldn't it be appropriate

to look only at the actual '95 editions as opposed to a 13-month average?

A (Witness Larkin) To what, calculate the percentage change?

Q No, in other words, to -- yeah, to calculate the variance between the budget and actual.

A Well, you could look at '95. But what you want to do is, where you can, to look at the numbers that are actually going to go into your 13-month average.

We wouldn't object to updating through the most recent quarter available, say through March; but as we understand it, that that also shows the same slippage.

What we used the months for, that was to calculate what we perceived to be as their ongoing slippage, and that ought to be reflected in the 13-month average. So in order to do that, we just shifted back two months.

Q 1995 is not the actual test year; is that correct?

A Yes.

Q So would you need to do that for 96 as well, make the same adjustment for actuals?

A Well, to the extent -- I think that's what

we just said, we'd update. You could use actuals through the most recent quarter available; and then calculate the variance between actual and budget for 1996, get that average percentage, and then apply that to the budgeted for the remainder of years.

For instance, if you had December, January, February and March, you'd have four months of actual. If that showed a slippage or under construction budgeted compared to actuals of, say, 6%, then you could apply that 6% for each subsequent budgeted month, reduce that budget and add that into the first four months of actuals, and then get a 13-month average.

Our approach was just to shift it two months. Since they were two months behind, we just decided our 13-month average would go from October through October, which, in effect, reflects a two months slippage.

Q If you were only comparing the actual '95 to budget '95, could you do this -- would it be easier to do this on a year-end basis instead of on an average?

A No, probably not. Because you're trying to reflect what the average is throughout the year; and if you use the year end, you're going to get a year end number. And if you use a 13-month average you're

going to get a 13-month average number.

Q Thank you.

Turning to generally Pages 32 through 35 of your testimony and Schedule 14, where you discuss the Utility's proposed adjustment to reverse depreciation taken on nonused and useful facilities at Deltona and Marco Island. You stated in several instances that the proposed adjustment is retroactive because the Utility is seeking recovery for past adjustments not made; is that correct?

A Yes.

Q Would it matter that the assets that they are seeking the adjustment on were nonused and useful and never had been included in rate base?

A No.

Q You would still find that to be retroactive?

A Yeah. Because there was a rate case -- an intervening rate case where that could have been considered and corrected; they didn't bring it up. We don't think that you can retroactively go back and correct that now.

Q All right, thank you. Finally turning to your testimony on Pages 35 to 36 where you address the Utility's proposed adjustment to accumulated depreciation because of a change in depreciation

rates, is it correct that the Utility is making this adjustment to its work paper balances only and not to its books?

A (Witness DeRonne) I believe so.

Q Would you be concerned about the reliability of accumulated depreciation in the current MFRs if the prior MFRs were incorrect and the current books have not been adjusted in accordance with the prior Commission orders?

A (Witness Larkin) Yes.

MS. O'SULLIVAN: Staff has nothing further, thank you very much.

CHAIRMAN CLARK: Commissioners? Redirect?

MR. BECK: No redirect.

CHAIRMAN CLARK: Thank you very much. Exhibits?

MR. BECK: We move Exhibit 174.

CHAIRMAN CLARK: Exhibit 174 will be entered in the record without objection.

CHAIRMAN CLARK: Thank you very much, Mr. Larkin and Ms. DeRonne.

WITNESS LARKIN: Thank you.

WITNESS DeRONNE: Thank you.

(Exhibit No. 174 received in evidence.)

(Witnesses Larkin and DeRonne excused.)

- - - - -

CHAIRMAN CLARK: Ms. Dismukes, are you ready?

WITNESS MS. DISMUKES: Yes, thank you.

CHAIRMAN CLARK: Mr. McLean.

- - - - -

KIMBERLY H. DISMUKES

was called as a witness on behalf of the Citizens of the State of Florida and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. McLEAN:

Q Would you is state your name, please, ma'am.

A Kimberly H. Dismukes.

Q By whom and in what capacity are you employed?

A I'm a self-employed consultant. In this particular proceeding, I have been hired by the Office of Public Counsel to testify in this case.

Q Did you prepare and cause to be filed direct testimony consisting of questions and answers?

A Yes.

Q Do you have corrections, additions or deletions to that testimony, Ms. Dismukes?

A I have one correction to my direct

testimony. During my deposition, the Staff brought out the fact that the information that I used to calculate the billing units for 1996 on Schedule 16 included the billing units associated with the nonFPSC jurisdictional customers. I have revised that calculation and the adjustment changes from $1,937,947 to $1,189,444.

CHAIRMAN CLARK: Do you have a page number?

WITNESS MS. DISMUKES: Yes. At Schedule 16? If you look at the last column, the 1996 column, there's a boxed number there, $1,937,000. That number would change to $1,189,444.

That number, I would also like to point out that number is reflected on Page 50, Lines 20 and 21 of my testimony as well.

Q (By Mr. McLean) Ms. Dismukes, in a general sense, is that adjustment favorable or unfavorable to the applicant?

A It's favorable to the applicant.

Q With respect to the rest of your testimony in the form of questions and answers, were I to ask you the same questions today, would your answers be the same?

A Yes, they would.

MR. McLEAN: Madam Chairman, we move the

testimony of Ms. Dismukes into the record as though read.

CHAIRMAN CLARK: Just so I'm clear, I have some testimony that's dated February 12 that looks like --

MR. McLEAN: Yes, ma'am, that's the testimony to which we refer at this time.

As a point of clarification, Ms. Dismukes has filed three separate testimonies, if you will. The first is entitled, "Direct Testimony of Kim Dismukes filed February 12, 1996." I will discuss with Ms. Dismukes two subsequent filings.

CHAIRMAN CLARK: All right. So the prefiled direct testimony of Kimberly Dismukes dated February 12, 1996, consisting of how many pages, 88?

MR. McLEAN: No, ma'am, quite a few more than that.

CHAIRMAN CLARK: 91.

COMMISSIONER KIESLING: I also have a problem. I have two copies of that, one which of has "Redacted" written on that. I don't know what that means.

MR. McLEAN: There was a portion of the testimony regarded as confidential by the Company with respect to the original filing. Now, I believe that

that matter was settled and that the current copy of the testimony no longer has that redacted, although the witness is more familiar than I am with that.

COMMISSIONER KIESLING: I am just tryig to understand. I have two sets of direct. One was actually filed here on February 12, the other was filed on February 21. Which is the version I'm supposed to use?

CHAIRMAN CLARK: The 12th. That's what we're doing now.

MR. McLEAN: I believe it's the 12th. Now, Ms. Kiesling, I'm a little confused. Are those both 91 pages or thereabouts?

COMMISSIONER KIESLING: Yes. They're identical.

MR. JAEGER: Commissioner Kiesling, this is the Staff. Basically when they filed it there was still a pending order on appeal for a part of it to be considered confidential. When that order became final and they didn't appeal it or request reconsideration, then the part that was redacted was no longer confidential.

So now the unredacted -- there's nothing confidential about it. And what they have done is they just put the unredacted in as their original

filing and there is nothing -- it is no longer confidential.

CHAIRMAN CLARK: Well, Mr. McLean, I need to know what testimony I need to put in the record.

MR. McLEAN: Madam Chairman, may I be permitted to ask the witness about this?

CHAIRMAN CLARK: Why don't we do this. Why don't we take five minutes and you go over there and sort this out with her?

MR. McLEAN: That would be fine, thank you very much.

(Brief recess.)

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(Transcript continues in sequence in Volume 25.)

171

Recommended Standards for Wastewater Facilities

1990 Edition

ILLINOIS
INDIANA
IOWA
MICHIGAN
MINNESOTA
MISSOURI
NEW YORK
OHIO
ONTARIO
PENNSYLVANIA
WISCONSIN

Great Lakes-Upper Mississippi River Board of State Public Health and Environmental Managers

33.93 Water (Hydrostatic) Test

The leakage exfiltration or infiltration shall not exceed 200 gallons per inch of pipe diameter per mile per day (0.019 m^3/mm of pipe dia./km/day) for any section of the system. An exfiltration or infiltration test shall be performed with a minimum positive head of 2 feet (610 mm).

33.94 Air test

The air test shall, as a minimum, conform to the test procedure described in ASTM C-828-86 for clay pipe, ASTM C 924 for concrete pipe, and for other materials test procedures approved by the regulatory agency.

34. MANHOLES

34.1 Location

Manholes shall be installed: at the end of each line; at all changes in grade, size, or alignment; at all intersections; and at distances not greater than 400 feet (122 m) for sewers 15 inches (381 mm) or less, and 500 feet (152 m) for sewers 18 inches (457 mm) to 30 inches (762 mm), except that distances up to 600 feet (183 m) may be approved in cases where adequate modern cleaning equipment for such spacing is provided. Greater spacing may be permitted in larger sewers. Cleanouts may be used only for special conditions and shall not be substituted for manholes nor installed at the end of laterals greater than 150 feet (46 m) in length.

34.2 Drop Type

A drop pipe shall be provided for a sewer entering a manhole at an elevation of 24 inches (610 mm) or more above the manhole invert. Where the difference in elevation between the incoming sewer and the manhole invert is less than 24 inches (610 mm), the invert shall be filleted to prevent solids deposition.

Drop manholes should be constructed with an outside drop connection. Inside drop connections (when necessary) shall be secured to the interior wall of the manhole and provide access for cleaning.

Due to the unequal earth pressures that would result from the backfilling operation in the vicinity of the manhole, the entire outside drop connection shall be encased in concrete.

34.3 Diameter

The minimum diameter of manholes shall be 48 inches (1.22 m); larger diameters are preferable for large diameter sewers. A minimum access diameter of 22 inches (559 mm) shall be provided.

34.4 Flow Channel

The flow channel straight through a manhole should be made to conform as closely as possible in shape, and slope to that of the connecting sewers. The channel walls should be formed or shaped to the full height of the crown of the outlet sewer in such a manner to not obstruct maintenance, inspection or flow in the sewers.

172

DOCKET 950495-WS
EXHIBIT NO. 172
CASE NO. 96-04227

EXHIBIT NO. _____

WITNESS: BIDDY

DOCKET NO. 950495-WS

APPLICATION FOR RATE INCREASE BY

SOUTHERN STATES UTILITIES, INC.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DESCRIPTION:

WPCF MANUAL OF PRACTICE NO. 9 (MOP 9)

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950495 EXHIBIT NO. 172
COMPANY/
WITNESS:
DATE: 4/25/96

WPCF Manual of Practice No. 9

(ASCE Manuals and Reports on Engineering Practice No. 37)

Design and Construction of Sanitary and Storm Sewers

Prepared by
A Joint Committee of the
Water Pollution Control Federation
and the American Society of Civil Engineers

1970
(Third Printing 1970)

Water Pollution Control Federation
2626 Pennsylvania Ave. N.W., Washington, D.C. 20037

foundation drainage. Financial benefits include the differential value of reduced sewer sizes and the present worth of all future excess pumping station and treatment plant capacities and operating costs. There is a point of balance for each sewer system beyond which the cost of further reduction of extraneous flow will not be offset by equal savings. The designing engineer should locate this point as nearly as possible and design accordingly.

A more detailed discussion of extraneous flows and their control follows:

(*a*) Leakage into Manholes; Roof and Areaway Drainage; Surface Runoff into Basements and Crawl Spaces. The runoff from impervious areas represented by roofs and pavement, ordinarily very large in proportion to sanitary flows, should be kept out of sanitary sewers by enforced regulation. Tests (11) made on manhole covers submerged in only 1 in. (2.54 cm) of water indicate that the leakage rate per manhole may be from 20 to 75 gpm (76 to 265 l/min), depending on the number and size of holes in the cover. Although such leakage may contribute quantities of stormwater several times in excess of the average sanitary flow, it can be minimized by using solid covers with half-depth pick holes. A few illicit roof drain connections also can overcharge smaller sewers. Rainfall of 1 in./hr on 1,200 sq ft of roof area, for example, would contribute water at about the rate of 12 gpm (rainfall of 1 cm/hr on 100 sq m equals 16.7 l/min). Direct entry of surface runoff into basements or drained crawl spaces through window wells, areaways, basement garages, or directly through foundation walls can result in flows of extreme magnitude. Regulations should be adopted and enforced to prevent or at least severely limit conditions of this sort. Since compliance with the regulations may increase the cost of yard grading and building construction, determined and continuing resistance should be anticipated. The designer, therefore, must evaluate the situation and make allowances for such amounts of manhole leakage, roof water, and surface runoff as in his judgment will be unavoidable under the probable enforcement conditions for the specific area under design.

(*b*) Foundation Drainage. Foundation drainage should be barred from sanitary sewer systems by adequate regulations, and, like roof and yard drainage, should be diverted to a storm sewer system. Again, complete enforcement of regulations will seldom occur and allowances must be made for illegal connections. Expected quantities of flow from foundation drain connections may vary from insignificant to prohibitive amounts; they must be evaluated for each system. In the Kansas City, Mo., area an average allowance of 1.25 gpm (4.75 l/min) per house is made for foundation drainage.

(*c*) Infiltration. Sanitary sewers must be designed to carry unavoidable amounts of groundwater infiltration or seepage in addition to the peak sanitary flows and unexcludable quantities of stormwater.

Groundwater gains entrance to sewers through pipe joints, broken pipe, cracks or openings in manholes, and similar faults. Defective Y-branches

are known to have contributed appreciable percentages of total infiltration.

Prior to the introduction of compression-type joints, the bulk of infiltration, except in sewers containing excessive amounts of broken pipe, entered at faulty joints. Many sanitary sewers have been built with either cement-mortar, or hot-poured or cold-installed bituminous joints. None of these jointing materials is entirely satisfactory because of the initial difficulty in making a tight joint and its deterioration with time. Fortunately modern jointing practice and the use of compression-type joints make it possible to reduce leakage from this source drastically. Most leakage into new systems now can be traced to defects in foundations or pipe strengths, or to faulty construction. A detailed discussion of joints and jointing materials is found in Chapter 8.

Poorly laid house connections may be extremely important sources of excessive infiltration since these lines often have a total length greater than the collecting sewers. House connections have been found to contribute as much as 90 percent of the total infiltration into a system. Because inspection and workmanship sometimes are found wanting when it comes to house connections on private property, some cities require pressure tests to be conducted. Moreover, there is a need for suitable public control of these connections in every community, including specifications and an insistence on proper construction practices.

Existing sewerage systems frequently are very leaky. Infiltration rates as high as 60,000 gpd/mile (140 cu m/day/km) of sewer have been recorded for systems below groundwater, with rates up to and exceeding 1 mgd/mile (2,450 cu m/day/km) for short stretches.

Infiltration and exfiltration tests and allowances for new installations are discussed in Chapter 6.

As with all other sources of unwanted water, infiltration must be kept to a minimum if the cost of pumping and treating sewage is to be minimized (12).

Excessive amounts of infiltration also can result in increased pipe sizes or the supplementing of existing sewers.

In the design of extensions to existing systems, past practices and trends in infiltration allowances should be considered. A study (13) reported in 1955 shows that by far the majority of stipulated allowances fell within the ranges shown in Table VII.

In Table VIII are additional data from a study concluded in 1965 (14).

TABLE VII.—Infiltration Specification Allowances

Pipe Diam (In.)	Infiltration Permitted	
	(gpd/mile)	(gpd/in. diam/mile)
8	3,500 to 5,000	450 to 625
12	4,500 to 6,000	375 to 500
24	10,000 to 12,000	420 to 500

Note: In. × 2.54 = cm; gpd/in. diam/mile × 0.000925 = cu m/day/cm diam/km.

TABLE VIII.—Variation of Infiltration Allowances among Cities

Number of Cities Reporting	Allowance (gpd/in. diam/mile)
4	1,500
4	1,000
1	800
2	700
1	600
63	500
11	450 to 300
16	250 to 150
21	100
5	50

Note: Gpd/in. diam/mile $\times$ 0.000925 = cu m/day/cm diam/km.

Comparing the data of Tables VII and VIII, it appears that specified infiltration allowances have not been reduced significantly in the 10-yr interval between the reports. With non-compression type joints it is possible to meet the average specification allowance of 500 gpd/in. diam/mile (0.465 cu m/day/cm diam/km) in workmanship, but this low infiltration rate is not likely to be maintained where the system is in groundwater. The reasons are discussed in the section on joints in Chapter 8.

The selection of a capacity allowance to provide for infiltration should be based on the physical characteristics of the tributary area, the type of pipe and joint to be used, and the type and condition of the joints and pipes in the existing contributory sewers. For small to medium-sized sewers (24 in. and smaller; 61 cm) it is common to allow 30,000 gpd/mile (71 cu m/day/km) for the total length of main sewers, laterals, and house connections, without regard to sewer size. Others make an allowance of from 10,000 to 40,000 gpd/mile (24 to 95 cu m/day/km), depending on sewer size and job conditions. This design infiltration allowance is added to the peak rate of flow of wastewater and other components to determine the actual design peak rate of flow for the sewer.

Seepage allowances are for average conditions where a portion of the length of the sewers is above the groundwater table and a portion below. If a substantial portion is to be permanently below groundwater, a larger allowance for infiltration should be made or special watertight joints specified.

A survey of municipal infiltration allowances (14) is summarized in Table IX.

Design allowances for infiltration normally are greater than infiltration-exfiltration test allowances. The infiltration-exfiltration tests are performed when the sewer is new. The design allowance is based normally on the anticipated condition of the sewer when it is nearing the end of its useful life.

Appendix I

DOCKET 950495-WS
EXHIBIT NO. 173
CASE NO. 96-0422-7

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

Education

Brescia College — **Owensboro, Ky.**
B. S. - Accounting, May 1959

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 — **Amelia Island, FL**
Provide tax planning and compliance services. Assist attorneys in litigation support matters.

Riney, Hancock and Company — **Owensboro, Ky.**
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.

Coopers and Lybrand — **Owensboro, Ky.**
Managed a small office for Coopers and Lybrand with responsibility for tax and audit engagements.

J. Donald Riney

Experience

Litigation Support Services **Owensboro, Ky.**
Testified in public utility rate cases and assisted attorneys in client litigation matters in developing strategy, exhibits and testifying in business valuation, loss of profits and other corporate and personal issues.

Green River Electric Corp. **Owensboro, Ky.**
Responsible for the accounting, reporting, financing and regulatory compliance functions. Directed the efforts of the accounting and finance departments. Upgraded the computerized utility billing and accounting systems Developed testimony and testified before regulatory authorities.

ORIGINAL
FILE COPY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

EXHIBIT __(HL-1)

ACCOMPANYING THE DIRECT TESTIMONY

OF

HUGH LARKIN, JR. AND

DONNA DERONNE

On Behalf of the Citizens of The State of Florida

ACK ✓
AFA 3
APP ___
CAF ___
CMU ___
CTR ___
EAG ___
LEG 1
LIN 4 5
OPC ___
RCH ___
SEC 1
WAS ___
OTH ___

Jack Shreve
Public Counsel

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

(904) 488-9330

Attorney for the Citizens
of the State of Florida

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950495-WS EXHIBIT NO 174
COMPANY/ WITNESS: OPC / LARKIN / DERONNE
DATE: 4/29/96

DOCUMENT NO. 01430-96
2-12-96

SOUTHERN STATES UTILITIES
OPC Exhibit__(HL-1)

Contents

SOUTHERN STATES UTILITIES
OPC Exhibit__(HL-1)

Contents - Continued

* Pages 6 through 146 of Schedules 2, 3 and 4 are being provided to the Company on diskette due to the voluminous nature of the schedules. Pages 1 through 5 provide the summarization of the calculations presented on pages 6 through 146.

SOUTHERN STATES UTILITIES
Summary of Adjustments
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 1
Page 1 of 2

Line No.	Description	Schedule Reference	Rate Base	Operating Income	Federal Income Taxes	Revenue Requirement
1	*Revenue Requirement , per SSU*					18,137,502
	Less: Adjustments to Revenue Requirement					
2	Non-Used & Useful Plant in Service	2	(51,552,603)			(8,287,314)
3	Non-Used & Useful Accumulated Deprec.	3	13,184,287			2,119,434
4	Non-Used & Useful Depreciation Expense	4		1,939,328		(2,030,710)
	Decrease PIS for Project Slippage:					
5	- Water	6	(1,973,372)			(317,228)
6	- Sewer	7	(372,937)			(59,951)
	Decrease in Accumulated Depreciation To Account for Project Slippage:					
7	- Water	8	73,212			11,769
8	- Sewer	9	14,955			2,404
	Decrease in Depreciation Expense To Account for Project Slippage:					
9	- Water	8		73,212		(76,662)
10	- Sewer	9		14,955		(15,660)
11	*Adjust Non-U&U Offsets to CIAC*	10	(2,315,994)			(372,307)
12	Marco Island - Collier Purchase Adjustment	11	(5,833,617)			(937,780)
	Marco Island Water Supply Costs:					
13	- Remove Deferral	12	(1,319,227)			(212,072)
14	- Reduction to Amortization Expense	12		293,162		(306,976)
15	Transfer Land Back to PHFFU	13	(253,885)			(40,813)
16	Remove Adj. to Accum. Deprec. for Non-Used & Useful Mains	14	(592,634)			(95,269)
17	Remove Retroactive Adj. to Accum. Deprec.	15	(527,690)			(84,829)
18						
19	CIAC Amortization - Overstatement	Testimony	(10,451)			(1,680)
	Negative Acquisition Adjustment:					
20	- Negative Acquisition Adjustment	17	(13,060,124)			(2,099,474)
21	- Accumulated Amort. - Acquisition	18	2,240,626			360,191
22	- Amortization Expense - Acquisition	18		327,051		(342,462)
	Removal of Projected 1996 Pay Increases:					
23	- Water	19		593,755		(621,733)
24	- Sewer	20		433,297		(453,714)
25	Reduction to Payroll Tax Expense	21		82,164		(86,036)
26	Corporate Insurance Expense	22		96,458		(101,003)
27	Property Tax Expense - Non-U&U	23		731,678		(766,155)
28	Discounts of Propert Taxes	25		108,331		(113,436)
29	Income Tax - Parent Debt Adjustment	26			18,027	(30,731)
	Adjustment of Other Witness:					
30	Revenue Requirement Impact of Recommendations					
31	of Citizens' Witness Kim Dismukes					(9,938,848)
32	Reduce cost of equity to 10.10% and adjust capital structure which reduces the overall rate of return from 10.32%, Company Schedule D-1, to 9.43%.					(2,397,518)
33	Totals of Citizens' Adjustments		(62,299,454)	4,693,391	18,027	(27,296,563)
34	Adjusted Revenue Requirement (Sufficiency)					(9,159,061)

Revenue Requirement is calculated as follows:

a. Rate base is multiplied by 9.43%, which is the OPC recommended rate of return, before penalties, the result is then multiplied by 1.704714, which is the revenue multiplier.
b. Operating income is multiplied by 38.575% (combined Federal and State Income Tax rate) and 1 minus the result is multiplied by 1.704714.
c. Federal Income Tax is multiplied by 1.704714.
d. The change in the overall rate of return multiplied by SSU's requested rate base of $158,023,064, multiplied by 1.704714 yields the return associated with all changes to the capital structure.

SOUTHERN STATES UTILITIES
Cost of Capital
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 1
Page 2 of 2

Line No.	Description	Citizens' Adjusted Amount	Ratio	Cost Rate	Weighted Cost
1	Long Term Debt	118,535,363	59.88%	9.06%	5.43%
2	Customer Deposits	1,753,184	0.89%	6.00%	0.05%
3	Deferred ITC	1,335,813	0.67%	9.68%	0.06%
4	Equity	78,021,786	39.41%	10.10%	3.98%
5	Adjustment for Gas	(1,684,924)	-0.85%	10.10%	-0.09%
6	Total	197,961,222	100.00%		9.43%
7	OPC Recommended Rate of Return				9.43%

Source:

The above presentation is based on the Citizens' Adjusted Capital Structure as presented by OPC Witness Kim Dismukes in Exhibit No.___(KHD-1), Schedule 9 and the return on equity sponsored by Citizens' Witness Jim Rothschild of 10.10%.
The remaining cost rates consists of the amounts requested by the Company.

SOUTHERN STATES UTILITIES
Summary of Adjustments -
With 100 Basis Point Return on Equity Penalty
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 1 - A

Line No.	Description	Schedule Reference	Rate Base	Operating Income	Federal Income Taxes	Revenue Requirement
1	Revenue Requirement , per SSU					18,137,502
	Less: Adjustments to Revenue Requirement					
2	Non-Used & Useful Plant in Service	2	(51,552,603)			(7,953,361)
3	Non-Used & Useful Accumulated Deprec.	3	13,184,287			2,034,027
4	Non-Used & Useful Depreciation Expense	4		1,939,328		(2,030,710)
	Decrease PIS for Project Slippage:					
5	- Water	6	(1,973,372)			(304,445)
6	- Sewer	7	(372,937)			(57,535)
	Decrease in Accumulated Depreciation To Account for Project Slippage:					
7	- Water	8	73,212			11,295
8	- Sewer	9	14,955			2,307
	Decrease in Depreciation Expense To Account for Project Slippage:					
9	- Water	8		73,212		(76,662)
10	- Sewer	9		14,955		(15,660)
11	Adjust Non-U&U Offsets to CIAC	10	(2,315,994)			(357,304)
12	Marco Island - Collier Purchase Adjustment	11	(5,833,617)			(899,991)
	Marco Island Water Supply Costs:					
13	- Remove Deferral	12	(1,319,227)			(203,526)
14	- Reduction to Amortization Expense	12		293,162		(306,976)
15	Transfer Land Back to PHFFU	13	(253,885)			(39,169)
16	Remove Adj. to Accum. Deprec. for Non-Used & Useful Mains	14	(592,634)			(91,430)
17	Remove Retroactive Adj. to Accum. Deprec.	15	(527,690)			(81,410)
18						
19	CIAC Amortization - Overstatement	Testimony	(10,451)			(1,612)
	Negative Acquisition Adjustment:					
20	- Negative Acquisition Adjustment	17	(13,060,124)			(2,014,872)
21	- Accumulated Amort. - Acquisition	18	2,240,626			345,676
22	- Amortization Expense - Acquisition	18		327,051		(342,462)
	Removal of Projected 1996 Pay Increases:					
23	- Water	19		593,755		(621,733)
24	- Sewer	20		433,297		(453,714)
25	Reduction to Payroll Tax Expense	21		82,164		(86,036)
26	Corporate Insurance Expense	22		96,458		(101,003)
27	Property Tax Expense - Non-U&U	23		731,678		(766,155)
28	Discounts of Propert Taxes	25		108,331		(113,436)
29	Income Tax - Parent Debt Adjustment	26			18,027	(30,731)
	Adjustment of Other Witness:					
30	Revenue Requirement Impact of Recommendations					
31	of Citizens' Witness Kim Dismukes					(9,911,867)
32	Reduce cost of equity to 9.10% and adjust capital structure which reduces the overall rate of return from 10.32%, Company Schedule D-1, to 9.05%.					(3,421,179)
33	Totals of Citizens' Adjustments		(62,299,454)	4,693,391	18,027	(27,889,674)
34	Adjusted Revenue Requirement (Sufficiency)					(9,752,172)

Revenue Requirement is calculated as follows:

a. Rate base is multiplied by 9.05%, which is the OPC recommended rate of return, with 100 basis point ROE penalty, the result is then multiplied by 1.704714, which is the revenue multiplier.
b. Operating income is multiplied by 38.575% (combined Federal and State Income Tax rate) and 1 minus the result is multiplied by 1.704714.
c. Federal Income Tax is multiplied by 1.704714.
d. The change in the overall rate of return, with 100 basis point ROE penalty, multiplied by SSU's requested rate base of $158,023,064, multiplied by 1.704714 yields the return associated with changes to the capital structure.

SOUTHERN STATES UTILITIES
Cost of Capital -
Includes 100 Basis Point Return on Equity Penalty
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 1 - A
Page 2 of 2

Line No.	Description	Citizens' Adjusted Amount	Ratio	Cost Rate	Weighted Cost
1	Long Term Debt	118,535,363	59.88%	9.06%	5.43%
2	Customer Deposits	1,753,184	0.89%	6.00%	0.05%
3	Deferred ITC	1,335,813	0.67%	9.68%	0.06%
4	Equity	78,021,786	39.41%	9.10%	3.59%
5	Adjustment for Gas	(1,684,924)	-0.85%	9.10%	-0.08%
6	Total	197,961,222	100.00%		9.05%
7	OPC Recommended Rate of Return with 100 Basis Point ROE Penalty				9.05%

Source:

The above presentation is based on the Citizens' Adjusted Capital Structure as presented by OPC Witness Kim Dismukes in Exhibit No.___(KHD-1), Schedule 9 and the return on equity sponsored by Citizens' Witness Jim Rothschild of 10.10% with a 100 basis point penalty applied. The remaining cost rates consists of the amounts requested by the Company.

SOUTHERN STATES UTILITIES
Summary of Adjustments -
With 200 Basis Point Return on Equity Penalty
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 1 - B
Page 1 of 2

Line No.	Description	Schedule Reference	Rate Base	Operating Income	Federal Income Taxes	Revenue Requirement
1	Revenue Requirement , per SSU					18,137,502
	Less: Adjustments to Revenue Requirement					
2	Non-Used & Useful Plant in Service	2	(51,552,603)			(7,610,620)
3	Non-Used & Useful Accumulated Deprec.	3	13,184,287			1,946,373
4	Non-Used & Useful Depreciation Expense	4		1,939,328		(2,030,710)
	Decrease PIS for Project Slippage:					
5	- Water	6	(1,973,372)			(291,325)
6	- Sewer	7	(372,937)			(55,056)
	Decrease in Accumulated Depreciation To Account for Project Slippage:					
7	- Water	8	73,212			10,808
8	- Sewer	9	14,955			2,208
	Decrease in Depreciation Expense To Account for Project Slippage:					
9	- Water	8		73,212		(76,662)
10	- Sewer	9		14,955		(15,660)
11	Adjust Non-U&U Offsets to CIAC	10	(2,315,994)			(341,906)
12	Marco Island - Collier Purchase Adjustment	11	(5,833,617)			(861,207)
	Marco Island Water Supply Costs:					
13	- Remove Deferral	12	(1,319,227)			(194,755)
14	- Reduction to Amortization Expense	12		293,162		(306,976)
15	Transfer Land Back to PHFFU	13	(253,885)			(37,481)
16	Remove Adj. to Accum. Deprec. for Non-Used & Useful Mains	14	(592,634)			(87,490)
17	Remove Retroactive Adj. to Accum. Deprec.	15	(527,690)			(77,902)
18						
19	CIAC Amortization - Overstatement	Testimony	(10,451)			(1,543)
	Negative Acquisition Adjustment:					
20	- Negative Acquisition Adjustment	17	(13,060,124)			(1,928,043)
21	- Accumulated Amort. - Acquisition	18	2,240,626			330,780
22	- Amortization Expense - Acquisition	18		327,051		(342,462)
	Removal of Projected 1996 Pay Increases:					
23	- Water	19		593,755		(621,733)
24	- Sewer	20		433,297		(453,714)
25	Reduction to Payroll Tax Expense	21		82,164		(86,036)
26	Corporate Insurance Expense	22		96,458		(101,003)
27	Property Tax Expense - Non-U&U	23		731,678		(766,155)
28	Discounts of Propert Taxes	25		108,331		(113,436)
29	Income Tax - Parent Debt Adjustment	26			18,027	(30,731)
	Adjustment of Other Witness:					
30	Revenue Requirement Impact of Recommendations					
31	of Citizens' Witness Kim Dismukes					(9,884,179)
32	Reduce cost of equity to 8.10% and adjust capital structure which reduces the overall rate of return from 10.32%, Company Schedule D-1, to 8.66%.					(4,471,777)
33	Totals of Citizens' Adjustments		(62,299,454)	4,693,391	18,027	(28,498,393)
34	Adjusted Revenue Requirement (Sufficiency)					(10,360,891)

Revenue Requirement is calculated as follows:

a. Rate base is multiplied by 8.66%, which is the OPC recommended rate of return, with 200 basis point ROE penalty, the result is then multiplied by 1.704714, which is the revenue multiplier.
b. Operating income is multiplied by 38.575% (combined Federal and State Income Tax rate) and 1 minus the result is multiplied by 1.704714.
c. Federal Income Tax is multiplied by 1.704714.
d. The change in the overall rate of return, with 200 basis point ROE penalty, multiplied by SSU's requested rate base of $158,023,064, multiplied by 1.704714 yields the return associated with changes to the capital structure.

SOUTHERN STATES UTILITIES
Cost of Capital -
Includes 200 Basis Point Return on Equity Penalty
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 1 - B
Page 2 of 2

Line No.	Description	Citizens' Adjusted Amount	Ratio	Cost Rate	Weighted Cost
1	Long Term Debt	118,535,363	59.88%	9.06%	5.43%
2	Customer Deposits	1,753,184	0.89%	6.00%	0.05%
3	Deferred ITC	1,335,813	0.67%	9.68%	0.06%
4	Equity	78,021,786	39.41%	8.10%	3.19%
5	Adjustment for Gas	(1,684,924)	-0.85%	8.10%	-0.07%
6	Total	197,961,222	100.00%		8.66%
7	OPC Recommended Rate of Return with 200 Basis Point ROE Penalty				8.66%

Source:

The above presentation is based on the Citizens' Adjusted Capital Structure as presented by OPC Witness Kim Dismukes in Exhibit No.___(KHD-1), Schedule 9 and the return on equity sponsored by Citizens' Witness Jim Rothschild of 10.10% with a 200 basis point penalty applied. The remaining cost rates consist of the amounts requested by the Company.

SOUTHERN STATES UTILITIES
Non-Used & Useful Plant in Service
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 2

Line No.	Plant Name	Non-U&U PIS Per OPC	Non-U&U PIS Per SSU	Adjustment	Schedule 2 Page Reference:
	WATER:				
1	Amelia Island	1,035,059		1,035,059	6
2	Apache Shores	40,905	29,706	11,199	7
3	Apple Valley	329,598		329,598	8
4	Bay Lake Estates	5,422	5,093	329	9
5	Beacon Hills	486,077		486,077	10
6	Beecher's Point	4,407		4,407	11
7	Burnt Store	4,207,301	2,069,969	2,137,332	12
8	Carlton Village	70,939		70,939	13
9	Chuluota	373,676	17,190	356,486	14
10	Citrus Park	83		83	15
11	Citrus Springs	3,888,732	2,519,658	1,369,074	16
12	Crystal River Highl.	86,791	48,635	38,156	17
13	Daetwyler Shores	4,347		4,347	18
14	Deltona	5,543,193	860,012	4,683,181	19
15	Dol Ray Manor	62,016	11,685	50,331	20
16	Druid Hills	71,084		71,084	21
17	East Lk. Harris Est.	47,157		47,157	22
18	Fern Park	24,225		24,225	23
19	Fern Terrace	1		1	24
20	Fisherman's Haven	803		803	25
21	Fountains	98,023	17,056	80,967	26
22	Fox Run	297,198	215,335	81,863	27
23	Friendly Center	1,145		1,145	28
24	Golden Terrace	10,395		10,395	29
25	Gospel Island Est.	5,027	5,027		30
26	Grand Terrace				31
27	Harmony Homes	655		655	32
28	Hermits Cove	92,410	37,036	55,374	33
29	Hobby Hills	12,511	7,471	5,040	34
30	Holiday Haven	8,180	7,685	495	35
31	Holiday Heights	208		208	36
32	Subtotal, Page 1	16,807,568	5,851,558	10,956,010	

Line No.	Plant Name	Non-U&U PIS Per OPC	Non-U&U PIS Per SSU	Adjustment	Schedule 2 Page Reference:
	WATER - CONT.				
1	Imperial Mobile Terrace	32,967		32,967	37
2	Intercession City	49,767	48,766	1,001	38
3	Interlachen/ Park Manor	72,857	40,117	32,740	39
4	Jungle Den	1,963		1,963	40
5	Keystone Heights	422,255	278,873	143,382	41
6	Kingswood	252		252	42
7	Lake Ajay Estates	77,518		77,518	43
8	Lake Brantley	1,350		1,350	44
9	Lake Conway Park	1,000	534	466	45
10	Lake Harriet Estates	3,151		3,151	46
11	Lakeview Villas	1,234		1,234	47
12	Leilani Heights	3,588		3,588	48
13	Leisure Lakes	87,648	15,027	72,621	49
14	Marco Shores	554,609		554,609	50
15	Marion Oaks	5,327,551	2,107,359	3,220,192	51
16	Meredith Manor	172,873	66,870	106,003	52
17	Morningview	996		996	53
18	Oak Forest	12,737	21,691	(8,954)	54
19	Oakwood				55
20	Palisades	1,646	1,506	140	56
21	Palm Port	31,888	382	31,506	57
22	Palm Terrace	2,933		2,933	58
23	Palms Mobile Home	2,054	1,978	76	59
24	Picciola Island	14,883		14,883	60
25	Pine Ridge	2,741,389		2,741,389	61
26	Pine Ridge Estates	120,119	17,029	103,090	62
27	Piney Woods	51,265	11,594	39,671	63
28	Point O' Woods	122,746	6,012	116,734	64
29	Pomona Park	29,877	29,603	274	65
30	Postmaster Village	135,252	95,093	40,159	66
31	Quail Ridge	2,027	1,938	89	67
32	River Grove	29,724	14,108	15,616	68
33	River Park	103,315	58,763	44,552	69
34	Rosemont / Rolling Gr.	5,663	4,812	851	70
35	Salt Springs	22,673		22,673	71
36	Subtotal, Page 2	10,241,770	2,822,055	7,419,715	

Line No.	Plant Name	Non-U&U PIS Per OPC	Non-U&U PIS Per SSU	Adjustment	Schedule 2 Page Reference:
	WATER - CONT.				
1	Samira Village	1,161		1,161	72
2	Silver Lakes Est. / West.	247,333		247,333	73
3	Silver Lake Oaks	55,171	9,054	46,117	74
4	Skycrest	55,191		55,191	75
5	St. John's Highland	18,111	1,902	16,209	76
6	Stone Mountain	1,248	1,248		77
7	Sugar Mill	665,710	291,570	374,140	78
8	Sugar Mill Woods	4,002,311	3,281,469	720,842	79
9	Sunny Hills	1,605,970	1,205,279	400,691	80
10	Sunshine Parkway	254,825	123	254,702	81
11	Tropical Park	54,467	49,251	5,216	82
12	University Shores	1,033,433		1,033,433	83
13	Venetian Village	15,434	1,195	14,239	84
14	Welaka / Sartoga Har.	113,054	58,376	54,678	85
15	Westmont	4,332		4,332	86
16	Windsong				87
17	Woodmere	178,882		178,882	88
18	Wootens	881	827	54	89
19	Zephyr Shores	8,260	5,266	2,994	90
20	Buenaventura Lakes	222,722	17,075	205,647	91
21	Deep Creek	2,189,597	2,107,271	82,326	92
22	Enterprise	22,641	16,619	6,022	93
23	Geneva Lake Estates	11,353	8,181	3,172	94
24	Keystone Club Est.	115,502	88,707	26,795	95
25	Lakeside	122,009	42,587	79,422	96
26	Lehigh	3,111,450	2,173,366	938,084	97
27	Marco Island	8,469,904	301,190	8,168,714	98
28	Palm Valley				99
29	Remington Forest	3,447		3,447	100
30	Spring Gardens	6,172	5,005	1,167	101
31	Valencia Terrace	28,716	2,558	26,158	102
32	Subtotal, Page 3	22,619,287	9,668,119	12,951,168	

SOUTHERN STATES UTILITIES
Non-Used & Useful Plant in Service
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 2
Page 4 of 146

Line No.	Plant Name	Non-U&U PIS Per OPC	Non-U&U PIS Per SSU	Adjustment	Schedule 2 Page Reference:
	SEWER:				
1	Amelia Island	2,709,705	254,559	2,455,146	103
2	Apache Shores	48,866	47,151	1,715	104
3	Apple Valley	17,093		17,093	105
4	Beacon Hills	1,017,727		1,017,727	106
5	Beecher's Point	36,181	30,271	5,910	107
6	Burnt Store	4,553,858	4,386,878	166,980	108
7	Chuluota	741,652	347,677	393,975	109
8	Citrus Park	94,263		94,263	110
9	Citrus Springs	524,934	512,706	12,228	111
10	Deltona Lake	484,956		484,956	112
11	Fisherman's Haven	82,778	53,568	29,210	113
12	Fla. Cent. Comm. Pk	290,081	67,392	222,689	114
13	Fox Run	8,027		8,027	115
14	Holiday Haven	195,691	191,633	4,058	116
15	Jungle Den	67,855	35,216	32,639	117
16	Leilani Heights	15,355		15,355	118
17	Leisure Lakes	109,283	91,236	18,047	119
18	Marco Shores	363,620	87,282	276,338	120
19	Marion Oaks	501,770	412,455	89,315	121
20	Meredith Manor	5,466		5,466	122
21	Morningview	20,813	2,770	18,043	123
22	Palm Port	75,774	63,051	12,723	124
23	Palm Terrace	47,787	47,461	326	125
24	Park Manor	150		150	126
25	Point O'Woods	171,651	65,057	106,594	127
26	Salt Springs	219,072	124,054	95,018	128
27	Silver Lake Oaks	38,765	38,230	535	129
28	South Forty	303,250	77,872	225,378	130
29	Sugar Mill	174,253	95,266	78,987	131
30	Sugar Mill Woods	6,554,717	6,093,862	460,855	132
31	Subtotal, Page 4	19,475,393	13,125,647	6,349,746	

Line No.	Plant Name	Non-U&U PIS Per OPC	Non-U&U PIS Per SSU	Adjustment	Schedule 2 Page Reference:
	SEWER - CONT.				
1	Sunny Hills	183,575	180,769	2,806	133
2	Sunshine Parkway	713,008	53,369	659,639	134
3	University Shores	739,598	516,218	223,380	135
4	Venetian Village	16,558	14,756	1,802	136
5	Woodmere	72,421		72,421	137
6	Zephyr Shores	119,989	64,224	55,765	138
7	Buenaventura Lakes	707,818	707,594	224	139
8	Deep Creek	4,650,559	4,455,037	195,522	140
9	Enterprise	23,185	17,736	5,449	141
10	Lehigh	2,165,248	1,092,716	1,072,532	142
11	Marco Island	13,791,663	2,254,888	11,536,775	143
12	Spring Gardens	22,318	20,719	1,599	144
13	Tropical Isles	66,310	18,261	48,049	145
14	Valencia Terrace	21,834	21,833	1	146
15	Subtotal, Page 5	23,294,084	9,418,120	13,875,964	
16	Total Water	49,668,625	18,341,732	31,326,893	
17	Total Sewer	42,769,477	22,543,767	20,225,710	
18	Total Water & Sewer	92,438,102	40,885,499	51,552,603	
19	Adjustment to Reflect Impact of OPC Recommended Non-Used & Useful Plant in Service			51,552,603	

Source:

See Schedule 2, pages 6 - 146, which are being provided on diskette.

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Line No.	Plant Name	Non-U&U Accum. Dep. Per OPC	Non-U&U Accum. Dep. Per SSU	Adjustment	Schedule 3 Page Reference:
	WATER:				
1	Amelia Island	423,992		423,992	6
2	Apache Shores	13,388	10,329	3,059	7
3	Apple Valley	114,906		114,906	8
4	Bay Lake Estates	3,888	3,652	236	9
5	Beacon Hills	98,841		98,841	10
6	Beecher's Point	4,407		4,407	11
7	Burnt Store	901,175	583,969	317,206	12
8	Carlton Village	(2,787)	(3,716)	929	13
9	Cauluota	44,624	6,075	38,549	14
10	Citrus Park	(98)		(98)	15
11	Citrus Springs	529,686	298,188	231,498	16
12	Crystal River Highl.	19,875	10,641	9,234	17
13	Daetwyler Shores	2,039		2,039	18
14	Deltona	1,298,160	171,289	1,126,871	19
15	Dol Ray Manor	24,042	7,158	16,884	20
16	Druid Hills	32,715		32,715	21
17	East Lk. Harris Est.	1,706		1,706	22
18	Fern Park	(1,159)		(1,159)	23
19	Fern Terrace				24
20	Fisherman's Haven	152		152	25
21	Fountains	17,314	4,220	13,094	26
22	Fox Run	44,643	42,588	2,055	27
23	Friendly Center	481		481	28
24	Golden Terrace	595		595	29
25	Gospel Island Est.	2,000	2,000		30
26	Grand Terrace				31
27	Harmony Homes	26		26	32
28	Hermits Cove	22,135	7,319	14,816	33
29	Hobby Hills	3,866	2,131	1,735	34
30	Holiday Haven	3,763	3,536	227	35
31	Holiday Heights	122		122	36
32	Subtotal, Page 1	3,604,497	1,149,379	2,455,118	

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Line No.	Plant Name	Non-U&U Accum. Dep. Per OPC	Non-U&U Accum. Dep. Per SSU	Adjustment	Schedule 3 Page Reference:
	WATER - CONT.				
1	Imperial Mobile Terrace	5,238		5,238	37
2	Intercession City	5,013	4,912	101	38
3	Interlachen/ Park Manor	5,410	4,556	854	39
4	Jungle Den	858		858	40
5	Keystone Heights	147,589	89,847	57,742	41
6	Kingswood	219		219	42
7	Lake Ajay Estates	9,778		9,778	43
8	Lake Brantley	450		450	44
9	Lake Conway Park	405	216	189	45
10	Lake Harriet Estates	1,240		1,240	46
11	Lakeview Villas	477		477	47
12	Leilani Heights	834		834	48
13	Leisure Lakes	35,336	5,096	30,240	49
14	Marco Shores	274,068		274,068	50
15	Marion Oaks	700,678	243,989	456,689	51
16	Meredith Manor	28,366	1,772	26,594	52
17	Morningview	405		405	53
18	Oak Forest	5,803	16,630	(10,827)	54
19	Oakwood				55
20	Palisades	191	175	16	56
21	Palm Port	5,685	96	5,589	57
22	Palm Terrace	1,172		1,172	58
23	Palms Mobile Home	964	928	36	59
24	Picciola Island	5,584		5,584	60
25	Pine Ridge	275,171		275,171	61
26	Pine Ridge Estates	18,847	4,864	13,983	62
27	Piney Woods	13,945	2,590	11,355	63
28	Point O' Woods	(26,505)	2,905	(29,410)	64
29	Pomona Park	11,345	11,241	104	65
30	Postmaster Village	17,626	11,943	5,683	66
31	Quail Ridge	233	223	10	67
32	River Grove	14,368	7,865	6,503	68
33	River Park	28,071	13,416	14,655	69
34	Rosemont / Rolling Gr.	752	639	113	70
35	Salt Springs	6,298		6,298	71
36	Subtotal, Page 2	1,595,914	423,903	1,172,011	

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Line No.	Plant Name	Non-U&U Accum. Dep. Per OPC	Non-U&U Accum. Dep. Per SSU	Adjustment	Schedule 3 Page Reference:
	WATER - CONT.				
1	Samira Village	214		214	72
2	Silver Lakes Est. / West.	41,936		41,936	73
3	Silver Lake Oaks	8,013	3,100	4,913	74
4	Skycrest	7,398		7,398	75
5	St. John's Highland	6,594	657	5,937	76
6	Stone Mountain	302	302		77
7	Sugar Mill	280,588	125,034	155,554	78
8	Sugar Mill Woods	902,036	698,737	203,299	79
9	Sunny Hills	77,804	246,007	131,797	80
10	Sunshine Parkway	84,986	47	84,939	81
11	Tropical Park	(19,842)	(17,941)	(1,901)	82
12	University Shores	255,981		255,981	83
13	Venetian Village	4,023	351	3,672	84
14	Welaka / Sartoga Har.	31,193	18,174	13,019	85
15	Westmont	2,540		2,540	86
16	Windsong				87
17	Woodmere	88,332		88,332	88
18	Wootens	159	149	10	89
19	Zephyr Shores	1,758	1,121	637	90
20	Buenaventura Lakes	92,131	8,727	83,404	91
21	Deep Creek	665,645	640,618	25,027	92
22	Enterprise	11,266	8,269	2,997	93
23	Geneva Lake Estates	3,411	2,468	943	94
24	Keystone Club Est.	22,799	16,428	6,371	95
25	Lakeside	17,418	5,220	12,198	96
26	Lehigh	895,317	535,175	360,142	97
27	Marco Island	2,388,043	46,807	2,341,236	98
28	Palm Valley				99
29	Remington Forest	921		921	100
30	Spring Gardens	3,345	2,544	801	101
31	Valencia Terrace	11,862	1,894	9,968	102
32	Subtotal, Page 3	6,186,173	2,343,888	3,842,285	

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Line No.	Plant Name	Non-U&U Accum. Dep. Per OPC	Non-U&U Accum. Dep. Per SSU	Adjustment	Schedule 3 Page Reference:
	SEWER:				
1	Amelia Island	932,192	103,302	828,890	103
2	Apache Shores	17,974	17,191	783	104
3	Apple Valley	8,262		8,262	105
4	Beacon Hills	217,956		217,956	106
5	Beecher's Point	9,823	8,285	1,538	107
6	Burnt Store	1,284,237	1,222,622	61,615	108
7	Chuluota	157,043	86,767	70,276	109
8	Citrus Park	48,707		48,707	110
9	Citrus Springs	219,181	211,615	7,566	111
10	Deltona Lake	139,203		139,203	112
11	Fisherman's Haven	17,184	10,885	6,299	113
12	Fla. Cent. Comm. Pk	82,394	13,997	68,397	114
13	Fox Run	1,557		1,557	115
14	Holiday Haven	39,372	37,367	2,005	116
15	Jungle Den	19,042	11,241	7,801	117
16	Leilani Heights	7,614		7,614	118
17	Leisure Lakes	57,983	50,195	7,788	119
18	Marco Shores	132,861	31,929	100,932	120
19	Marion Oaks	150,671	123,288	27,383	121
20	Meredith Manor	1,889		1,889	122
21	Morningview	11,503	1,392	10,111	123
22	Palm Port	20,356	17,400	2,956	124
23	Palm Terrace	17,383	17,261	122	125
24	Park Manor	85		85	126
25	Point O'Woods	41,066	15,105	25,961	127
26	Salt Springs	104,992	61,249	43,743	128
27	Silver Lake Oaks	14,724	14,482	242	129
28	South Forty	140,554	36,329	104,225	130
29	Sugar Mill	22,575	11,172	11,403	131
30	Sugar Mill Woods	1,574,667	1,455,755	118,912	132
31	Subtotal, Page 4	5,493,050	3,558,829	1,934,221	

Line No.	Plant Name	Non-U&U Accum. Dep. Per OPC	Non-U&U Accum. Dep. Per SSU	Adjustment	Schedule 3 Page Reference:
	SEWER - CONT.				
1	Sunny Hills	183,575	180,769	2,806	133
2	Sunshine Parkway	196,199	53,369	142,830	134
3	University Shores	175,133	120,848	54,285	135
4	Venetian Village	9,626	8,578	1,048	136
5	Woodmere	29,870		29,870	137
6	Zephyr Shores	23,514	12,494	11,020	138
7	Buenaventura Lakes	176,122	176,066	56	139
8	Deep Creek	1,321,295	1,265,744	55,551	140
9	Enterprise	16,566	12,673	3,893	141
10	Lehigh	598,888	316,568	282,320	142
11	Marco Island	3,817,130	632,652	3,184,478	143
12	Spring Gardens	16,603	15,412	1,191	144
13	Tropical Isles	15,515	4,212	11,303	145
14	Valencia Terrace	6,174	6,173	1	146
15	Subtotal, Page 5	6,586,210	2,805,558	3,780,652	
16	Total Water	11,386,584	3,917,170	7,469,414	
17	Total Sewer	12,079,260	6,364,387	5,714,873	
18	Total Water & Sewer	23,465,844	10,281,557	13,184,287	
19	Adjustment to Reflect Impact of OPC Recommended Non-Used & Useful Accumulated Depreciation			13,184,287	

Source:

See Schedule 3, pages 6 - 146, which are being provided on diskette.

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Line No.	Plant Name	Non-U&U Deprec. Exp. Per OPC	Non-U&U Deprec. Exp. Per SSU	Adjustment	Schedule 4 Page Reference:
	WATER:				
1	Amelia Island	25,088		25,088	6
2	Apache Shores	1,566	1,153	413	7
3	Apple Valley	10,734		10,734	8
4	Bay Lake Estates	126	119	7	9
5	Beacon Hills	21,117		21,117	10
6	Beecher's Point	617		617	11
7	Burnt Store	143,300	50,460	92,840	12
8	Carlton Village	1,817	1,341	476	13
9	Chuluota	11,820	634	11,186	14
10	Citrus Park	4		4	15
11	Citrus Springs	93,752	58,708	35,044	16
12	Crystal River Highl.	3,093	1,792	1,301	17
13	Daetwyler Shores	101		101	18
14	Deltona	173,575	21,205	152,370	19
15	Dol Ray Manor	2,073	584	1,489	20
16	Druid Hills	2,612		2,612	21
17	East Lk. Harris Est.	1,099		1,099	22
18	Fern Park	564		564	23
19	Fern Terrace				24
20	Fisherman's Haven	19		19	25
21	Fountains	3,363	846	2,517	26
22	Fox Run	11,786	8,921	2,865	27
23	Friendly Center	27		27	28
24	Golden Terrace	242		242	29
25	Gospel Island Est.	117	117		30
26	Grand Terrace				31
27	Harmony Homes	15		15	32
28	Hermits Cove	3,000	911	2,089	33
29	Hobby Hills	363	223	140	34
30	Holiday Haven	191	179	12	35
31	Holiday Heights	5		5	36
32	Subtotal, Page 1	512,186	147,193	364,993	

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Line No.	Plant Name	Non-U&U Deprec. Exp. Per OPC	Non-U&U Deprec. Exp. Per SSU	Adjustment	Schedule 4 Page Reference:
	WATER - CONT.				
1	Imperial Mobile Terrace	1,249		1,249	37
2	Intercession City	1,160	1,136	24	38
3	Interlachen/ Park Manor	2,717	1,191	1,526	39
4	Jungle Den	46		46	40
5	Keystone Heights	12,580	7,590	4,990	41
6	Kingswood	6		6	42
7	Lake Ajay Estates	2,656		2,656	43
8	Lake Brantley	31		31	44
9	Lake Conway Park	23	12	11	45
10	Lake Harriet Estates	73		73	46
11	Lakeview Villas	29		29	47
12	Leilani Heights	84		84	48
13	Leisure Lakes	3,096	350	2,746	49
14	Marco Shores	21,667		21,667	50
15	Marion Oaks	126,965	49,102	77,863	51
16	Meredith Manor	5,015	1,592	3,423	52
17	Morningview	23		23	53
18	Oak Forest	7	505	(498)	54
19	Oakwood				55
20	Palisades	39	35	4	56
21	Palm Port	1,027	9	1,018	57
22	Palm Terrace	68		68	58
23	Palms Mobile Home	48	46	2	59
24	Picciola Island	546		546	60
25	Pine Ridge	63,875		63,875	61
26	Pine Ridge Estates	4,184	563	3,621	62
27	Piney Woods	1,821	270	1,551	63
28	Point O' Woods	4,620	140	4,480	64
29	Pomona Park	696	690	6	65
30	Postmaster Village	4,078	2,216	1,862	66
31	Quail Ridge	47	45	2	67
32	River Grove	1,254	706	548	68
33	River Park	3,706	1,409	2,297	69
34	Rosemont / Rolling Gr.	132	112	20	70
35	Salt Springs	528		528	71
36	Subtotal, Page 2	264,096	67,719	196,377	

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Line No.	Plant Name	Non-U&U Deprec. Exp. Per OPC	Non-U&U Deprec. Exp. Per SSU	Adjustment	Schedule 4 Page Reference:
	WATER - CONT.				
1	Samira Village	27		27	72
2	Silver Lakes Est. / West.	9,572		9,572	73
3	Silver Lake Oaks	1,701	403	1,298	74
4	Skycrest	2,580		2,580	75
5	St. John's Highland	686	44	642	76
6	Stone Mountain	29	29		77
7	Sugar Mill	27,175	12,859	14,316	78
8	Sugar Mill Woods	103,681	82,283	21,398	79
9	Sunny Hills	40,356	29,334	11,022	80
10	Sunshine Parkway	8,933	6	8,927	81
11	Tropical Park	1,269	1,148	121	82
12	University Shores	31,084		31,084	83
13	Venetian Village	680	28	652	84
14	Welaka / Sartoga Har.	4,229	2,180	2,049	85
15	Westmont	101		101	86
16	Windsong				87
17	Woodmere	6,618		6,618	88
18	Wootens	21	19	2	89
19	Zephyr Shores	192	123	69	90
20	Buenaventura Lakes	7,426	623	6,803	91
21	Deep Creek	51,017	49,099	1,918	92
22	Enterprise	528	387	141	93
23	Geneva Lake Estates	298	190	108	94
24	Keystone Club Est.	3,733	2,684	1,049	95
25	Lakeside	4,505	995	3,510	96
26	Lehigh	90,017	56,860	33,157	97
27	Marco Island	282,052	8,678	273,374	98
28	Palm Valley				99
29	Remington Forest	84		84	100
30	Spring Gardens	152	117	35	101
31	Valencia Terrace	1,192	60	1,132	102
32	Subtotal, Page 3	679,938	248,149	431,789	

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Line No.	Plant Name	Non-U&U Deprec. Exp. Per OPC	Non-U&U Deprec. Exp. Per SSU	Adjustment	Schedule 4 Page Reference:
	SEWER:				
1	Amelia Island	111,655	8,699	102,956	103
2	Apache Shores	1,948	1,890	58	104
3	Apple Valley	551		551	105
4	Beacon Hills	36,787		36,787	106
5	Beecher's Point	1,435	1,185	250	107
6	Burnt Store	115,915	107,846	8,069	108
7	Chuluota	25,690	14,762	10,928	109
8	Citrus Park	4,563		4,563	110
9	Citrus Springs	19,483	18,941	542	111
10	Deltona Lake	16,087		16,087	112
11	Fisherman's Haven	4,106	2,667	1,439	113
12	Fla. Cent. Comm. Pk	13,794	2,366	11,428	114
13	Fox Run	296		296	115
14	Holiday Haven	9,798	9,690	108	116
15	Jungle Den	2,458	1,464	994	117
16	Leilani Heights	676		676	118
17	Leisure Lakes	3,725	2,819	906	119
18	Marco Shores	14,429	3,328	11,101	120
19	Marion Oaks	17,655	14,163	3,492	121
20	Meredith Manor	205		205	122
21	Morningview	1,073	151	922	123
22	Palm Port	3,789	3,154	635	124
23	Palm Terrace	1,321	1,314	7	125
24	Park Manor	5		5	126
25	Point O'Woods	8,768	3,575	5,193	127
26	Salt Springs	38,765	38,230	535	128
27	Silver Lake Oaks	147,211	77,872	69,339	129
28	South Forty	15,404	4,047	11,357	130
29	Sugar Mill	8,608	4,829	3,779	131
30	Sugar Mill Woods	168,003	148,151	19,852	132
31	Subtotal, Page 4	794,203	471,143	323,060	

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Line No.	Plant Name	Non-U&U Deprec. Exp. Per OPC	Non-U&U Deprec. Exp. Per SSU	Adjustment	Schedule 4 Page Reference:
	SEWER - CONT.				
1	Sunny Hills	12,435	12,233	202	133
2	Sunshine Parkway	32,691	10,094	22,597	134
3	University Shores	24,320	16,615	7,705	135
4	Venetian Village	574	512	62	136
5	Woodmere	3,034		3,034	137
6	Zephyr Shores	5,338	2,849	2,489	138
7	Buenaventura Lakes	34,091	34,078	13	139
8	Deep Creek	110,288	105,651	4,637	140
9	Enterprise	836	640	196	141
10	Lehigh	73,315	29,513	43,802	142
11	Marco Island	647,337	111,003	536,334	143
12	Spring Gardens	658	610	48	144
13	Tropical Isles	2,556	566	1,990	145
14	Valencia Terrace	757	757		146
15	Subtotal, Page 5	948,230	325,121	623,109	
16	Total Water	1,456,220	463,061	993,159	
17	Total Sewer	1,742,433	796,264	946,169	
18	Total Water & Sewer	3,198,653	1,259,325	1,939,328	
19	Adjustment to Reflect Impact of OPC Recommended Non-Used & Useful Depreciation Expense			1,939,328	

Source:

See Schedule 4, pages 6 - 146, which are being provided on diskette.

SOUTHERN STATES UTILITIES
Amount of Lines Removed by SSU in its
Non-Used & Useful Adjustment for Punta Gorda and
Deltona / United Systems
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 5

Line No.	Plant	Collection Sewers - Force 360.2	Collection Sewers - Gravity 361.2	T&D Mains 331.4
1	Burnt Store	251,207	3,844,674	1,952,524
2	Citrus Springs	83,109	172,865	2,519,658
3	Deep Creek	13,332	4,227,602	2,107,271
4	Deltona Lakes			710,713
5	Enterprise	16		16,619
6	Marco Island			
7	Marco Shores	34,860	3,368	
8	Marion Oaks	39,374	197,308	2,107,359
9	Pine Ridge			
10	Sunny Hills	676	179,366	1,141,571
11	Sugar Mill Woods	296,943	5,395,754	2,795,894
12	Subtotal	719,517	14,020,937	13,351,609
13	Total Amount Removed by SSU in Non-U&U Adjustment for Mains		28,092,063	

Source:

MFR Volumes III, Books 1 and 2 and Volume XII (Workpapers)

SOUTHERN STATES UTILITIES
Adjustment to Test Year Average Plant In Service - Water
To Account for Project Slippage
(Excludes Land)
FPSC Jurisdictional - All Plants - Water
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit_(HL-1)
Schedule 6
Page 1 of 2

Line No.	Description	Oct. '95	Nov. '95	Dec. '95	Jan. '96	Feb. '96	Mar. '96	Apr. '96	May '96	June '96	July '96	Aug. '96	Sept. '96	Oct. '96
1	PIS Balance per MFRs (1)	151,893,176	153,105,216	164,959,826	166,182,233	166,693,204	167,608,256	170,783,729	172,704,403	173,253,501	173,586,119	173,737,645	174,341,771	174,592,425
2	Add '95 Lehigh Line Additions (2)	1,602,000	1,602,000											
3	Add Begining Balance for Buenaventura (3)	6,342,605	6,342,605											
4	Add Re-Allocated General Plant (3)	527,731	527,731											
5	Adjusted PIS Monthly Balances	160,365,512	161,577,552	164,959,826	166,182,233	166,693,204	167,608,256	170,783,729	172,704,403	173,253,501	173,586,119	173,737,645	174,341,771	174,592,425
6	Adjusted 13-Month Average PIS Balance (Excluding Land)	169,260,475												
7	Add. Utility Adjust., per SSU (4)	(150,322)												
8	Per OPC Adjusted Plant in Service Balance	169,110,153												
9	Per SSU Adjusted Plant in Service Balance	171,535,651	MFR Vol. II, Book 1, page 39, Sch. A-1(W), A-2(S) Summary											
10	Reduction to Plant in Service	(2,425,498)												
11	Less: Non-U&U Offset	452,126	See Page 2											
12	Net Reduction to Plant in Service	(1,973,372)												

(1) October and November 1995 amounts from MFR Vol. III, Bk. 3, page 7. December 1995 through October 1996 amounts from MFR Vol. III, Bk. 1, page 9.
(2) SSU's 1995 monthly plant balances did not include the Lehigh line extension, as the project was added as an adjustment to the resulting average plant in service. While the amount was excluded from the ending 12/31/95 balance in the interim year, it was included in the 12/31/95 balance in the future test year. *OPC Witness Kim Dismukes further addresses the Lehigh additions in her prefiled testimony.*
(3) SSU adjusted its beginning 12/31/95 balance to include the Buenaventura plant and the re-allocated general plant. See MFR Vol. II, Bk. 1, page 335.
(4) See MFR Vol. III, Book 1, page 2, Schedule A-3(W) and page 11, Schedule A-5(W).

SOUTHERN STATES UTILITIES
Adjustment to Test Year Average Plant In Service - Water
To Account for Project Slippage
Offset for Non-Used & Useful
FPSC Jurisdictional - All Plants - Water
Future Test Year Ending 12/31/96

Line No.	Plant Name	Projected Additions for The Period Nov. - Dec. 1995 (1)	Jan. - Oct. 1996 (2)	Total Nov. '95 - Oct. '96 (3)	% of Total (4)	Allocation of Adj. To PIS (5)	Per OPC Average Non-U&U % by System (6)	Offset To PIS Adj. For Non-U&U (7)
1	Amelia Island		101,150	101,150	0.916%	(22,218)	26.38%	5,861
2	Apple Valley	6,578		6,578	0.060%	(1,455)	28.01%	408
3	Beacon Hills		89,250	89,250	0.809%	(19,622)	8.72%	1,711
4	Buenaventura Lakes (A)			105,000	0.951%	(23,066)	2.81%	648
5	Burnt Store		484,144	484,144	4.386%	(106,382)	61.89%	65,840
6	Carlton Village		123,881	123,881	1.122%	(27,214)	15.81%	4,303
7	Chuluota		863,237	863,237	7.821%	(189,698)	23.85%	45,243
8	Deep Creek	48,945		48,945	0.443%	(10,745)	44.08%	4,736
9	Deltona Lake	244,647	377,844	622,491	5.640%	(136,798)	23.82%	32,585
10	Dol Ray Manor		11,900	11,900	0.108%	(2,620)	55.16%	1,445
11	Fern Park		217,097	217,097	1.967%	(47,710)	7.28%	3,473
12	Fountains	1,973		1,973	0.018%	(437)	30.83%	135
13	Fox Run	1,973		1,973	0.018%	(437)	45.22%	198
14	Grand Terrace	1,973		1,973	0.018%	(437)		
15	Hermits Cove		11,900	11,900	0.108%	(2,620)	30.89%	809
16	Imperial Terrace		175,192	175,192	1.587%	(38,493)	13.37%	5,147
17	Interlachen Lake Estates		26,180	26,180	0.237%	(5,748)	31.12%	1,789
18	Keystone Heights	50,816		50,816	0.460%	(11,157)	27.78%	3,099
19	Lehigh	24,643	130,900	155,543	1.409%	(34,175)	20.31%	6,941
20	Marco Island	233,269	3,738,450	3,971,719	35.985%	(872,815)	16.66%	145,411
21	Marco Shores	1,973		1,973	0.018%	(437)	33.76%	148
22	Marion Oaks		19,635	19,635	0.178%	(4,317)	60.79%	2,624
23	Meredith Manor		447,757	447,757	4.057%	(98,402)	19.01%	18,706
24	Palm Port	1,973		1,973	0.018%	(437)	19.76%	86
25	Palm Terrace	1,973		1,973	0.018%	(437)	0.70%	3
26	Pine Ridge	21,429	11,900	33,329	0.302%	(7,325)	59.57%	4,364
27	Pine Ridge Estates	1,973		1,973	0.018%	(437)	27.36%	120
28	Piney Woods		50,852	50,852	0.461%	(11,182)	15.17%	1,696
29	Point O' Woods	1,973		1,973	0.018%	(437)	17.01%	74
30	Postmaster Village	116,296		116,296	1.054%	(25,565)	34.63%	8,853
31	River Grove	1,973		1,973	0.018%	(437)	17.64%	77
32	Saratoga Harbor		11,900	11,900	0.108%	(2,620)	49.90%	1,307
33	Silver Lakes	862,100		862,100	7.811%	(189,456)	13.93%	26,391
34	Spring Hill		1,685,379	1,685,379	15.270%	(370,374)	6.29%	23,297
35	Sugar Mill	6,578		6,578	0.060%	(1,455)	41.54%	604
36	Sunshine Parkway	189,952		189,952	1.721%	(41,743)	50.45%	21,059
37	Tropical Park		411,156	411,156	3.725%	(90,350)	9.11%	8,231
38	University Shores	40,251	53,550	93,801	0.850%	(20,617)	20.18%	4,161
39	Windsong	1,973		1,973	0.018%	(437)		
40	Woodmere		23,800	23,800	0.216%	(5,239)	10.36%	543
41	Offset to PIS Adjustment			11,037,288		(2,425,551)(B)		452,126

Source:
Col. (1): Calculated from MFR Vol. II, Book 4, pages 55 - 77.
Col. (2): Calculated from MFR Vol. II, Book 4, pages 25 - 26 and 31 - 38.
Col. (5): Total Adjustment from page 1 multiplied by Column 4.
Col. (6): See Schedule 2.
(A) The MFRs did not provide the 1995 monthly Buenaventura additions, as the acquisition was recorded by the Company effective in 1996 for MFR purposes. Consequently, the amount represents the projected 1996 additions, as provided in MFR Vol. II, Book 4, page 17.
(B) Total may be slightly off due to rounding.

SOUTHERN STATES UTILITIES
Adjusted Test Year Average Plant in Service - Sewer
To Account for Project Slippage
(Excludes Land)
FPSC Jurisdictional - All Plants - Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 7
Page 1 of 2

Line No.	Description	Oct. '95	Nov. '95	Dec. '95	Jan '96	Feb '96	Mar. '96	Apr. '96	May '96	June '96	July '96	Aug. '96	Sept. '96	Oct. '96
1	PIS Balance per MFRs (1)	123,939,815	124,019,221	142,606,310	143,113,164	143,172,005	143,903,374	144,267,762	144,322,911	144,435,976	144,489,585	144,676,586	144,745,574	144,951,161
2	Add '95 Lehigh Line Extens. (2)	905,000	905,000											
3	Add Begining Balance for Buenaventura (3)	16,457,515	16,457,515											
4	Add Re-Allocated General Plant (3)	690,203	690,203											
5	Adjusted PIS Monthly Balances	141,992,533	142,071,939	142,606,310	143,113,164	143,172,005	143,903,374	144,267,762	144,322,911	144,435,976	144,489,585	144,676,586	144,745,574	144,951,161
6	Adjusted 13-Month Average PIS Balance (Excluding Land)	143,749,914												
7	Add: Utility Adjust., per SSU (4)	185,691												
8	Per OPC Adjusted Plant in Service Balance	143,935,605												
9	Per SSU Adjusted Plant in Service Balance	144,400,520	MFR Vol. II, Book 1, page 39, Sch. A-1(W), A-2(S) Summary											
10	Reduction to Plant in Service	(464,915)												
11	Less: Non-U&U Offset	91,978	Page 2											
12	Net Reduction to Plant in Service	(372,937)												

(1) October and November 1995 amounts from MFR Vol. III, Bk. 4, page 7. December 1995 through October 1996 amounts from MFR Vol. III, Bk. 2, page 7.
(2) SSU's 1995 monthly plant balances did not include the Lehigh line extension, as the project was added as an adjustment to the resulting average plant in service. While the amount was excluded from the ending 12/31/95 balance in the interim year, it was included in the 12/31/95 balance in the future test year. OPC Witness Kim Dismukes further addresses the Lehigh additions in her prefiled testimony.
(3) SSU adjusted its beginning 12/31/95 balance to include the Buenaventura plant and the re-allocated general plant. See MFR Vol. II, Bk. 1, page 336.
(4) See MFR Vol. III, Book 2, page 2, Schedule A-3(S) and page 11, Schedule A-6(S).

SOUTHERN STATES UTILITIES
Adjustment to Test Year Average Plant In Service - Sewer
To Account for Project Slippage
Offset for Non-Used & Useful
FPSC Jurisdictional - All Plants - Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 7
Page 2 of 2

Line No.	Plant Name	Projected Additions for The Period Nov. - Dec. 1995 (1)	Jan. - Oct. 1996 (2)	Total Nov. '95 - Oct. '96 (3)	% of Total (4)	Allocation of Adj. To PIS (5)	Per OPC Average Non-U&U % by System (6)	Offset To PIS Adj. For Non-U&U (7)
1	Amelia Island	87,383	136,850	224,233	8.575%	(39,866)	35.38%	14,105
2	Beacon Hills	14,286	280,154	294,440	11.260%	(52,349)	16.53%	8,653
3	Buenaventura Lakes (A)			90,000	3.442%	(16,002)	3.80%	608
4	Burnt Store	15,048	75,684	90,732	3.470%	(16,133)	83.52%	13,474
5	Chuluota		126,680	126,680	4.844%	(22,520)	35.38%	7,968
6	Citrus Springs		35,700	35,700	1.365%	(6,346)	30.18%	1,915
7	Deep Creek		51,408	51,408	1.966%	(9,140)	49.80%	4,552
8	Deltona Lake		17,850	17,850	0.683%	(3,175)	3.12%	99
9	Lehigh	80,359	844,209	924,568	35.357%	(164,380)	12.47%	20,498
10	Leilani Heights		95,200	95,200	3.641%	(16,928)	2.34%	396
11	Marco Island		11,900	11,900	0.455%	(2,115)	60.15%	1,272
12	Marco Shores		11,900	11,900	0.455%	(2,115)	29.21%	618
13	Marion Oaks		17,850	17,850	0.683%	(3,175)	13.49%	428
14	Palm Port		11,900	11,900	0.455%	(2,115)	29.31%	620
15	Palm Terrace		17,850	17,850	0.683%	(3,175)	6.59%	209
16	Salt Springs		14,280	14,280	0.546%	(2,538)	52.83%	1,341
17	Spring Gardens		185,640	185,640	7.099%	(33,004)	10.80%	3,564
18	Sugar Mill Woods		59,500	59,500	2.275%	(10,577)	58.71%	6,210
19	University Shores		227,399	227,399	8.696%	(40,429)	8.32%	3,364
20	Woodmere	14,286	41,650	55,936	2.139%	(9,945)	2.59%	258
21	Zephyr Shores		49,980	49,980	1.911%	(8,885)	20.55%	1,826
22	Offset to PIS Adjustment			2,614,946		(464,912)(B)		91,978

Source:
Col. (1): Calculated from MFR Vol. II, Book 4, pages 78 - 90.
Col. (2): Calculated from MFR Vol. II, Book 4, pages 27 - 28 and 39 - 44.
Col. (5): Total Adjustment from page 1 multiplied by Column 4.
Col. (6): See Schedule 2.
(A) The MFRs did not provide the 1995 monthly Buenaventura additions, as the acquisition was recorded by the Company effective in 1996 for MFR purposes. Consequently, the amount represents the projected 1996 additions, as provided in MFR Vol. II, Book 4, page 17.
(B) Total may be slightly off due to rounding.

SOUTHERN STATES UTILITIES
Reduction to Depreciation Expense
To Account for Project Slippage
FPSC Jurisdictional - All Plants - Water
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 8

Line No.	Description	Amount	Reference
1	OPC Recommended Reduction to Plant In Service to Account for Project Slippage	(2,425,498)	Schedule 6
2	OPC Recommended Offset for Non-Used & Useful	452,126	Schedule 6
3	Net OPC Recommended Reduction	(1,973,372)	
4	Test Year Average FPSC Jurisdictional Water Depreciation Rate	3.71%	MFR Vol. III, Bk. 1, p. 72, Sch. B-13(W)
5	Reduction to Test Year Depreciation Expense to Account for Project Slippage	73,212	Line 3 X Line 4
6	Reduction to Test Year Accumulated Depreciation to Account for Project Slippage	(73,212)	Line 5

SOUTHERN STATES UTILITIES
Reduction to Depreciation Expense
To Account for Project Slippage
FPSC Jurisdictional - All Plants - Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 9

Line No.	Description	Amount	Reference
1	OPC Recommended Reduction to Plant In Service to Account for Project Slippage	(464,915)	Schedule 7
2	OPC Recommended Offset for Non-Used & Useful	91,978	Schedule 7
3	Net OPC Recommended Reduction	(372,937)	
4	Test Year Average FPSC Jurisdictional Sewer Depreciation Rate	4.01%	MFR Vol. III, Bk. 2, p. 72, Sch. B-14(S)
5	Reduction to Test Year Depreciation Expense to Account for Project Slippage	14,955	Line 3 X Line 4
6	Reduction to Test Year Accumulated Depreciation to Account for Project Slippage	(14,955)	Line 5

SOUTHERN STATES UTILITIES
Adjust Non-Used & Useful Offsets to CIAC
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 10

Line No.	Description	Amount	Reference
	WATER:		
1	Plant Capacity Fees	(68,173)	MFR Vol III, Bk. 1, p. 25
2	Line / Main Extensions	(266,745)	MFR Vol III, Bk. 1, p. 25
3	Accum. Amort. of Plant Capacity Fees	20,667	MFR Vol III, Bk. 1, p. 33
4	Accum. Amort. of Line / Main Extensions	40,764	MFR Vol III, Bk. 1, p. 33
	SEWER:		
5	Plant Capacity Fees	(1,426,094)	MFR Vol III, Bk. 2, p. 25
6	Line / Main Extensions	(1,328,936)	MFR Vol III, Bk. 2, p. 25
7	Accum. Amort. of Plant Capacity Fees	463,530	MFR Vol III, Bk. 2, p. 33
8	Accum. Amort. of Line / Main Extensions	248,993	MFR Vol III, Bk. 2, p. 33
9	Adjustment to Rate Base to Remove Inappropriate Non-Used & Useful Offsets	(2,315,994)	

SOUTHERN STATES UTILITIES
Reduction to Utility Land - Water
- Marco Island - Collier Puchase
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 11

Line No.	Description	Amount	Adjustment	Reference
	Actual Cost of Collier Land:			
1	Purchase Cost Paid by SSU	8,000,000		Stipulated Final Judgement, Case No. 94-0793-CA-01-CTC (5/11/95)
2	Professional Service Fees (Legal & Engineering) Incurred by SSU During Purchase	436,845		SSU Project Detail - Project 94CS056 Dated 1/9/95 and 7/21/95
3	Actual Cost for Collier Land, per OPC	8,436,845	8,436,845	
4	Allocation of Purchase Cost to Acct. 121 - Non-Utility Property for Upland Real Estate (1)		60.1%	Staff Audit Report, Dated 11/1/95, p.11
5	Disallowance for Non-Utility Portion of Purchase		5,070,544	
6	Addition to Utility Land for Collier Purchase, per OPC		3,366,301	Line 3 - Line 5
	Amount included in MFRs for Collier Land Purchase:			
7	Project No. 94ZZ777 - Marco Island Water Supply	4,400,000		MFR Vol. II, Bk. 4, p.181
8	Project No. 94CS056 - Collier Condemnation	4,799,918		MFR Vol. II, Bk. 4, p.183
9	Collier Land Addition, per MFRs	9,199,918	9,199,918	
10	Reduction to Utility Land to Reflect Actual Collier Land Costs and Allocation to Acct. 121 - Non-Utility Property		(5,833,617)	Line 6 - Line 9

Notes:

When estimating the cost of the Collier land purchase for the MFRs, the Company included significant costs associated with overhead, particularly engineering and administrative & general overhead allocations. The actual Collier land purchase costs, per OPC, excludes any overhead allocations, as the project represents a purchase of land, not the construction of assets. See the Direct Testimony for further discussion.

(1) Staff recommended that the costs associated with upland real estate be disallowed. The percentage disallowance was based upon the percentage of upland acres to total acres, calculated as follows:

	Acres	Percent
Lakes	56.29	39.9%
Uplands	84.93	60.1%
Total	141.22	100.0%

SOUTHERN STATES UTILITIES
Removal of Deferred Marco Island Raw Water Supply Costs
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 12

Line No.	Description	Amount	
	Items Included in the Deferral:		
1	Failed Dude Pit Property Negotiations	886,409	OPC-158
2	Failed Collier Water Lease Negotiations	59,639	OPC-158
3	Failed Naples Interconnect Negotiations	489,481	OPC-158
4	Costs Associated with New Wellfield	30,279	OPC-158
5	Total Deferred Marco Island Raw Water Supply Costs, per SSU	1,465,808	
6	Reduction to Rate Base to Remove Deferred Debit Included in MFRs (Average Future Test Year Amount)	1,319,227	MFR. Vol. III, Bk. 1, p.48
7	Adjustment to Remove Annual Amortization Expense Included in MFRs (Based on Five Year Amortization)	293,162	MFR. Vol. III, Bk. 1, p.48

Source:

See the Direct Testimony of SSU Witness Morris Bencini and SSU's response to OPC Interrogatory 151, Appendix 151-A.

SOUTHERN STATES UTILITIES
Revise SSU's Adjustment to Transfer Land Held For Future Use to Plant in Service
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 13

Line No.	Description	Amount
1	Deltona Lakes Site - not known by SSU at this time when service will be required from the site	33,000
2	Marco Island Raw Water Supply Site - Still awaiting permitting and most likely will not be in service prior to the end of the future test year.	220,885
3	Adjustment to Remove From Rate Base Land which SSU Proposed to Transfer to PIS from Plant Held For Future Use	253,885

Source:

Amounts from the Direct Testimony of SSU Witness Rafael Terrero, page 15.

SOUTHERN STATES UTILITIES
Remove SSU's Adjustment to Accumulated
Depreciation for Non-Used & Useful Mains
FPSC Jurisdictional - All Plants - Water and Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 14

Line No.	Plant Name	Amount Of SSU's Adjustment (1)	Per OPC Non-U&U % (2)	Amount Removed in Non-U&U Adjustment (3)	Col (1) Reference
	WATER PLANT				
1	Citrus Springs	129,975	83.78%	108,893	MFR Vol. XII
2	Deltona Lakes	122,163	31.50%	38,481	MFR Vol. XII
3	Marion Oaks	135,262	77.91%	105,383	MFR Vol. XII
4	Pine Ridge	54,197	78.64%	42,621	MFR Vol. XII
5	Sugar Mill Woods	198,059	68.11%	134,898	MFR Vol. XII
6	Sunny Hill	31,767	91.91%	29,197	MFR Vol. XII
7	Deep Creek	123,948	53.83%	66,721	MFR Vol. III, Bk. 1
8	Burnt Store	139,108	88.74%	123,444	MFR Vol. III, Bk. 1
9	Marco Island	22,436	56.59%	12,697	MFR Vol. III, Bk. 1
10	Subtotal, Water Plant	956,915		662,335	
	SEWER PLANT				
11	Burnt Store	247,282	90.37%	223,469	MFR Vol. XII
12	Sugar Mill Woods	373,276	69.09%	257,896	MFR Vol. XII
13	Deep Creek	234,974	53.13%	124,842	MFR Vol. III, Bk. 2
14	Marco Island	48,729	0.00%		MFR Vol. III, Bk. 2
15	Subtotal, Sewer Plant	904,261		606,207	
16	Total Increase in Accumulated Deprec. Necessary to Remove SSU's Reduction Related to Non-Used & Useful Mains	1,861,176			Line 10 + Line 15, Col. (1)
17	Less: Amount Already Removed in OPC Non-Used & Useful Adjustment	1,268,542			Line 10 + Line 15, Col. (3)
18	Net Increase in Accumulated Depreciation	592,634			

Source and Notes:
Col. (2): See Schedule 3.

SSU recorded the water accumulated depreciation adjustments in subaccount 331.4 - Transmission & Distribution and the sewer adjustments in subaccount 361.2 - Collection Sewers - Gravity.

SOUTHERN STATES UTILITIES
Removal of Company's Retroactive Adjustment
To Accumulated Depreciation
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 15

Line No.	Description	Amount	
	Increase in Accumulated Depreciation Necessary to Remove SSU's Retroactive Adjustment to Accumulated Depreciation Related to Changes in Depreciation Rates:		
1	- Increase in Accumulated Depreciation - Water	199,086	(A)
2	- Increase in Accumulated Depreciation - Sewer	518,176	(A)
3	Reduction in Ratebase to Remove SSU Adjustment	717,262	
4	Less: Amount Estimated as Already Removed in OPC's Non-Used & Useful Adjustment	(189,572)	Line 3 X (Line 8)
5	Net Reduction in Rate Base	527,690	

Calculation of Amount Removed in Non-U&U Adjustment:

6	Total Accum. Dep., per SSU	88,786,958	MFR Vol. III, Bk. 1 p.16 & Bk. 2, p.16
7	Total Non-U&U, per OPC	23,465,844	Schedule 3, page 5
8	Average % Non-U&U	26.43%	

Source:

Direct Testimony of Judith Kimball, page 25, lines 15 - 16.

SOUTHERN STATES UTILITIES

Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit___(HL-1)
Schedule 16

THIS SCHEDULE IS NOT USED

SOUTHERN STATES UTILITIES
Calculation of Acquisition Adjustment
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 17
Page 1 of 3

Line No.	Plant Name	Purchase Date	Per OPC Negative Acquisition Adjustment	
1	Amelia Island	12/86	(454,803)	FPSC Approved Amt.
2	Apache Shores	6/78	(6,295)	FPSC Approved Amt.
3	Beacon Hills	1/82	(9,439)	
4	Beecher's Point	7/88	(3,063)	
5	Chuluota	10/78	23,325	FPSC Approved Amt.
6	Citrus Park	9/85	(57,291)	
7	Daetwyler Shores	10/78	20,363	FPSC Approved Amt.
8	Dol Ray Manor	10/78	12,875	FPSC Approved Amt.
9	Druid Hills		26,000	FPSC Approved Amt.
10	Fern Park	12/81	(1,336)	
11	Fisherman's Haven	10/87	(3,133)	
12	Fountains	8/86	(10)	
13	Fox Run	11/87	(34,404)	
14	Golden Terrace	12/79	(15,750)	
15	Gospel Island Est.	3/88	(1,624)	
16	Grand Terrace	5/89	(40,155)	
17	Harmony Homes	8/64	(7,532)	
18	Holiday Heights	8/87	(7,397)	
19	Intercession City	4/76	(12,670)	
20	Lake Ajay Estates	2/88	(27,166)	
21	Lake Conway Park	10/87	8,037	FPSC Approved Amt.
22	Leilani Heights	6/80	(50,013)	
23	Meredith Manor	7/77	(109,795)	
24	Oak Forest	8/81	(30,416)	
25	Palm Port	1/80	(95,611)	FPSC Approved Amt.
26	Palm Valley	12/88	(55,328)	
27	Park Manor	8/83	(13,453)	FPSC Approved Amt.
28	Picciola Island	10/78	9,400	FPSC Approved Amt.
29	Pine Ridge Estates	11/85	(57,101)	
30	Piney Woods	1/74	(35,029)	
31	Point O' Woods	7/88	(20,671)	
32	Pomona Park	10/80	(29,115)	
33	Postmaster Village	5/86	(14,874)	
34	Quail Ridge	1/91	(108,124)	
35	Remington Forest	12/88	(52,485)	
36	River Grove	6/80	(12,582)	
37	Salt Springs	9/85	(20,644)	
38	Silver Lake Oaks	10/89	(25,478)	
39	Slvr. Lk. Est./ West. Shore	12/80	(26,090)	FPSC Approved Amt.
40	Stone Mountain	11/78	(68)	
41	Sugar Mill Woods	12/88	(559,955)	
42	University Shores	9/78	(122,908)	FPSC Approved Amt.
43	Venetian Village	7/80	35,000	FPSC Approved Amt.
44	Windsong	12/85	(38,796)	
45	Woodmere	3/81	(173,410)	
46	Lehigh	9/91	(3,873,763)	See Page 2
47	Deltona / United	6/89	(7,571,712)	See Page 3
48	Acquisition Adjustment, per OPC		(13,644,489)	
49	Acquisition Adjustment included in MFRs		(584,365)	MFR Vol. II, Bk. 1, p.39
50	Additional Negative Acquisition Adjustment		(13,060,124)	

Source:

Amounts from SSU's response to OPC POD No. 38 and Interrogatory No. 16.

SOUTHERN STATES UTILITIES
Calculation of Acquisition Adjustment
- Lehigh Acquisition
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

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Schedule 17
Page 2 of 3

Line No.	Description	Amount	
1	Purchase Price for Lehigh Corporation	40,000,000	
2	Total Lehigh Corporate Assets at Purchase Date	99,000,000	
3	Total Assets in Excess of Purchase Price	(59,000,000)	
4	Utility Assets at Purchase Date	6,500,000	
5	Utility Assets as a Percent of Total Lehigh Corporation Assets	6.5657%	Line 4 / Line 2
6	Acquisition Adjustment Applicable to Utility Operations	(3,873,763)	Line 3 X Line 5

SOUTHERN STATES UTILITIES
Calculation of Acquisition Adjustment
- Deltona / United Acquisition
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

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Line No.	Description	Amount
1	Price Paid, per SSU	40,305,000
2	Less: Non-Cash Outlays and Organization Costs	(11,305,000)
3	Adjusted Purchase Price	29,000,000
4	Less: Amount Related to Lawsuit Settlement	(7,000,000)
5	Add: Debt Assumed by SSU	30,000,000
6	Net Cost, per OPC	52,000,000
7	Total Assets at Time of Transfer, per OPC	59,571,712
8	Acquisition Adjustment, per OPC	(7,571,712)

SOUTHERN STATES UTILITIES
Calculation of Accumulated Amortization
of Negative Acquisition Adjustments
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 18

Line No.	Plant Name	Purchase Date	Balance 1/1/96 (1)	Annual Amortization (2)	Average Accum. Amort. (3)	Amortization Expense (4)	
1	Amelia Island	12/86	199,223	11,351	204,899	11,351	FPSC Approved Amt.
2	Apache Shores	6/78	5,340	126	5,403	126	FPSC Approved Amt.
3	Beacon Hills	1/82	3,304	236	3,422	236	
4	Beecher's Point	7/88	574	77	613	77	
5	Chuluota	10/78	(11,255)	(809)	(11,660)	(809)	FPSC Approved Amt.
6	Citrus Park	9/85	15,039	1,432	15,755	1,432	
7	Daetwyler Shores	10/78	(8,909)	(509)	(9,164)	(509)	FPSC Approved Amt.
8	Dol Ray Manor	10/78	(6,213)	(447)	(6,437)	(447)	FPSC Approved Amt.
9	Druid Hills	10/78	(12,543)	(902)	(12,994)	(902)	FPSC Approved Amt.
10	Fern Park	12/81	468	33	485	33	
11	Fisherman's Haven	10/87	627	78	666	78	
12	Fountains	8/86	2		2		
13	Fox Run	11/87	6,881	860	7,311	860	
14	Golden Terrace	12/79	6,300	394	6,497	394	
15	Gospel Island Est.	3/88	325	41	346	41	
16	Grand Terrace	5/89	6,525	1,004	7,027	1,004	
17	Harmony Homes	8/64	5,931	188	6,025	188	
18	Holiday Heights	8/87	1,572	185	1,665	185	
19	Intercession City	4/76	6,177	317	6,336	317	
20	Lake Ajay Estates	2/88	5,433	679	5,773	679	
21	Lake Conway Park	10/87	(3,518)	(201)	(3,619)	(201)	FPSC Approved Amt.
22	Leilani Heights	6/80	19,380	1,250	20,005	1,250	
23	Meredith Manor	7/77	50,780	2,745	52,153	2,745	
24	Oak Forest	8/81	11,026	760	11,406	760	
25	Palm Port	1/80	37,842	1,916	38,800	1,916	FPSC Approved Amt.
26	Palm Valley	12/88	9,682	1,383	10,374	1,383	
27	Park Manor	3/83	3,497	269	3,632	269	FPSC Approved Amt.
28	Picciola Island	10/78	(3,338)	(188)	(3,432)	(188)	FPSC Approved Amt.
29	Pine Ridge Estates	11/85	14,275	1,428	14,989	1,428	
30	Piney Woods	1/74	19,266	876	19,704	876	
31	Point O' Woods	7/88	3,876	517	4,135	517	
32	Pomona Park	10/80	10,918	728	11,282	728	
33	Postmaster Village	5/86	3,533	372	3,719	372	
34	Quail Ridge	1/91	13,516	2,703	14,868	2,703	
35	Remington Forest	12/88	9,185	1,312	9,841	1,312	
36	River Grove	6/80	4,876	315	5,034	315	
37	Salt Springs	9/85	5,161	516	5,419	516	
38	Silver Lake Oaks	10/89	3,822	637	4,141	637	
39	Slvr. Lk. Est/West. Shore	12/80	14,255	522	14,516	522	FPSC Approved Amt.
40	Stone Mountain	11/78	29	2	30	2	
41	Sugar Mill Woods	12/88	97,992	13,999	104,992	13,999	
42	University Shores	9/78	43,011	2,458	44,240	2,458	FPSC Approved Amt.
43	Venetian Village	7/80	(10,794)	(700)	(11,144)	(700)	FPSC Approved Amt.
44	Windsong	12/85	9,699	970	10,184	970	
45	Woodmere	3/81	65,029	4,335	67,197	4,335	
46	Lehigh	9/91	435,798	96,844	484,220	96,844	
47	Deltona / United	6/89	1,230,403	189,293	1,325,050	189,293	
48	Accumulated Amortization and Amortization Expense, per OPC		2,324,002		2,493,706	339,395	
49	Amount included in MFRs				253,080	12,344	MFR Vol. II, Bk. 1, p.39
50	Adjustment to Accum. Amort. and Amort. Expense				2,240,626	327,051	

Source / Notes:

Amounts derived from SSU's response to OPC Interrogatory No. 16, Appendix 16-B for FPSC authorized acquisition adjustments. The Company did not provide the amounts for the non-FPSC authorized acquisition adjustments in the response. However, via a letter to the Office of Public Counsel dated 11/7/95, the Company indicated that "the amortization balances for acquisition adjustments not approved by the Commission can be derived by applying a 40 year amortization. Consequently, the non-FPSC approved accumulated amortization is based on the negative acquisition adjustments presented on Schedule 17 being amortized over a 40 year period.

Col. 3 = Col. 1 + (Col. 2 X 50%)

SOUTHERN STATES UTILITIES
Remove Projected 1996 Pay Increases
Test Year Salary & Wage Expense
FPSC Jurisdictional - All Plants - Water
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 19

Line No.	Description	Amount
	Total O&M Expense Amounts:	
1	Remove SSU's 1996 Attrition Adjustment (5.87%)	309,435
2	Reduce Re-allocation of Common Costs to Remove 1996 Attrition [$116,712 - ($116,712 / 1.0587)]	6,471
3	Reduce Beunaventura Lakes Common Costs to Remove 1996 Attrition [$75,575 - ($75,575 / 1.0587)]	4,190
4	Reduce Conservation Program Adjustment - Salaries & Wages to Remove 1996 Attrition [$39,094 - ($39,094 / 1.0587)]	2,168
5	Remove SSU's Additional Projected 1996 Wage Increase for Hewitt Study	271,491
6	Adjustment to Remove SSU's Projected 1996 Salary & Wage Increases - Water	593,755

Source / Notes:

Above amounts from MFR Vol. III, Book 1, page 59.

SSU's filing includes a projected general wage increase (attrition increase) of 5.87%. SSU then increased the resulting salaries and wages by an additional 4.765% for its proposed Hewitt Study wage increase. These two increases result in an effective wage increase of 10.91% for 1996. Additionally, budgeted 1995 expenses incorporated a wage increase of 5.81%.

SOUTHERN STATES UTILITIES
Remove Projected 1996 Pay Increases
Test Year Salary & Wage Expense
FPSC Jurisdictional - All Plants - Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 20

Line No.	Description	Amount
	Total O&M Expense Amounts:	
1	Remove SSU's 1996 Attrition Adjustment (5.87%)	205,043
2	Reduce Re-allocation of Common Costs to Remove 1996 Attrition [$473,464 - ($473,464 / 1.0587)]	26,251
3	Reduce Buenaventura Lakes Common Costs to Remove 1996 Attrition [$38,361 - ($38,361 / 1.0587)]	2,127
4	Reduce Conservation Program Adjustment - Salaries & Wages to Remove 1996 Attrition [$19,843 - ($19,843 / 1.0587)]	1,100
5	Remove SSU's Additional Projected 1996 Wage Increase for Hewitt Study	198,776
6	Adjustment to Remove SSU's Projected 1996 Salary & Wage Increases - Sewer	433,297

Source / Notes:

Above amounts from MFR Vol. III, Book 2, page 59.

SSU's filing includes a projected general wage increase (attrition increase) of 5.87%. SSU then increased the resulting salaries and wages by an additional 4.765% for its proposed Hewitt Study wage increase. These two increases result in an effective wage increase of 10.91% for 1996. Additionally, budgeted 1995 expenses incorporated a wage increase of 5.81%.

SOUTHERN STATES UTILITIES
Reduction to Payroll Tax Expense
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 21

Line No.	Description	Amount	Reference
1	Adjustment to Remove SSU's Projected 1996 Salary & Wage Increases - Water	593,755	Schedule 19
2	Adjustment to Remove SSU's Projected 1996 Salary & Wage Increases - Sewer	433,297	Schedule 20
3	Total OPC Recommended Adjustment to Salaries & Wages Expense	1,027,052	Line 1 + Line 2
4	Payroll Tax Rate, Per SSU	8.0%	MFR Vol. III, Bks. 1 & 2, Page 75
5	Reduction in Payroll Tax Expense to Reflect OPC Recommended Salary &Wage Adjustments	82,164	Line 3 X Line 4

SOUTHERN STATES UTILITIES
Corporate Insurance Expense
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 22

Line No.	Description	Amount	Reference
1	Actual 1995 Insurance Premiums, per SSU	617,094	(A)
2	Allowance for Attrition	1.95%	Factor Utilized by SSU
3	1996 Insurance Premiums, per OPC	629,127	
4	Percentage Allocated to FPSC Regulated Insurance Expense	67.15%	Line 11
5	1996 FPSC Regulated Insurance Expense, per OPC	422,459	Line 3 X Line 4
6	1996 FPSC Regulated Insurance Expense, per SSU	518,917	MFR Vol. II, Bk. 1, p.171
7	Adjustment to Insurance Expense	(96,458)	

Calculation of Percentage Allocated to FPSC Regulated Expense:

8	SSU Budgeted 1995 Insurance Premiums	757,940	(A)
9	Budgeted 1996 Insurance Premiums	772,720	Line X 1.0195
10	SSU Budgeted 1996 FPSC Regulated Insurance Expense	518,917	MFR Vol. II, Bk. 1, p.171
11	Percentage Allocated to FPSC Regulated Expense	67.15%	

Source:

(A) SSU's response to OPC Interrogatory No. 252, Appendix 252-A.

SOUTHERN STATES UTILITIES
Property Taxes - Non-Used & Useful
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 23
Page 1 of 5

Line No.	Plant Name	Total Property Tax Expense (1)	Non- Used & Useful % Per OPC (2)	Non- Used & Useful Per OPC (3)	Non- Use & Useful Per SSU (4)	Adjustment (5)
	WATER:					
1	Amelia Island	16,150	26.38%	4,260		4,260
2	Apache Shores	2,019	25.46%	514	373	141
3	Apple Valley	17,772	28.01%	4,978		4,978
4	Bay Lake Estates	1,230	5.37%	66	62	4
5	Beacon Hills	11,842	8.72%	1,033		1,033
6	Beecher's Point	1,727	9.19%	159		159
7	Carlton Village	1,658	15.81%	262	213	49
8	Chuluota	22,112	23.85%	5,274	243	5,031
9	Citrus Park	1,679	0.50%	8		8
10	Citrus Springs	125,271	68.58%	85,911	55,670	30,241
11	Crystal River Highl.	76	37.59%	29	16	13
12	Daetwyler Shores	2,467	4.23%	104		104
13	Deltona	178,672	23.82%	42,560	6,611	35,949
14	Dol Ray Manor	2,363	55.16%	1,303	213	1,090
15	Druid Hills	8,784	16.75%	1,471		1,471
16	East Lk. Harris Est.	2,353	8.40%	198		198
17	Fern Park	1,564	7.28%	114		114
18	Fern Terrace	1,680				
19	Fisherman's Haven	153	0.82%	1		1
20	Fountains	1,908	30.83%	588	102	486
21	Fox Run	13,015	45.22%	5,885	4,265	1,620
22	Friendly Center	294	7.12%	21		21
23	Golden Terrace	708	6.67%	47		47
24	Gospel Island Est.	463	19.40%	90	90	
25	Grand Terrace	1,492				
26	Harmony Homes	1,108	0.56%	6		6
27	Hermits Cove	6,858	30.89%	2,118	849	1,269
28	Hobby Hills	1,366	15.33%	209	125	84
29	Holiday Haven	1,518	11.83%	180	169	11
30	Holiday Heights	856	0.18%	2		2
31	Subtotal, Page 1	429,158		157,391	69,001	88,390

SOUTHERN STATES UTILITIES
Property Taxes - Non-Used & Useful
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

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Exhibit__(HL-1)
Schedule 23
Page 2 of 5

Line No.	Plant Name	Total Property Tax Expense (1)	Non- Used & Useful % Per OPC (2)	Non- Used & Useful Per OPC (3)	Non-Use & Useful Per SSU (4)	Adjustment (5)
	WATER - CONT.					
1	Imperial Mobile Terrace	3,280	13.37%	439		439
2	Intercession City	6,727	14.30%	962	943	19
3	Interlachen/ Park Manor	3,688	31.12%	1,148	632	516
4	Jungle Den	117	4.19%	5		5
5	Keystone Heights	32,418	27.78%	9,006	5,949	3,057
6	Kingswood	139	1.14%	2		2
7	Lake Ajay Estates	4,733	21.30%	1,008		1,008
8	Lake Brantley	1,088	0.69%	8		8
9	Lake Conway Park	1,192	2.00%	24	13	11
10	Lake Harriet Estates	2,368	1.39%	33		33
11	Lakeview Villas	424	5.66%	24		24
12	Leilani Heights	3,928	0.82%	32		32
13	Leisure Lakes	1,966	34.34%	675	115	560
14	Marco Shores	13,807	33.76%	4,661		4,661
15	Marion Oaks	179,787	60.79%	109,293	43,239	66,054
16	Meredith Manor	7,302	19.01%	1,388	537	851
17	Morningview	460	0.99%	5		5
18	Oak Forest	1,274	5.27%	67	114	(47)
19	Oakwood	359				
20	Palisades	271	0.53%	1	1	
21	Palm Port	675	19.76%	133	2	131
22	Palm Terrace	2,810	0.70%	20		20
23	Palms Mobile Home	780	1.97%	15	15	
24	Picciola Island	1,751	10.95%	192		192
25	Pine Ridge	89,128	59.57%	53,094		53,094
26	Pine Ridge Estates	4,059	27.36%	1,111	157	954
27	Piney Woods	2,297	15.17%	348	79	269
28	Point O' Woods	1,791	17.01%	305	15	290
29	Pomona Park	3,528	16.00%	564	559	5
30	Postmaster Village	3,909	34.63%	1,354	952	402
31	Quail Ridge	189	1.71%	3	3	
32	River Grove	2,089	17.64%	368	175	193
33	River Park	8,029	31.06%	2,494	1,366	1,128
34	Rosemont / Rolling Gr.	7,821	1.42%	111	95	16
35	Salt Springs	9,671	4.62%	447		447
36	Subtotal, Page 2	403,855		189,340	54,961	134,379

SOUTHERN STATES UTILITIES
Property Taxes - Non-Used & Useful
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 23
Page 3 of 5

Line No.	Plant Name	Total Property Tax Expense	Non- Used & Useful % Per OPC	Non- Used & Useful Per OPC	Non- Use & Useful Per SSU	Adjustment
		(1)	(2)	(3)	(4)	(5)
	WATER - CONT.					
1	Samira Village	234	7.62%	18		18
2	Silver Lakes Est. / West.	17,688	13.93%	2,464		2,464
3	Silver Lake Oaks	1,926	54.21%	1,044	171	873
4	Skycrest	1,571	14.31%	225		225
5	St. John's Highland	1,030	22.59%	233	24	209
6	Stone Mountain	94	6.36%	6	6	
7	Sugar Mill	12,200	41.54%	5,068	2,220	2,848
8	Sugar Mill Woods	152,194	55.75%	84,848	69,568	15,280
9	Sunny Hills	51,180	67.06%	34,321	25,759	8,562
10	Sunshine Parkway	110	50.45%	55		55
11	Tropical Park	5,321	9.11%	485	438	47
12	University Shores	12,583	20.18%	2,539		2,539
13	Venetian Village	1,842	9.28%	171	13	158
14	Welaka / Sartoga Har.	4,532	49.90%	2,261	1,168	1,093
15	Westmont	220	6.58%	14		14
16	Windsong	1,042				
17	Woodmere	7,058	10.36%	731		731
18	Wootens	128	2.46%	3	3	
19	Zephyr Shores	2,490	3.38%	84	52	32
20	Buenaventura Lakes	91,625	2.81%	2,575	202	2,373
21	Deep Creek	133,419	44.08%	58,811	56,596	2,215
22	Enterprise	225	7.92%	18	13	5
23	Geneva Lake Estates	1,858	10.10%	188	135	53
24	Keystone Club Est.	4,394	35.49%	1,559	1,198	361
25	Lakeside	90	33.85%	30	11	19
26	Lehigh	147,276	20.31%	29,912	20,884	9,028
27	Palm Valley	42,864				
28	Remington Forest	1,640	1.89%	31		31
29	Spring Gardens	391	6.29%	25	20	5
30	Valencia Terrace	2,920	9.46%	276	25	251
31	Burnt Store	97,254	61.89%	60,191	29,575	30,616
32	Marco Island	704,304	16.66%	117,337	4,155	113,182
33	Subtotal, Page 3	1,501,703		405,523	212,236	193,287

SOUTHERN STATES UTILITIES
Property Taxes - Non-Used & Useful
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

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Exhibit__(HL-1)
Schedule 23
Page 4 of 5

Line No.	Plant Name	Total Property Tax Expense (1)	Non- Used & Useful % Per OPC (2)	Non- Used & Useful Per OPC (3)	Non- Use & Useful Per SSU (4)	Adjustment (5)
	SEWER:					
1	Amelia Island	78,111	35.38%	27,636	2,625	25,011
2	Apache Shores	3,707	29.08%	1,078	1,055	23
3	Apple Valley	1,144	10.05%	115		115
4	Beacon Hills	7,651	16.53%	1,265		1,265
5	Beecher's Point	1,118	36.20%	405	355	50
6	Burnt Store	107,841	83.52%	90,069	87,308	2,761
7	Chuluota	34,821	35.38%	12,320	6,693	5,627
8	Citrus Park	7,845	10.78%	846		846
9	Citrus Springs	25,555	30.18%	7,712	7,638	74
10	Deltona Lake	290,020	3.12%	9,049		9,049
11	Fisherman's Haven	6,527	19.78%	1,291	839	452
12	Fla. Cent. Comm. Pk	18,551	21.15%	3,924	1,005	2,919
13	Fox Run	8,892	1.61%	143		143
14	Holiday Haven	1,415	26.61%	377	371	6
15	Jungle Den	5,866	13.49%	791	539	252
16	Leilani Heights	6,604	2.34%	155		155
17	Leisure Lakes	1,624	36.50%	593	487	106
18	Marco Shores	1,428	29.21%	417	120	297
19	Marion Oaks	59,964	13.49%	8,089	6,668	1,421
20	Meredith Manor	29	13.08%	4		4
21	Morningview	520	22.92%	119	16	103
22	Palm Port	2,884	29.31%	845	733	112
23	Palm Terrace	2,678	6.59%	176	195	(19)
24	Park Manor	533	0.22%	1		1
25	Point O'Woods	5,525	34.78%	1,922	732	1,190
26	Salt Springs	5,931	52.83%	3,133	1,783	1,350
27	Silver Lake Oaks	1,881	36.66%	690	726	(36)
28	South Forty	10,267	53.24%	5,466	1,472	3,994
29	Sugar Mill	9,336	11.67%	1,090	607	483
30	Sugar Mill Woods	220,809	58.71%	129,637	121,268	8,369
31	Subtotal, Page 4	929,077		309,358	243,235	66,123

SOUTHERN STATES UTILITIES
Property Taxes - Non-Used & Useful
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 23
Page 5 of 5

Line No.	Plant Name	Total Property Tax Expense (1)	Non- Used & Useful % Per OPC (2)	Non- Used & Useful Per OPC (3)	Non- Use & Useful Per SSU (4)	Adjustment (5)
	SEWER - CONT.					
1	Sunny Hills	9,997	48.65%	4,864	4,822	42
2	Sunshine Parkway	109	70.76%	77	27	50
3	University Shores	42,670	8.32%	3,550	2,654	896
4	Venetian Village	1,296	7.74%	100	97	3
5	Woodmere	39,144	2.59%	1,014		1,014
6	Zephyr Shores	7,787	20.55%	1,600	932	668
7	Buenaventura Lakes	201,284	3.80%	7,649	8,071	(422)
8	Deep Creek	187,518	49.80%	93,384	89,596	3,788
9	Enterprise	178	19.43%	35	27	8
10	Lehigh	253,613	12.47%	31,626	16,282	15,344
11	Marco Island	452,061	60.15%	271,915	44,483	227,432
12	Spring Gardens	761	10.80%	82	85	(3)
13	Tropical Isles	7,278	12.96%	943	261	682
14	Valencia Terrace	3,743	5.57%	208	211	(3)
15	Subtotal, Page 5	1,207,439		417,047	167,548	249,499
16	Total Water	2,334,716		752,254	336,198	416,056
17	Total Sewer	2,136,516		726,405	410,783	315,622
18	Total Water & Sewer	4,471,232		1,478,659	746,981	731,678
19	Adjustment to Reflect Impact of OPC Recommended Non-Used & Useful Percentages on Property Tax Expense					731,678

Source:
Col. (1) and (4): Schedules B-15(W) and B-15(S) for each of the respective plants, as provided in MFR Vol. III, Books 1 and 2 and Vol. XII, Books 1 - 9.
Col. (2): See Schedule 2, pages 6 through 146, for each respective system.

SOUTHERN STATES UTILITIES
Comparison of Actual Property Taxes to
be Paid to Used & Useful Amount per SSU
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 24

Line No	Plant	Property Tax to be Paid by SSU	SSU's Property Tax Add Back	Total U&U Property Tax Per SSU
1	Deltona Lakes - Water	149,464	29,208	172,061
2	Marco Shores - Water	12,875	932	13,807
3	Marion Oaks - Water	129,008	50,779	136,548
4	Pine Ridge - Water	72,977	16,151	89,128
5	Sunny Hills - Water	18,979	32,201	25,421
6	Deltona Lakes - Sewer	288,873	1,147	290,020
7	Marion Oaks - Sewer	53,211	6,753	53,296
8	Total	725,387		780,281
9	Amount of Property Tax Expense in MFRs that is Greater than the Amount SSU will Actually be Required to Pay			54,894

Source:

Schedules B-15(S) and B-15(W) for each of the respective plants from MFR Vol. III, Books 1 and 2 and MFR Vol. XII, Books 1 - 9.

SOUTHERN STATES UTILITIES
Discount on Property Tax Expense
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 25

Line No.	Description	1994 Invoiced Property Taxes	1994 Discounts on Property Taxes
1	Total Property Tax Expense (1)	3,688,956	134,768
	Less Amounts Related Non-FPSC Regulated Counties:		
2	Hernando County	(231,657)	(9,266)
3	Hillsborough County	(83,366)	(3,335)
4	Polk County	(22,140)	(886)
5	Subtotal - FPSC Regulated Counties	3,351,793	121,281
6	Average Discount on Property Taxes		3.62%
7	Adjusted Property Tax Expense, per OPC (2)		2,992,573
8	Adjustment to Reflect Property Tax Discounts in the Future Test Year		108,331

Source / Notes:
"Combined Real Estate & Personal Property Tax Expense and Discounts Taken By County" from the Staff Audit on-site binder.
(1) Amount equals the property taxes that were invoiced, as the Company charge the gross property tax to expense.
(2) Amount equals the total used & useful property tax expense requested by SSU (See MFR Vol. III, Books 1 and 2, Sch. B-15(W) and (S)) reduced by the OPC recommended property tax adjustments presented on Schedule 23.

SOUTHERN STATES UTILITIES
Income Tax Adjustment
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit ___(HL-1)
Schedule 26
Page 1 of 4

Line No.	Description	Ref.	Total Per Books A	Utility Adjustments B	Utility Adjusted C	Non-filing Plants D	FPSC Filing Plants E	Water F	Wastewater G
1	Current Tax Expense		3,226,634	(672,724)	2,553,910	(5,010,438)	(2,456,528)	(1,418,703)	(1,037,825)
2	Deferred Income Tax Expense		(260,223)	10,826	(249,397)	68,253	(181,144)	(109,194)	(71,950)
3	ITC Realized This Year		0	0	0	0	0	0	0
4	ITC Amortization (All Companies) (3% ITC and IRC 46(f) (2))		(78,697)	0	(78,697)	9,519	(69,178)	(37,560)	(31,618) 0
5	Parent Debt Adjustments	2	0	(575,047)	(575,047)	69,581	(505,466)	(274,417)	(231,049)
6	Total Income Tax Expense		2,887,714	(1,236,945)	1,650,769	(4,863,085)	(3,212,316)	(1,839,874)	(1,372,442)
	Effective Rate Excluding ITC's and Parent Debt								
7	Current Taxes				2,553,910	(5,010,438)	(2,456,528)	(1,418,703)	(1,037,825)
8	Deferred Taxes				(249,397)	68,253	(181,144)	(109,194)	(71,950)
8	Total Taxes				2,304,513	(4,942,185)	(2,637,672)	(1,527,897)	(1,109,775)
9	Total Taxes				2,304,513	(4,942,185)	(2,637,672)	(1,527,897)	(1,109,775)
10	Per-tax Income				6,243,146	(13,080,919)	(6,837,773)	(3,960,846)	(2,876,927)
11	Effective Tax Rate	L.10 / L.11			36.913%	37.782%	38.575%	38.575%	38.575%
	Allocation of Parent Debt Adjustment								
12	Amounts per Company				(554,509)	67,070	(487,439)	(264,652)	(222,787)
13	Proportion					-12.10%		54.29%	45.71%
	Parent Debt Adjustment - Difference from SSU's Filed Amount								
14	Proposed amount (See page 2)			(575,047)	(575,047)	69,581	(505,466)	(274,417)	(231,049)
15	SSU's filed amount				(554,509)	67,070	(487,439)	(264,652)	(222,787)
16	Difference, amount of adjustment				(20,538)	2,511	(18,027)	(9,765)	(8,262)

Note: We are awaiting receipt of outstanding discovery on income tax issues, which may lead to additional adjustments.

Source:
SSU's C Schedules from MFR Vol. IV, unless indicated otherwise.

Line No.	Description	Reference	Amount	Adjustment Calculation
	Parent Debt Adjustment - Two Tiered			
1	Weighted Cost of Parent Debt (Minnesota Power)	P. 3		2.23%
2	Ratio of Common Stock Second Tier Parent (Topeka)	P. 4	62,765,345 63,048,038 A	99.550%
3	Topeka Cost of Debt	P. 4		2.22% 0.01% 2.23%
4	SSU Common Equity Ratio	SSU Sch. D-1	72,832,405 192,975,765 B	37.740%
5	Rate Base			0.840% x 177,467,056 1,490,723
6	Tax Rate			38.575%
7	Parent Debt Adjustment			$575,047

Notes

A) Total per page 4 — 164,036,693
Less Retained Earnings — 100,988,655
63,048,038

B) Total per SSU Schedule D-1 — 202,965,146
Less Retained Earnings — 9,989,381
192,975,765

SOUTHERN STATES UTILITIES
Income Tax Adjustment Parent Debt Information
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit___(HL-1)
Schedule 26
Page 3 of 4

Parent's Name: Minnesota Power & Light Company

Line No.	Description	Amount (A)	% of Total (B)	Cost Rate (C)	Weighted Cost (D)
1	Long - Term Debt	234,806,344	28.00%	7.98%	2.23%
2	Short - Term Debt	0	0.00%		0.00%
3	Preferred Stock	47,810,926	5.70%	6.96%	0.40%
4	Common Equity - Common Stock	377,077,415	44.98%	11.50%	5.17%
5	Retained Earnings - Parent Only	17,458,337	2.08%	11.50%	0.24%
6	Deferred Income Tax (a)	161,345,149	19.24%		0.00%
7	Other	0	0.00%		0.00%
8	Total	838,498,171	100.00%		8.04%

Notes

(a) Per Company amount included estimated accumulated deferred ITC of $33,600,000
Includes regulatory asset and liability accounts as required by FAS 109

Deferred income tax per Company	194,945,149
Less: Accumulated Deferred ITC	(33,600,000)
Adjusted deferred income tax	161,345,149

SOUTHERN STATES UTILITIES
Income Tax Adjustment Parent Debt Information
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
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Schedule 26
Page 4 of 4

Parent's Name: Topeka Group, Inc.

Line No.	Description	Amount (A)	% of Total (B)	Cost Rate (C)	Weighted Cost (D)
1	Long - Term Debt	103,750	0.06%	10.44%	0.01%
2	Short - Term Debt				
3	Preferred Stock			6.96%	
4	Common Equity - Common Stock	62,765,345	38.27%	11.50%	4.40%
5	Retained Earnings - Parent Only	100,988,655	61.56%	11.50%	7.08%
6	Deferred Income Tax	178,943	0.11%		
7	Other				
8	Total	164,036,693	100.00%		11.49%

SOUTHERN STATES UTILITIES
Minnesota Power &Light's Investment in SSU
FPSC Jurisdictional - All Plants - Water & Sewer
Future Test Year Ending 12/31/96

Docket No. 950495-WS
Exhibit__(HL-1)
Schedule 27

Line No.	Description		Amount
1	Minnesota Power & Light's Claimed Equity Investment in SSU		78,000,000
2	Percentage of Capital Structure of MP&L Actually Provided by Equity (MFR. Vol. IV, Sch. C-8, p.1)		45.25%
3	Actual Parent Equity Investment		35,295,000
4	Gain on Sale of Telephone Segment of the SSU & Universal Investments	(32,000,000)	
5	Gain on Sale of St. Augustine Segment of the Deltona Investment	(4,200,000)	
6	Gain on Sale of Deltona Lakes	(600,000)	
7	Gain on Sale of Seminole Utility	(1,600,000)	
8	Gain on Sale of VGU Less Dividends Paid to MP&L ($19 M before income tax, less $12 M dividends paid) (1)	(350,000)	
9	Net Funds Provided by Sales of Utility Property	(38,750,000)	(38,750,000)
10	Net Equity Funds		(3,455,000)

Notes:

The gains presented above are net of income taxes.
(1) Amount calculated as follows: [($19M X (1 - 35%)) - $12M]

DOCKET 950495-WS
EXHIBIT NO. 174
CASE NO. 96-04227

APPENDIX I

QUALIFICATIONS OF HUGH LARKIN, JR.

Q. WHAT IS YOUR OCCUPATION?

A. I am a certified public accountant and a partner in the firm of Larkin & Associates, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I graduated from Michigan State University in 1960. During 1961 and 1962, I fulfilled my military obligations as an officer in the United States Army.

In 1963 I was employed by the certified public accounting firm of Peat, Marwick, Mitchell & Co., as a junior accountant. I became a certified public accountant in 1966.

In 1968 I was promoted to the supervisory level at Peat, Marwick, Mitchell & Co. As such, my duties included the direction and review of audits of various types of business organizations, including manufacturing, service, sales and regulated companies.

Through my education and auditing experience of manufacturing operations, I obtained an extensive background of theoretical and practical cost accounting.

I have audited companies having job cost systems and those having process cost systems, utilizing both historical and standard costs.

I have a working knowledge of cost control, budgets and reports, the accumulation of overheads and the application of same to products on the various recognized methods.

Additionally, I designed and installed a job cost system for an automotive parts manufacturer.

I gained experience in the audit of regulated companies as the supervisor in charge of all railroad audits for the Detroit office of Peat, Marwick, including audits of the Detroit, Toledo and Ironton Railroad, the Ann Arbor Railroad, and portions of the Penn Central Railroad Company. In 1967, I was the supervisory senior accountant in charge of the audit of the Michigan State Highway Department, for which Peat, Marwick was employed by the State Auditor General and the Attorney General.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950495-WS EXHIBIT NO. 174
COMPANY/ WITNESS: OPC / LARKIN / DERONNE
DATE: 4/29/96

In October of 1969, I left Peat, Marwick to become a partner in the public accounting firm of Tischler & Lipson of Detroit. In April of 1970, I left the latter firm to form the certified public accounting firm of Larkin, Chapski & Company. In September 1982 I re-organized the firm into Larkin & Associates, a certified public accounting firm. The firm of Larkin & Associates performs a wide variety of auditing and accounting services, but concentrates in the area of utility regulation and ratemaking. I am a member of the Michigan Association of Certified Public Accountants and the American Institute of Certified Public Accountants. I testified before the Michigan Public Service Commission and in other states in the following cases:

U-3749	Consumers Power Company - Electric Michigan Public Service Commission
U-3910	Detroit Edison Company Michigan Public Service Commission
U-4331	Consumers Power Company - Gas Michigan Public Service Commission
U-4332	Consumers Power Company - Electric Michigan Public Service Commission
U-4293	Michigan Bell Telephone Company Michigan Public Service Commission
U-4498	Michigan Consolidated Gas sale to Consumers Power Company Michigan Public Service Commission
U-4576	Consumers Power Company - Electric Michigan Public Service Commission
U-4575	Michigan Bell Telephone Company Michigan Public Service Commission
U-4331R	Consumers Power Company - Gas - Rehearing Michigan Public Service Commission
6813	Chesapeake and Potomac Telephone Company of Maryland, Public Service Commission, State of Maryland
Formal Case No. 2090	New England Telephone and Telegraph Co. State of Maine Public Utilities Commission
Dockets 574, 575, 576	Sierra Pacific Power Company, Public Service Commission, State of Nevada

U-5131	Michigan Power Company Michigan Public Service Commission
U-5125	Michigan Bell Telephone Company Michigan Public Service Commission
R-4840 & U-4621	Consumers Power Company Michigan Public Service Commission
U-4835	Hickory Telephone Company Michigan Public Service Commission
36626	Sierra Pacific Power Company v. Public Service Commission, et al, First Judicial District Court of the State of Nevada
American Arbitration Assoc.	City of Wyoming v. General Electric Cable TV
760842-TP	Southern Bell Telephone and Telegraph Company, Florida Public Service Commission
U-5331	Consumers Power Company Michigan Public Service Commission
U-5125R	Michigan Bell Telephone Company Michigan Public Service Commission
770491-TP	Winter Park Telephone Company, Florida Public Service Commission
77-554-EL-AIR	Ohio Edison Co., Public Utility Commission of Ohio
78-284-EL-AEM	Dayton Power and Light Co., Public Utility Commission of Ohio
0R78-1	Trans Alaska Pipeline, Federal Energy Regulatory Commission (FERC)
78-622-EL-FAC	Ohio Edison Co., Public Utility Commission of Ohio
U-5732	Consumers Power Company - Gas, Michigan Public Service Commission
77-1249-EL-AIR, et al	Ohio Edison Co., Public Utility Commission of Ohio
78-677-EL-AIR	Cleveland Electric Illuminating Co., Public Utility Commission of Ohio
U-5979	Consumers Power Company, Michigan Public Service Commission
790084-TP	General Telephone Company of Florida, Florida Public Service Commission
79-11-EL-AIR	Cincinnati Gas and Electric Co., Public Utilities Commission of Ohio

790316-WS	Jacksonville Suburban Utilities Corp., Florida Public Service Commission
790317-WS	Southern Utility Company, Florida Public Service Commission
U-1345	Arizona Public Service Company, Arizona Corporation Commission
79-537-EL-AIR	Cleveland Electric Illuminating Co., Public Utilities Commission of Ohio
800011-EU	Tampa Electric Company, Florida Public Service Commission
800001-EU	Gulf Power Company, Florida Public Service Commission
U-5979-R	Consumers Power Company, Michigan Public Service Commission
800119-EU	Florida Power Corporation, Florida Public Service Commission
810035-TP	Southern Bell Telephone and Telegraph Company, Florida Public Service Commission
800367-WS	General Development Utilities, Inc., Port Malabar, Florida Public Service Commission
TR-81-208**	Southwestern Bell Telephone Company, Missouri Public Service Commission **Issues Stipulated
810095-TP	General Telephone Company of Florida, Florida Public Service Commission
U-6794	Michigan Consolidated Gas Company, 16 refunds Michigan Public Service Commission
U-6798	Cogeneration and Small Power Production -PURPA, Michigan Public Service Commission
810136-EU	Gulf Power Company, Florida Public Service Commission
E-002/GR-81-342	Northern State Power Company Minnesota Public Utilities Commission
820001-EU	General Investigation of Fuel Cost Recovery Clauses, Florida Public Service Commission
810210-TP	Florida Telephone Corporation, Florida Public Service Commission

810211-TP	United Telephone Co. of Florida, Florida Public Service Commission
810251-TP	Quincy Telephone Company, Florida Public Service Commission
810252-TP	Orange City Telephone Company, Florida Public Service Commission
8400	East Kentucky Power Cooperative, Inc., Kentucky Public Service Commission
U-6949	Detroit Edison Company - Partial and Immediate Rate Increase Michigan Public Service Commission
18328	Alabama Gas Corporation, Alabama Public Service Commission
U-6949	Detroit Edison Company - Final Rate Recommendation Michigan Public Service Commission
820007-EU	Tampa Electric Company, Florida Public Service Commission
820097-EU	Florida Power & Light Company, Florida Public Service Commission
820150-EU	Gulf Power Company, Florida Public Service Commission
18416	Alabama Power Company, Public Service Commission of Alabama
820100-EU	Florida Power Corporation, Florida Public Service Commission
U-7236	Detroit Edison-Burlington Northern Refund - Michigan Public Service Commission
U-6633-R	Detroit Edison - MRCS Program, Michigan Public Service Commission
U-6797-R	Consumers Power Company - MRCS Program, Michigan Public Service Commission
82-267-EFC	Dayton Power & Light Company, Public Utility Commission of Ohio
U-5510-R	Consumers Power Company - Energy Conservation Finance Program, Michigan Public Service Commission
82-240-E	South Carolina Electric & Gas Company, South Carolina Public Service Commission

8624	Kentucky Utilities, Kentucky Public Service Commission
8648	East Kentucky Power Cooperative, Inc., Kentucky Public Service Commission
U-7065	The Detroit Edison Company (Fermi II), Michigan Public Service Commission
U-7350	Generic Working Capital Requirements, Michigan Public Service Commission
820294-TP	Southern Bell Telephone Company, Florida Public Service Commission
Order RH-1-83	Westcoast Gas Transmission Company, Ltd., Canadian National Energy Board
8738	Columbia Gas of Kentucky, Inc., Kentucky Public Service Commission
82-168-EL-EFC	Cleveland Electric Illuminating Company, Public Utility Commission of Ohio
6714	Michigan Consolidated Gas Company Phase II, Michigan Public Service Commission
82-165-EL-EFC	Toledo Edison Company, Public Utility Commission of Ohio
830012-EU	Tampa Electric Company, Florida Public Service Commission
ER-83-206**	Arkansas Power & Light Company, Missouri Public Service Commission **Issues Stipulated
U-4758	The Detroit Edison Company - (Refunds), Michigan Public Service Commission
8836	Kentucky American Water Company, Kentucky Public Service Commission
8839	Western Kentucky Gas Company, Kentucky Public Service Commission
83-07-15	Connecticut Light & Power Company, Department of Utility Control State of Connecticut
81-0485-WS	Palm Coast Utility Corporation, Florida Public Service Commission
U-7650	Consumers Power Company - (Partial and Immediate), Michigan Public Service Commission

83-662**	Continental Telephone Company, Nevada Public Service Commission **Issues Stipulated
U-7650	Consumers Power Company - Final Michigan Public Service Commission
U-6488-R	Detroit Edison Co. (FAC & PIPAC Reconciliation), Michigan Public Service Commission
Docket No. 15684	Louisiana Power & Light Company, Public Service Commission of the State of Louisiana
U-7650 Reopened	Consumers Power Company (Reopened Hearings) Michigan Public Service Commission
38-1039**	CP National Telephone Corporation Nevada Public Service Commission **Issues Stipulated
83-1226	Sierra Pacific Power Company (Re application to form holding company), Nevada Public Service Commission
U-7395 & U-7397	Campaign Ballot Proposals Michigan Public Service Commission
820013-WS	Seacoast Utilities Florida Public Service Commission
U-7660	Detroit Edison Company Michigan Public Service Commission
U-7802	Michigan Gas Utilities Company Michigan Public Service Commission
830465-EI	Florida Power & Light Company Florida Public Service Commission
U-7777	Michigan Consolidated Gas Company Michigan Public Service Commission
U-7779	Consumers Power Company Michigan Public Service Commission
U-7480-R	Michigan Consolidated Gas Company Michigan Public Service Commission
U-7488-R	Consumers Power Company - Gas Michigan Public Service Commission
U-7484-R	Michigan Gas Utilities Company Michigan Public Service Commission
U-7550-R	Detroit Edison Company Michigan Public Service Commission

U-7477-R	Indiana & Michigan Electric Company Michigan Public Service Commission
U-7512-R	Consumers Power Company - Electric Michigan Public Service Commission
18978	Continental Telephone Company of the South - Alabama, Alabama Public Service Commission
9003	Columbia Gas of Kentucky, Inc. Kentucky Public Service Commission
R-842583	Duquesne Light Company Pennsylvania Public Utility Commission
9006*	Big Rivers Electric Corporation Kentucky Public Service Commission *Company withdrew filing
U-7830	Consumers Power Company - Electric (Partial and Immediate) Michigan Public Service Commission
7675	Consumers Power Company - Customer Refunds Michigan Public Service Commission
5779	Houston Lighting & Power Company Texas Public Utility Commission
U-7830	Consumers Power Company - Electric - "Financial Stabilization" Michigan Public Service Commission
U-4620	Mississippi Power & Light Company (Interim) Mississippi Public Service Commission
U-16091	Louisiana Power & Light Company Louisiana Public Service Commission
9163	Big Rivers Electric Corporation Kentucky Public Service Commission
U-7830	Consumers Power Company - Electric - (Final) Michigan Public Service Commission
U-4620	Mississippi Power & Light Company - (Final) Mississippi Public Service Commission
76-18788AA & 76-18793AA	Detroit Edison (Refund - Appeal of U-4807) Ingham County Circuit Court Michigan Public Service Commission
U-6633-R	Detroit Edison (MRCS Program Reconciliation) Michigan Public Service Commission
19297	Continental Telephone Company of the South - Alabama, Alabama Public Service Commission

9283	Kentucky American Water Company Kentucky Public Service Commission
850050-EI	Tampa Electric Company Florida Public Service Commission
R-850021	Duquesne Light Company Pennsylvania Public Service Commission
TR-85-179**	United Telephone Company of Missouri Missouri Public Service Commission
6350	El Paso Electric Company The Public Utility Board of the City of El Paso
6350	El Paso Electric Company Public Utility Commission of Texas
85-53476AA & 85-534855AA	Detroit Edison-refund-Appeal of U-4758 Ingham County Circuit Court Michigan Public Service Commission
U-8091/ U-8239	Consumers Power Company-Gas Michigan Public Service Commission
9430	Leslie County Telephone Company, Inc. Kentucky Public Service Commission
85-212	Central Maine Power Company Maine Public Service Commission
850782-EI & 850783-EI	Florida Power & Light Company Florida Public Service Commission
ER-85646001 & ER-85647001	New England Power Company Federal Energy Regulatory Commission
Civil Action * No. 2:85-0652	Allegheny & Western Energy Corporation, Plaintiff, - against - The Columbia Gas System, Inc., Defendant
Docket No. 850031-WS	Orange Osceola Utilities, Inc. Before the Florida Public Service Commission
Docket No. 840419-SU	Florida Cities Water Company South Ft. Myers Sewer Operations Before the Florida Public Service Commission
R-860378	Duquesne Light Company Pennsylvania Public Service Commission
R-850267	Pennsylvania Power Company Pennsylvania Public Service Commission

R-860378	Duquesne Light Company - Surrebuttal Testimony - OCA Statement No. 2D Pennsylvania Public Service Commission
Docket No. 850151	Marco Island Utility Company Before the Florida Public Service Commission
Docket No. 7195 (Interim)	Gulf States Utilities Company Public Utility Commission of Texas
R-850267 Reopened	Pennsylvania Power Company Pennsylvania Public Service Commission
Docket No. 87-01-03	Connecticut Natural Gas Corporation Connecticut Department of Public Utility Control
Docket No. 5740	Hawaiian Electric Company Hawaii Public Utilities Commission
1345-85-367	Arizona Public Service Company Arizona Corporation Commission
Docket 011 No. 86-11-019	Tax Reform Act of 1986 - California Generic, California Public Utilities Commission
Case No. 29484	Long Island Lighting Company New York Department of Public Service
Docket No. 7460	El Paso Electric Company Public Utility Commission of Texas
Docket No. 870092-WS*	Citrus Springs Utilities Before the Florida Public Service Commission
Case No. 9892	Dickerson Lumber EP Company - Complainant vs. Farmers Rural Electric Cooperative and East Kentucky Power Cooperative - Defendants Before the Kentucky Public Service Commission
Docket No. 3673-U	Georgia Power Company Before the Georgia Public Service Commission
Docket No. U-8747	Anchorage Water and Wastewater Utility Report on Management Audit
Docket No. 861564-WS	Century Utilities Before the Florida Public Service Commission
Docket No. FA86-19-001	Systems Energy Resources, Inc. Federal Energy Regulatory Commission
Docket No. 870347-TI	AT&T Communications of the Southern States, Inc. Florida Public Service Commission

Docket No. 870980-WS	St. Augustine Shores Utilities Inc. Florida Public Service Commission
Docket No. 870654-WS*	North Naples Utilities, Inc. Florida Public Service Commission
Docket No. 870853	Pennsylvania Gas & Water Company Pennsylvania Public Utility Commission
Civil Action* No. 87-0446-R	Reynolds Metals Company, Plaintiff, v. The Columbia Gas System, Inc., Commonwealth Gas Services, Inc., Commonwealth Gas Pipeline Corporation, Columbia Gas Transmission Corporation, Columbia Gulf Transmission Company, Defendants - In the United States District Court for the Eastern District of Virginia Richmond Division
Docket No. E-2, Sub 537	Carolina Power & Light Company North Carolina Utilities Commission
Case No. U-7830	Consumers Power Company - Step 2 Reopened Michigan Public Service Commission
Docket No. 880069-TL	Southern Bell Telephone & Telegraph Florida Public Service Commission
Case No. U-7830	Consumers Power Company - Step 3B Michigan Public Service Commission
Docket No. 880355-EI	Florida Power & Light Company Florida Public Service Commission
Docket No. 880360-EI	Gulf Power Company Florida Public Service Commission
Docket No. FA86-19-002	System Energy Resources, Inc. Federal Energy Regulatory Commission
Docket Nos. 83-0537-Remand & 84-0555-Remand	Commonwealth Edison Company Illinois Commerce Commission
Docket Nos. 83-0537-Remand & 84-0555-Remand	Commonwealth Edison Company - Surrebuttal Illinois Commerce Commission
Docket No. 880537-SU	Key Haven Utility Corporation Florida Public Service Commission
Docket No. 881167-EI***	Gulf Power Company Florida Public Service Commission
Docket No. 881503-WS	Poinciana Utilities, Inc. Florida Public Service Commission

Cause No. U-89-2688-T	Puget Sound Power & Light Company Washington Utilities & Transportation Committee
Docket No. 89-68	Central Maine Power Company Maine Public Utilities Commission
Docket No. 861190-PU	Proposal to Amend Rule 25-14.003, F.A.C. Florida Public Service Commission
Docket No. 89-08-11	The United Illuminating Company State of Connecticut, Department of Public Utility Control
Docket No. R-891364	The Philadelphia Electric Company Pennsylvania Public Utility Commission
Formal Case No. 889	Potomac Electric Power Company Public Service Company of the District of Columbia
Case No. 88/546*	Niagara Mohawk Power Corporation, et al Plaintiffs, v. Gulf+Western, Inc. et al, defendants (In the Supreme Court County of Onondaga, State of New York)
Case No. 87-11628*	Duquesne Light Company, et al, plaintiffs, against Gulf + Western, Inc. et al, defendants (In the Court of the Common Pleas of Allegheny County, Pennsylvania Civil Division)
Case No. 89-640-G-42T*	Mountaineer Gas Company West Virginia Public Service Commission
Docket No. 890319-EI	Florida Power & Light Company Florida Public Service Commission
Docket No. EM-89110888	Jersey Central Power & Light Company Board of Public Utilities Commissioners
Docket No. 891345-EI	Gulf Power Company Florida Public Service Commission
BPU Docket No. ER 8811 0912J	Jersey Central Power & Light Company Board of Public Utilities Commissioners
Docket No. 6531	Hawaiian Electric Company Hawaii Public Utilities Commissioners
Docket No. 890509-WU	Florida Cities Water Company, Golden Gate Division Florida Public Service Commission
Docket No. 880069-TL	Southern Bell Telephone Company Florida Public Service Commission
Docket Nos. F-3848, F-3849, and F-3850	Northwestern Bell Telephone Company South Dakota Public Utilities Commission

Docket Nos. ER89-* 678-000 & EL90-16-000	System Energy Resources, Inc. Federal Energy Regulatory Commission
Docket No. 5428	Green Mountain Power Corporation Vermont Department of Public Service
Docket No. 90-10	Artesian Water Company, Inc. Delaware Public Service Commission
Case No. 90-243-E-42T*	Wheeling Power Company West Virginia Public Service Commission
Docket No. 900329-WS	Southern States Utilities, Inc. Florida Public Service Commission
Docket Nos. ER89-* 678-000 & EL90-16-000	System Energy Resources, Inc. (Surrebuttal) Federal Energy Regulatory Commission
Application No. 90-12-018	Southern California Edison Company California Public Utilities Commission
Docket No. 90-0127	Central Illinois Lighting Company Illinois Commerce Commission
Docket No. FA-89-28-000	System Energy Resources, Inc. Federal Energy Regulatory Commission
Docket No. U-1551-90-322	Southwest Gas Corporation Before the Arizona Corporation Commission
Docket No. R-911966	Pennsylvania Gas & Water Company The Pennsylvania Public Utility Commission
Docket No. 176-717-U	United Cities Gas Company Kansas Corporation Commission
Docket No. 860001-EI-G	Florida Power Corporation Florida Public Service Commission
Docket No. 6720-TI-102	Wisconsin Bell, Inc. Wisconsin Citizens' Utility Board
(No Docket No.)	Southern Union Gas Company Before the Public Utility Regulation Board of the City of El Paso
Docket No. 6998	Hawaiian Electric Company, Inc. Before the Public Utilities Commission of the State of Hawaii
Docket No. TC91-040A	In the Matter of the Investigation into the Adoption of a Uniform Access Methodology Before the Public Utilities Commission of the State of South Dakota
Docket Nos. 911030-WS & 911067-WS	General Development Utilities, Inc. Before the Florida Public Service Commission

Docket No. 910890-EI	Florida Power Corporation Before the Florida Public Service Commission
Docket No. 910890-EI	Florida Power Corporation, Supplemental Before the Florida Public Service Commission
Case No. 3L-74159	Idaho Power Company, an Idaho corporation In the District Court of the Fourth Judicial District of the State of Idaho, In and For the County of Ada - Magistrate Division
Cause No. 39353*	Indiana Gas Company Before the Indiana Utility Regulatory Commission
Docket No. 90-0169 (Remand)	Commonwealth Edison Company Before the Illinois Commerce Commission
Docket No. 92-06-05	The United Illuminating Company State of Connecticut, Department of Public Utility Control
Cause No. 39498	PSI Energy, Inc. Before the State of Indiana - Indiana Utility Regulatory Commission
Cause No. 39498	PSI Energy, Inc. - Surrebuttal testimony Before the State of Indiana - Indiana Utility Regulatory Commission
Docket No. 7287	Public Utilities Commission - Instituting a Proceeding to Examine the Gross-up of CIAC Before the Public Utilities Commission of the State of Hawaii
Docket No. 92-227-TC	US West Communications, Inc. Before the State Corporation Commission of the State of New Mexico
Docket No. 92-47	Diamond State Telephone Company Before the Public Service Commission of the State of Delaware
Docket Nos. 920733-WS & 920734-WS	General Development Utilities, Inc. Before the Florida Public Service Commission
Docket No. 92-11-11	Connecticut Light & Power Company State of Connecticut, Department of Public Utility Control
Docket Nos.EC92-21-000 & ER92-806-000	Entergy Corporation Before the Federal Energy Regulatory Commission
Docket No. 930405-EI	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. UE-92-1262	Puget Sound Power & Light Company Before the Washington Utilities & Transportation Commission
Docket No. 93-02-04	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control

Docket No. 93-02-04	Connecticut Natural Gas Corporation - Supplemental State of Connecticut, Department of Public Utility Control
Docket No. 93-057-01	Mountain Fuel Supply Company Before the Utah Public Service Commission
Cause No. 39353 (Phase II)	Indiana Gas Company Before the Indiana Utility Regulatory Commission
PU-314-92-1060	US West Communications, Inc. Before the North Dakota Public Service Commission
Cause No. 39713	Indianapolis Water Company Before the Indiana Utility Regulatory Commission
93-UA-0301*	Mississippi Power & Light Company Before the Mississippi Public Service Commission
Docket No. 93-08-06	SNET America, Inc. State of Connecticut, Department of Public Utility Control
Docket No. 93-057-01	Mountain Fuel Supply Company - Rehearing on Unbilled Revenues - Before the Utah Public Service Commission
Case No. 78-T119-0013-94	Guam Power Authority vs. U.S. Navy Public Works Center, Guam - Assisting the Department of Defense in the investigation of a billing dispute. Before the American Arbitration Association
Application No. 93-12-025 - Phase I	Southern California Edison Company (Before the California Public Utilities Commission)
Case No. 94-0027-E-42T	Potomac Edison Company (Before the Public Service Commission of West Virginia)
Case No. 94-0035-E-42T	Monongahela Power Company (Before the Public Service Commission of West Virginia)
Docket No. 930204-WS**	Jacksonville Suburban Utilities Corporation (Before the Florida Public Service Commission)
Docket No. 5258-U	Southern Bell Telephone and Telegraph Company (Before the Georgia Public Service Commission)
Case No. 95-0011-G-42T*	Mountaineer Gas Company (Before the West Virginia Public Service Commission)
Case No. 95-0003-G-42T*	Hope Gas, Inc. (Before the West Virginia Public Service Commission)

Docket No. 95-02-07	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Docket No. 95-03-01	Southern New England Telephone Company State of Connecticut, Department of Public Utility Control

*Case Settled
**Issues Stipulated
***Company withdrew case

Additionally, I performed an investigation and analysis of Michigan Consolidated Gas Company and participated in the discussion which led to the settlement of Michigan Consolidated rate case which was culminated in Rate Order U-4166.

From April 28, 1975, to March 15, 1976, I was under contract to the Michigan House of Representatives as Technical Staff Director of a Special House Committee to study and evaluate the effectiveness of the Michigan Public Service Commission and the rates and service of public utilities. As Technical Staff Director, I supervised personnel loaned to the Committee from the State Auditor General's Office. The reports to that Committee prepared by myself and Allen Briggs, an attorney, to revise utility regulation, were adopted in virtually all material respects in its final report and recommendations and served as a basis of numerous bills introduced in the 1976 and 1977 sessions of the legislature. The Staff of the Committee, under my direction, investigated and reported to the Committee on numerous regulatory issues, including ratepayer participation in utility regulation, fuel cost adjustment clauses, purchased gas adjustment clauses, comparative electric, gas and telephone rates, treatment of subsidiaries of utilities in ratemaking, research and planning capabilities of the Michigan Public Service Commission, utility advertising, regulatory oversight of utility management, deferred taxes in ratemaking and the organizational structure and functions of the Michigan Public Service Commission.

In the course of my work as a certified public accountant, I advise clients concerning the obtaining of capital funds, and have worked with banking institutions in obtaining loans. I have participated in negotiating the sale and purchase of businesses for clients, in connection with which I have valued the physical assets of various business firms, and also determined the value of present and

future earnings measured by market rates of return. I have participated in acquisition audits on behalf of large national companies interested in acquiring smaller companies.

My testimony in utility rate cases has been sponsored by state Attorney Generals, groups of municipalities, a district attorney, Peoples' Counsel, Public Counsel, a ratepayers' committee, and I have also worked as a Staff Consultant to the Arizona Corporation Commission.

In November 1985, with two members of the firm, I presented a seminar on utility accounting for the Legal Services Regional Utilities Task Force in Atlanta, Georgia.

In September, 1988, with two members of the firm, I presented a seminar on utility accounting for the Office of Consumer Advocate, Attorney General's Office, State of Pennsylvania. Individuals from that division as well as Commission Staff members attended.

APPENDIX I

QUALIFICATIONS OF DONNA DERONNE, C.P.A.

Q. WHAT IS YOUR OCCUPATION?

A: I am a certified public accountant and regulatory consultant in the firm of Larkin & Associates, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I graduated with honors from Oakland University in Rochester, Michigan in 1991. I have been employed by the firm of Larkin & Associates since 1991.

As a certified public accountant and regulatory consultant with Larkin & Associates, my duties have included the analysis of utility rate cases, researching accounting and regulatory developments, preparation of computer models and spreadsheets, and assisting in the preparation of testimony and schedules and testifying in regulatory proceedings. Cases which I have participated in are included below:

Performed Analytical Work in the Following Cases:

Docket No. 92-06-05	The United Illuminating Company State of Connecticut, Department of Public Utility Control
Docket No. R-00922428	The Pennsylvania American Water Company Pennsylvania Public Utility Commission

Cause No. 39498	PSI Energy, Inc. Before the State of Indiana - Indiana Utility Regulatory Commission
Docket No. 6720-TI-102	Wisconsin Bell, Inc. Wisconsin Citizens' Utility Board
Docket No. 90-1069 (Remand)	Commonwealth Edison, Inc. Before the Illinois Commerce Commission
Docket Nos. 920733-WS & 920734-WS	General Development Utilities, Inc. - Port Labelle and Silver Springs Shores Divisions. Before the Florida Public Service Commission
Case No. PUE910047	Virginia Electric and Power Company (State Corporation Commission)
Docket No. U-1565-91-134	Sun City Water Company Residential Utility Consumer Office
Docket No. 930405-EI	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. UE-92-1262	Puget Sound Power & Light Company Before the Washington Utilities & Transportation Commission
Docket No. R-932667	Pennsylvania Gas & Water Company Before the Pennsylvania Public Utility Commission
Docket No. 7700	Hawaiian Electric Company, Inc. Before the Public Utilities Commission of the State of Hawaii
Docket No. R-00932670	Pennsylvania American Water Company Before the Pennsylvania Public Utility Commission
Case No. 78-T119-0013-94	Guam Power Authority vs. U.S. Navy Public Works Center, Guam - Assisting the Department of Defense in the investigation of a billing dispute.
Case No. 90-256	South Central Bell Telephone Company Before the Kentucky Public Service Commission
Case No. 94-355	Cincinnati Bell Telephone Company Before the Kentucky Public Service Commission

Docket No. 7766	Hawaiian Electric Company, Inc. Before the Public Utilities Commission of the State of Hawaii
Docket No. 2216	Narragansett Bay Commission On Behalf of the Division of Public Utilities and Carriers, Before the Rhode Island Public Utilities Commission
Docket No. 2216	Narragansett Bay Commission - Surrebuttal On Behalf of the Division of Public Utilities and Carriers, Before the Rhode Island Public Utilities Commission
Docket No. 94-0097	Citizens Utilities Company, Kauai Electric Division Before the Public Utilities Commission of the State of Hawaii
Docket No. 5863	Central Vermont Public Service Corporation On Behalf of the Vermont Department of Public Service

Submitted Testimony in the Following Cases

Docket No. 92-11-11	Connecticut Light & Power Company State of Connecticut, Department of Public Utility Control
Docket No. 93-02-04	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Docket No. 93-02-04	Connecticut Natural Gas Corporation Supplemental State of Connecticut, Department of Public Utility Control
Docket No. 95-02-07	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Case No. 94-0035-E-42T	Monongahela Power Company Before the Public Service Commission of West Virginia

Case No. 94-0027-E-42T	Potomac Edison Company Before the Public Service Commission of West Virginia
Case No. 95-0003-G-42T*	Hope Gas, Inc. Before the West Virginia Public Service Commission
Case No. 95-0011-G-42T*	Mountaineer Gas Company Before the West Virginia Public Service Commission

Case Settled*