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February 9, 1998

BY HAND DELIVERY

Jennifer Brubaker
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Mid-County Services, Inc. -- Docket No. 971065-SU
Response to Staff Data Request dated 1/30/98

Dear Ms. Brubaker:

By letter dated January 30, 1998, the staff requested that Mid-County Services, Inc. supply eight items of additional information in connection with its review of the company's request for a rate increase. Attached is the utility's response to this request.

If you have any questions regarding this information, please call.

Very truly yours,



Richard D. Melson

- ACK _____
- AFA _____
- APP _____
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cc: Blanca Bayó (for docket file)
Mr. Garcia

DOCUMENT NUMBER-DATE

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FPSO-RECORDS/REPORTING

Mid-County Services, Inc.

Docket No. 971065-SU

Response to Data Request Dated January 30, 1998

February 6, 1998

(1) Please re-submit a corrected page of Minimum Filing Requirement (MFR) engineering schedule F-10. Please put the actual number of single family residential (SFR) hook-ups or meters in Columns 2, 3, and 4. In column 5, please provide the actual SFR gallonage instead of the total gallons treated for the year. Do not include any multi-family customers in this category that have 5/8" X 3/4" meters in these amounts. Since schedules F-7 and F-8 are fall-out calculations from F-10, those two schedules need not be submitted. If this has already been provided, please state so.

Response

Attached is a corrected Schedule F-10. This schedule provides the actual number of single family residential hook-ups.

Equivalent Residential Connections - Wastewater

Florida Public Service Commission

Company: Mid-County Services, Inc.
 Docket No. : 971065-SU
 Schedule Year Ended: 12/31/96

Schedule: F-10
 Page 1 of 1
 Preparer: FPG

Explanation: Provide the following information in order to calculate the average growth in ERCs for the last five years, including the test year. If the utility does not have single-family residential (SFR) hook-ups, the largest customer class should be used as a substitute.

Line No.	(1)	(2)	SFR Hook-Ups		(5)	(6)	(7)	(8)	(9)
	Year	Beginning	Ending	Average	SFR Gallons Actual	Gallons/SFRs (5)/(4)	Total Gallons	Total ERCs (7)/(6)	Annual % Incr. in ERCs
1	1992	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	1993	N/A	1,244	1,244	N/A	N/A	N/A	N/A	N/A
3	1994	1,244	1,333	1,289	N/A	N/A	N/A	N/A	N/A
4	1995	1,333	1,391	1,362	N/A	N/A	N/A	N/A	N/A
5	1996	1,391	1,533	1,462	130,627,000	89,348	130,627,000	1,462	N/A
Growth Over 5 Year Period								N/A	N/A
Average Growth Per Year								N/A	N/A

Note: We are unable to provide the actual number of single family residential hooks-ups for 1992 and the beginning of 1993. Our record of customer accounts only dates back to 12/31/93. Pinellas County, our billing agent, was unable to generate consumption reports for 1992 through 1995. Their computer system has purged this earlier consumption information.

Customer Monthly Billing Schedule

Florida Public Service Commission

Company: Mid-County Services, Inc.
 Docket No. : 971065-SU
 Schedule Year Ended: 12/31/96
 Water [] or Sewer [x]

Schedule: E-3
 Page 1 of 1
 Preparer: FPG

Explanation: Provide a schedule of monthly customers billed or served by class.

Line No.	(1) Month/ Year	(2) Residential	(3) General Service	(4) Multi-Family Dwelling	(5) Private Fire Protection	(6) Other (Irrigation)	(7) Total
1	Avg. monthly water	0	0	0	0	0	0
2	Avg. monthly sewer	1,533	502	4,108	0	0	6,143
3	Total	1,533	502	4,108	0	0	6,143

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(2) Rule 25-30.210(1), Florida Administrative Code, defines a customer as "any person, firm, association, corporation, governmental agency, or similar organization who has an agreement to receive service from the utility." Rule 25-30.210(3), Florida Administrative Code, defines a meter as "any device used to measure service rendered to a customer by a utility." If Mid-County's definition of a customer is different than that as stated by the above rules, please state so and explain why.

Response

Utilities, Inc. and its subsidiaries, including Mid-County use a uniform definition of a customer. A customer is any household or entity that receives water or wastewater service.

Utilities, Inc. does not question the legitimacy of the Florida Administrative Code's definition, but for internal purposes, the company's definition differs slightly. The company's definition is applied uniformly and consistently throughout all jurisdictions. The company must use a consistent definition throughout all jurisdictions since the company allocates common costs based on our definition of customers.

A "customer" may be defined in many different ways which result in equivalent residential customers, single family equivalents, taps, flow equivalents, meters, meter equivalents, etc. The company's definition is solely intended for internal purposes and is not intended to impact regulatory agencies. Similar to Florida, various methodologies are required depending on the use of the data.

For instance the DEP requires actual flows, regardless of the number of "customers" we say we serve. Service availability charges are based on present and future equivalent residential customers that are served based on actual capacities. Used and useful calculations are based on actual capacities. Rates are determined based on meter equivalents. None of these methods dictate what a specific company should use for allocation of indirect costs.

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(3) Please provide a definition of Mid-County's use of the term customer equivalent, including an explanation as to the difference between a customer, a customer equivalent and a meter equivalent.

Response

Customer - Any household or entity that receives wastewater service from Mid-County.

Customer Equivalent - A mathematical calculation used to allocate indirect expenses. In determining a customer equivalent the following table is used:

1 water customer	=	1 customer equivalent
1 wastewater customers	=	1 customer equivalent
1 water & wastewater	=	1.5 customer equivalents
1 availability customer	=	0.25 customer equivalent

The calculation of customer equivalents for each Utilities, Inc. company can be found in the previously provided "Distribution of Expenses".

Meter Equivalent - Mid-County does not utilize the term "meter equivalent". We use the term meters which corresponds to the number of meters that Pinellas County installed, owns and maintains. Mid-County has no control whatsoever regarding the placement or size of the meters.

Mid-County Services, Inc.

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(4) Please provide a written explanation as to precisely how customer equivalents are determined for all Utilities, Inc. utility systems, in general and specifically for Mid-County.

Response

Similar to the definition provided in the response to question number three, Mid-County provides service to 6,143 customers at December 31, 1996. Since no water service is provided, nor do availability customers exist, for Mid-County a 1:1 correlation exists between customers and customer equivalents.

Mid-County Services, Inc.

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(5) Please provide an explanation as to why the utility believes that customer equivalents is a more accurate method to allocate common affiliate expenses as opposed to meter equivalents.

Response

Using customer equivalents has been the instrument of allocation of common affiliate expenses since Utilities, Inc.'s inception 32 years ago. The method has been scrutinized by most of the regulatory bodies that determine proper cost allocation and revenue requirements within the jurisdictions in which we operate, including the Florida Public Service Commission.

Although the method has experienced some improvements through the years, the basic theory supporting the process and the use of customer equivalents has remained constant. Further, as challenges were made to the methodology of allocation, the "Distribution of Expenses" has attempted to satisfy those challenges while providing the most "direct" allocation of costs possible.

One such change has impacted Mid-County substantially. Prior to 1995 billing costs such as computer costs, computer personnel salaries, billing stock, postage, etc. were not directly allocated. To compensate Mid-County customers for the fact that Pinellas County performed the billing function, the number of customer equivalents was adjusted.

In 1995, several minor changes occurred. Due to the purchase of more sophisticated mailing machines we could directly charge each individual company for postage. Additionally, in conjunction with allocation process, Code 5 was developed that specifically identified the proportion that companies that used the computer system. Code 5 uses a weighted average of the number of invoices to total paid and total bills distributed to the total sent to determine a companies percentage use. There is no dispute that this change allowed us to more directly distribute costs to those companies which incurred them.

While this change had an immaterial impact to most companies, the impact of this change was material to Mid-County. This however does not imply that Mid-County is now receiving more costs than their fair share, but rather a more appropriate allocation of costs. On the other hand, the current more accurate method, does indicate that **Mid-County customers were underallocated costs** under the previous method. The underallocation resulted in rates that were lower than those that may have been authorized.

While different jurisdiction's regulatory bodies are solely concerned with their constituency, Utilities, Inc. must provide a fair and equitable distribution of all non-direct costs. Water Service Corporation, the entity that holds most indirect costs, makes no profit as 100% of the expenses are distributed to Utilities, Inc. subsidiaries.

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Response to Question 5 Continued

On March 2, 1995 in Docket No. 94-0157 the Illinois Commerce Commission (ICC) approved an Order related to the practices and procedures of Water Service Corporation and cost allocation to their affiliated interests. An investigation by the ICC Staff was by invitation of Utilities, Inc. The purpose of the Commission investigation was to provide ICC Staff confidence in the accounting practices and procedures of Utilities, Inc. and its subsidiaries. While the scope of the investigation was wide including control functions, appropriate allocable costs, Water Service Corporation Rate Base, etc., the ICC Staff found that the use of customer equivalents was reasonable and only required the definition of a customer equivalent be more clearly defined. (ICC Order 94-0157, p. 3.)

In North Carolina, (Docket W-354, Sub 128) in conjunction with our application for a rate increase, our allocation methodology was also examined. According to the Public Staff in the case, the use of customer equivalents was "reasonable and acceptable" (Direct Testimony, Pamela Pleasant).

In the multiple rate cases of Utilities, Inc. subsidiaries before the Florida Public Service Commission the use of customer equivalents has never been at issue. In the following cases our expense level had minor adjustments, but no Audit Exception questioned the validity of our allocation methodology.

- Utilities, Inc. of Florida, Docket No. 910020-WS, Order No. 25821, Issued 2/27/92
- Utilities, Inc. of Florida, Docket No. 940917-WS, Order No. PSC-95-0574-FOF-WS, Issued 5/9/95
- Miles Grant Water and Sewer Company, Docket No. 891978-SU, Order No. 22079, Issued 10/23/89
- Lake Placid Utilities, Inc., Docket No. 951027-WS, Order No. PSC-96-0910-FOF-WS, Issued 7/15/96

In Lake Placid, the Commission found "expenses to be reasonable, and hereby approve such expenses."

Further in the course of the PSC Staff's investigation of Utilities, Inc.'s affiliate transactions (Audit Control #96-003-3-4), which focused on Water Service Corporation, no Audit Exception regarding the use of customer equivalents was found. In fact, the Staff auditor specifically noted several audit exceptions that required adjustments. Each adjustment **accepted and utilized** the company's allocation codes that are based on customer equivalents.

The use of customer equivalents as an allocation methodology is not new. Our allocation methodology has been open to investigation by this Commission's Staff in a variety of different cases since the Utilities, Inc. first purchased Utilities, Inc. of Florida in 1970. With no exceptions noted as to the use of customer equivalents during the multitude of audits and investigations performed by the FPSC Staff it is reasonable for the company to assume that the FPSC accepts and allows the use of customer equivalents for allocation purposes.

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Response to Question 5 Continued

In Mid-County specifically, the use of customer equivalents compared to some other methodology is appropriate. **Mid-County's responsibility for the maintenance of collection mains does not end at the meter box.** For instance, within Chesapeake Apartments we own and maintain the lines. It is only proper that we count the individual households as customers and not limit our count to the one meter. Keep in mind, Mid-County does not own the meters. If we did, it would be our choice to individually meter each individual household or trailer contained within our system. In that instance, "meter equivalents" would indeed yield the same number as customer equivalents.

Still another reason that the use of "meter equivalents" is flawed in Mid-County is that the AWWA's use per meter is woefully inaccurate compared to Mid-County's actual flows. For example each of the following mobile home parks have a 2" meter which equals 8 meter equivalents: Countryside Manor, Riviera, Regency Heights "A", Regency Heights "B", Serendipity and Frontier Village. Based on actual consumption figures, equivalents are 42, 55, 47, 78, 45, and 79 respectively. Obviously substantially greater than the AWWA's equivalent value, yet the DEP uses actual flows to rate the capacity of our plant. And, as a company we must size mains to allow for actual flows as opposed to AWWA's theoretical flows.

Use of meter equivalents for Mid-County is wrong, and to expand its use to all of its affiliates would be extremely cumbersome and oppressive.

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(6) Please provide a detailed document that shows all calculations of how each Mid-County customer was converted to customer equivalents for 1996. This should be reflected by customer group and meter size.

Response

Please see the attached schedule.

Mid-County Services, Inc
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Customer Equivalents and Accounts

Description	Number of Accounts	Type	Meter Size	Customer Equivalents
Cycle 20	1	Condo	6	194
Cycle 20	1	Condo	6	61
Cycle 20	1	Condo	6	392
Cycle 20	1	Condo	6	168
Cycle33	1	Condo	2	27
Cycle33	1	Condo	2	27
Cycle33	1	Condo	2	27
Cycle33	1	Condo	2	27
Cycle33	1	Condo	1	27
Cycle33	1	Multi-Res	1	12
Cycle33	1	Multi-Res	1	12
Cycle33	1	Multi-Res	1.5	15
Cycle 52 Cypress Apts	14	Residential -apts	5/8	14
Cycle 52-Multi-Residential	5	Multi-Res. -apts	5/8	5
Cycle 52 -Apartments	11	Multi-Res.-apts	5/8	13
Chesapeake Apts-City of Dunedin	1	Apartment	3	354
Chesapeake Apts-City of Dunedin	1	Apartment	6	1
Cycle 20 -Doral Mobile Home Park	1	Trailer	6	642
Cycle52 -Countryside Manor MHP	1	Trailer	2	70
Cycle33 -Riviera MHP	1	Trailer	2	171
Cycle33 -Regency Heights MHP	1	Trailer	2	196
Cycle33 -Regency Heights MHP	1	Trailer	2	196
Cycle33 -Serendipity MHP	1	Trailer	2	417
Cycle 51 -Frontier Village MHP	1	Trailer	2	117
Cycle52- Silk Oak MHP	1	Trailer	2	180
Cycle 52-Countryside Estates MHP	1	Trailer	2	109
Cycle 52-Travel Towne MHP	1	Trailer	2	150
Cycle 52-Travel Towne MHP	1	Trailer	2	150
Cycle 52- Belle Haven MHP	1	Trailer	2	86
Skylark MHP	1	Trailer	5/8	133

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Customer Equivalents and Accounts

Description	Number of Accounts	Type	Meter Size	Customer Equivalents
Cycle 33-Restaurants	1	Restaurant	2	1
Cycle 51- Restaurants	1	Restaurant	1	3
Cycle 52-Restaurants	1	Restaurant	1	2
Cycle52-Restaurants	1	Restaurant	1	1
Cycle 52-Restaurants	1	Restaurant	1	1
Cycle52-Restaurants	1	Restaurant	1	1
Cycle 52-Restaurants	1	Restaurant	1	1
Cycle 52-Restaurants	1	Restaurant	1	1
Cycle 52-Restaurants	1	Restaurant	1.5	1
Cycle 52-Restaurants	1	Restaurant	1.5	1
Cycle 52-Restaurants	1	Restaurant	1.5	1
Cycle 52-Restaurants	1	Restaurant	1.5	1
Cycle 52-Restaurants	1	Restaurant	1.5	1
Cycle 52-Restaurants	1	Restaurant	1.5	1
Cycle 52-Restaurants	1	Restaurant	1.5	1
Cycle 52-Restaurants	1	Restaurant	1.5	1
Cycle 52- Countryside Motel	1	Hotel	2	74
Cycle 52- Comfort Motel	1	Hotel	2	56
Cycle 52- Church	1	Church	1	1
Cycle 33 -Commercial	5	Commercial	5/8	5
Cycle 33 -Commercial	1	Commercial	5/8	10
Cycle 33 -Commercial	10	Commercial	1	10
Cycle 33 -Commercial	1	Commercial	1.5	10
Cycle 33 -Commercial	1	Commercial	1.5	10
Cycle 33 -Commercial	1	Commercial	1.5	10
Cycle 33 -Commercial	1	Commercial	1.5	12
Cycle 33 -Commercial	4	Commercial	1.5	4
Cycle 33 -Commercial	4	Commercial	1.5	4
Cycle 33 -Commercial	1	Commercial	1.5	4
Cycle 33 -Commercial	2	Commercial	2	2
Cycle 51-Commercial	3	Commercial	5/8	3
Cycle 51-Commercial	5	Commercial	1	7
Cycle 51-Commercial	1	Commercial	1	3
Cycle 51-Commercial	1	Commercial	1	10
Cycle 51-Commercial	5	Commercial	1	5
Cycle 51-Commercial	1	Commercial	1.5	6
Cycle 51-Commercial	1	Commercial	1.5	3
Cycle 51-Commercial	1	Commercial	1.5	1

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Customer Equivalents and Accounts

Description	Number of Accounts	Type	Meter Size	Customer Equivalents
Cycle 52-Commercial	5	Commercial	5/8	5
Cycle 52-Commercial	11	Commercial	1	11
Cycle 52-Commercial	1	Commercial	1	5
Cycle 52-Commercial	2	Commercial	1	24
Cycle 52-Commercial	1	Commercial	1	9
Cycle 52-Commercial	2	Commercial	1.5	14
Cycle 52-Commercial	4	Commercial	1.5	5
Cycle 52-Commercial	2	Commercial	1.5	18
Cycle 52-Commercial	1	Commercial	1.5	2
Cycle 52-Commercial	1	Commercial	1.5	14
Cycle 52-Commercial	1	Commercial	1.5	24
Cycle 52-Commercial	5	Commercial	2	5
Cycle 52-Commercial	4	Commercial	2	48
Cycle 52-Commercial	2	Commercial	2	20
Cycle 52-Commercial	1	Commercial	2	18
Cycle 52-Commercial	5	Commercial	1	5
Cycle 33 -Commercial	3	Commercial	1	3
Cycle 33 -Commercial	2	Commercial	1.5	2
Cycle 33 -Commercial	2	Commercial	2	2
Cycle 52- Multi-Residential	27	Multi-Residential	5/8	81
Cycle 52- Multi-Residential	4	Multi-Residential	5/8	8
Cycle 52- Multi-Residential	7	Multi-Residential	1	21
Cycle 52- Multi-Residential	1	Multi-Residential	1	2
Cycle 52- Multi-Residential	1	Multi-Residential	1	2
Cycle 33-Residential	351	Residential	5/8	351
Cycle 51-Residential	230	Residential	5/8	230
Cycle 52-Residential	682	Residential	5/8	682
Cycle 52-Residential	2	Residential	5/8	2
Cycle 33-Residential	264	Residential	5/8	264
Cycle 33-Residential	1	Residential	5/8	1
Residential -2529 Estancia Blvd	1	Residential	5/8	1
Residential -2262 Marsha Drive	1	Residential	5/8	1
Residential -3187 Belcher Road	1	Residential	5/8	1
Total	1753			6143
Residential	1,533			1,533
Multi-Residential	98			4,108
Commercial	122			502
Total	1,753			6,143

Mid-County Services, Inc.

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(7) On the "Customer Equivalent" report in the document entitled "Company 02, Distribution of Expenses 1996", it is staff's understanding that the data shown in the column titled June 1996 is supposed to be customers, explain why Mid-County Services' "customers" reflected are much greater than the number of customers with meters.

Response

Consistent with our responses to Data Request Questions two and three, our definition of customers is not based on the number of meters. Mid-County does not own the meters, nor can we affect the placement, size or use of them.

Mid-County Services, Inc.

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(8) Please provide an analysis of Equivalent Residential Connections (ERC) determined using meter equivalents for all Utilities, Inc. facilities. Water and wastewater facilities should be determined separately and then added together to provide an allocation factor for each water and/or wastewater facility separately.

Response

The calculation of ERCs is performed without regard to meter size. ERCs are calculated based on water consumption and wastewater flow. If the Staff's intention is to provide meter equivalents on a company wide basis, meter equivalent data is not available on Utilities, Inc.'s computer system.

Any exercise to produce company-wide meter equivalent or equivalent residential customer data would be very laborious and time consuming. Pursuant to our conversation with Ms. Tricia Merchant, Division of Water and Wastewater, such an analysis would not be necessary. Considering the fact that Utilities, Inc. owns similar type of systems in North Carolina, South Carolina, Louisiana and Illinois an exercise to determine meter equivalents would not yield a material difference in Mid-County's pro rata share of costs.