

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2

3 In re: Application by Southern ) Docket No. 950495-WS  
 4 States Utilities Inc. for rate )  
 5 increase and increase in service )  
 6 availability charges for Orange- )  
 7 Osceola Utilities, Inc. in )  
 8 Osceola County, and in Bradford, )  
 9 Brevard, Charlotte, Citrus, )  
 10 Clay, Collier, Duval, Hernando, )  
 Highlands, Hillsborough, Lake, )  
 Lee, Marion, Martin, Nassau, )  
 Orange, Osceola, Pasco, Polk, )  
 Putnam, Seminole, St. Johns, )  
 St. Lucie, Volusia and )  
 Washington Counties. )

10

11 TENTH DAY - MID AFTERNOON SESSION

12 VOLUME 41

13 PAGES 4949 through 5084

14

PROCEEDINGS: HEARING

15

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

18

DATE: Friday, May 10, 1996

19

TIME: Commenced at 2:20 p.m.

20

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

22

23 REPORTED BY: LISA GIROD JONES, RPR, RMR

24 APPEARANCES:

25

(As heretofore noted.)

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PROCEEDINGS

(Transcript continues in sequence from  
Volume 40.)

CHAIRMAN CLARK: Staff.

MR. PELLEGRINI: Good afternoon, Mr. Denny.

Let me refer you to --

Before we begin, we have, Chairman Clark, one  
exhibit that we wish to use in cross examining  
Mr. Denny.

CHAIRMAN CLARK: We'll label that as  
Exhibit 236.

(Exhibit No. 236 marked for identification.)

MR. PELLEGRINI: This is the Drinking Water  
Compliance Inspection Report for Leisure Lakes Covered  
Bridge.

WILLIAM DENNY

resumed the stand as a witness on behalf of Southern  
States Utilities, Inc., and having previously been duly  
sworn, testified as follows:

CROSS EXAMINATION

BY MR. PELLEGRINI:

Q (By Mr. Pellegrini) Mr. Denny, let me first  
refer you to your rebuttal testimony beginning at Page  
11 where your testimony addresses the quality of service  
at Covered Bridge.

1           A     Okay.

2           Q     Is it not true that the Utility's flushing of  
3 fire hydrants generally does not improve the water  
4 quality of water which may be setting in customer lines  
5 or in-home plumbing?

6           A     It's true that I don't think flushing fire  
7 hydrants improves the water that is already sitting  
8 inside the customer's home.

9           Q     Yes, that was my question. Turn please to  
10 Page 12, Line 1. There you discuss a chlorine residual  
11 not being maintained above a certain level. Is it not  
12 the case that that certain level is 1.0 milligrams per  
13 liter?

14          A     I think we discussed that in my deposition,  
15 and in my opinion, if you keep a minimum of 1.0  
16 milligram per liter of chlorine residual, you should not  
17 have the discoloration of water containing sulfides.

18          Q     Isn't it true that the installation of a  
19 chlorine pacing system at Covered Bridge would help  
20 maintain that certain level, thereby reducing the  
21 production of harmful sulfides?

22          A     It could help, yes, sir.

23          Q     Is it not true -- or rather, would you agree  
24 that it would be a good idea for SSU to conduct customer  
25 education regarding the need to flush the pipes in their

1 homes if they are seasonal residents?

2 A Yes, sir, we discussed that in my deposition  
3 and I agreed to that.

4 Q Let me refer you now, Mr. Denny, to the  
5 exhibit just marked 236. Do you have that before you?

6 A Yes, sir.

7 Q Is it not true that DEP has made a notation  
8 regarding overall equipment condition as fair to poor?

9 A Yes, sir, that's what it says on this report.

10 Q Is it the case that the Utility -- that  
11 Utility does not have current plans to replace these  
12 items or to bring them into better condition?

13 A Exactly what items are you referring to, sir?

14 Q Overall of the equipment, whose equipment is  
15 described as fair to poor.

16 A I personally don't have any knowledge of any  
17 plans to -- for any capital improvements at this  
18 facility. One of the -- maybe Mr. Westrick could have  
19 answered that better as far as the capital improvements,  
20 but I'm not aware of any.

21 Q Then you're aware of no plans to address -- or  
22 rather to improve the rating of fair to poor with  
23 respect to this particular equipment; is that your  
24 testimony?

25 A I think since this inspection report, as we

1 discussed in my deposition, that we've replaced the  
2 aerator screen works, cleaned the aerator, and have  
3 implemented a program there that we will clean the  
4 storage tank on an annual basis.

5 Q All right, with respect to -- with respect to  
6 the deficiencies cited on Page 2 of this exhibit, is it  
7 not the case that the Utility has not abandoned the  
8 well?

9 A That is true, sir. We have not abandoned the  
10 well. We're evaluating it and we had notified DEP that  
11 we would let them know whether we were going to place it  
12 back in service or abandon it by November 30.

13 Q And the aeration tank clear well interface  
14 seal, has that been corrected?

15 A Yes, sir, it has.

16 Q The aerator disinfected?

17 A Yes, sir, it has.

18 Q And bacteriological analysis submitted?

19 A Yes, sir, it has.

20 Q With respect now to the recommendations on  
21 that same page, the storage tank, has it been inspected  
22 and cleaned?

23 A No, sir, it has not, but it will be before the  
24 end of this year.

25 Q What maintenance is or will the utility

1 conduct to improve the overall condition of the water  
2 treatment plant?

3 A As I said, I talked to the regional manager  
4 for that area and he has implemented a program to  
5 physically clean the aeration -- the aerator and the  
6 storage tank on an annual basis as an ongoing program.

7 Q Okay. Turning now for a moment, Mr. Denny, to  
8 the subject matter of unaccounted for water, and  
9 directing your attention to Pages 8 and 9 in your  
10 rebuttal testimony.

11 A Yes, sir.

12 Q There you discuss the metering problems at  
13 Amelia Island, Beechers Point and Woodmere, the  
14 distribution meter at Lehigh; do you agree?

15 A Yes, sir.

16 Q And you state that since replacing or  
17 calibrating of these meters at those plants, the  
18 unaccounted for water has been reduced to acceptable  
19 levels.

20 A Yes, sir.

21 Q All right. Does this suggest that these  
22 meters were registering higher than true flows?

23 A Yes, sir, it does.

24 Q Is it not rather rare to have meters which  
25 overregister flows?

1           A     Not necessarily with well meters. And as long  
2 as it's a proper meter, too, that's one of the things  
3 that we have found that not only do you need to annually  
4 calibrate meters, you need to make sure that you have  
5 the proper meter for the proper installation.

6           Q     My question really was, how frequently in your  
7 experience have you encountered customer meters which  
8 overregister or run fast?

9           A     These meters that I'm referring to here are  
10 mostly well meters, and it's really not that uncommon  
11 for a well meter to register fast.

12          Q     Turn please to Pages -- well to Page 4 of your  
13 testimony. And there and on Page 5 you essentially make  
14 the point that you feel it would be much more  
15 cost-effective for the Utility to address large -- to  
16 address large surface areas which have compliant  
17 unaccounted for water rather than to address smaller  
18 systems whose unaccounted for water may be out of  
19 compliance. Isn't that true?

20          A     Yes, sir.

21          Q     And I think Mr. Twomey specifically  
22 directed -- rather, in response to Mr. Twomey, you  
23 specifically referred to Sugarmill Woods where the  
24 unaccounted for water level is 9.8 percent, that is, at  
25 a compliant level. Do you recall that?

1           A     Yes, sir, that's correct.

2           Q     Is there a program at Sugarmill Woods to  
3 reduce that level of unaccounted for water?

4           A     Mr. Pellegrini, we're continuously trying to  
5 reduce our unaccounted for water, and one of the ways  
6 we're doing that is with an aggressive meter change-out  
7 program. This year, in 1996, we will change out  
8 8 percent of our customer meters.

9           Q     Is it your testimony that in fact you have an  
10 active program which concentrates on large systems whose  
11 unaccounted for water levels may well be compliant in  
12 respect to the ten percent level?

13          A     My testimony is that we -- this meter program  
14 is for all systems, but my testimony is also that we  
15 should concentrate even further on systems, irregardless  
16 of the percentage, that have high gallons of unaccounted  
17 for water.

18          Q     What I'm trying to determine -- I think I  
19 understand your question, but what I'm trying to  
20 determine, is that the basis for SSU's program to  
21 address the unaccounted for water, that is a  
22 concentration on large systems?

23          A     Yes, sir.

24          Q     In your rebuttal testimony you provide  
25 specific explanations for high unaccounted for water

1 percentages at Amelia Island, Woodmere, Beechers Point,  
2 Lehigh and Valencia Terrace; is that not true?

3 A Yes, sir.

4 Q However, there are 24 other systems with  
5 excessive unaccounted for water flow. Do you accept  
6 that?

7 A Yeah -- I don't have that information right in  
8 front of me, but yes, sir, I'll accept that.

9 Q And you offer no explanation for the high  
10 levels -- for the excessive levels of unaccounted for  
11 water in respect to these systems?

12 A Could you be more specific with the systems  
13 that we're discussing here?

14 Q Well, no, for systems other than those which I  
15 enumerated, there are -- I pointed out that there are  
16 some 24 others with excessive unaccounted for water, for  
17 which you offer no explanation.

18 A I agree, sir. I didn't bring any of those --  
19 I didn't give any other examples in my testimony, but I  
20 think on our unaccounted for water papers that we show  
21 or give some brief explanation as to why we think the  
22 unaccounted for water is -- is what it is.

23 Q For those systems that I enumerated, you  
24 disclaimed the necessity for an unaccounted for water  
25 adjustment; isn't that true?

1           A     That's correct.

2           Q     Is that to suggest that you would accept  
3 Mr. Biddy's used and useful adjustments for unaccounted  
4 for water for those 24 systems for which you offered no  
5 explanation?

6           A     No, sir, I do not. As I've said in my  
7 testimony, I believe that most of the water that is in  
8 unaccounted for is because of improper metering. And  
9 because of that, you're still pumping the water,  
10 treating the water and selling the water, using the  
11 chemicals, the power, and it's just not being measured  
12 properly. Based on that, I don't think any adjustment  
13 is appropriate.

14          Q     A final question, Mr. Denny. We -- I asked  
15 Mr. Terrero earlier today for follow-up information as a  
16 late-filed exhibit concerning the purchased power  
17 expenses related to certain systems, and he referred the  
18 question to you, that is, the systems being: Holiday  
19 Haven, Jungle Den, Lehigh, Palm Parks, Spring Garden,  
20 Sugarmill and Venetian Village. Are you in a position  
21 to supply that information?

22           MR. HOFFMAN: Madam Chairman, we're going to  
23 object to supplying that information. It's apparent  
24 that what Staff is doing here is attempting to expand  
25 their position in the prehearing order under Issue

1 No. 23 in terms of possible adjustments for  
2 infiltration, for alleged excessive infiltration and  
3 inflow beyond the specific service areas that are  
4 enumerated in Staff's position. Staff has asked the  
5 Company for the lift station purchased power expense  
6 information with respect to the specific service areas  
7 that are set forth under Staff's position on Issue 23 on  
8 Page 28 of the prehearing order. And we've provided  
9 that.

10 MR. PELLEGRINI: Chairman Clark, Staff in fact  
11 is -- has in fact requested discovery on this matter and  
12 has been referred by the Utility to its response to  
13 OPC's POD 279. And in the course of these hearings it's  
14 become apparent to Staff that the Utility's infiltration  
15 and inflow calculations do contain a flaw, and indeed  
16 the Utility has conceded this. Staff believes that the  
17 same flaw which pertains to overstatements pertains as  
18 well to -- or conceivably pertains as well to  
19 understatements. In order for Staff to make the proper  
20 used and useful adjustments, it is necessary for Staff  
21 to have the information which it requested of the  
22 Utility. Indeed, this is information which the utility  
23 has already supplied in respect to the facilities which  
24 are shown to have overstated INI's.

25 CHAIRMAN CLARK: Mr. Pellegrini, if I

1 understand the objection correctly, it is that what has  
2 been identified as an issue names those wastewater  
3 plants where there might be excessive infiltration and  
4 inflow. Are you now saying that there are other ones  
5 and that's what you want to --

6 MR. PELLEGRINI: Yes, that's true. And the  
7 Utility has conceded that -- the Utility has taken the  
8 position that in five -- for five of those facilities in  
9 which an overstatement is shown, that there's an error  
10 based upon the use of the population factor of 2.7. And  
11 Staff has a point -- has the position that that same  
12 flaw is applicable to those facilities which are shown  
13 to have within tolerance infiltration and inflow.

14 MR. RILEY: The Citizens would like to make a  
15 quick comment in support of Staff.

16 MR. PELLEGRINI: I'm not done.

17 MR. RILEY: Go ahead.

18 MR. PELLEGRINI: So in order to properly  
19 examine those suspect facilities, it's essential -- and  
20 to arrive at the correct adjustment to be made, it's  
21 necessary to have the information which Staff is  
22 presently requesting of the Utility.

23 CHAIRMAN CLARK: Would you explain to me why  
24 this wasn't identified earlier in this process?

25 MR. PELLEGRINI: Because -- yes, because this

1 flaw only became apparent to Staff in the course of  
2 these hearings.

3 MR. RILEY: A quick comment?

4 CHAIRMAN CLARK: Yes.

5 MR. RILEY: I do not believe we are dealing  
6 with any expansion of the issue at all. What we're  
7 dealing with is a slight expansion of Staff's position  
8 on the issue. If you read Issue 23, the issue does not  
9 delineate these specific systems. It says: Do any  
10 wastewater facilities have excess infiltration or  
11 inflow, and what adjustments are necessary? There's  
12 absolutely no expansion of the issue. There is a  
13 refinement of a party's position.

14 MR. HOFFMAN: May I briefly respond, Madam  
15 Chairman, before you rule?

16 CHAIRMAN CLARK: Yes, Mr. Hoffman.

17 MR. HOFFMAN: Questions concerning the inflow  
18 and infiltration calculations that were presented --  
19 that were ultimately presented in an exhibit to  
20 Mr. Terrero for extensive questioning yesterday  
21 afternoon and evening and today -- it was Exhibit 81 or  
22 82, I don't recall offhand -- questions concerning those  
23 matters were tendered to Mr. Terrero many months ago in  
24 his deposition, and he responded to those questions.  
25 Staff had every opportunity to digest the information

1 and formulate their position. At this point, we believe  
2 it is -- it is not at all an expansion of the issue.  
3 The issue is the same. It is an expansion of their  
4 position, and it violates our due process rights in  
5 terms of our ability to prepare for hearing.

6 CHAIRMAN CLARK: Mr. Pellegrini, go ahead and  
7 outline for me the exhibit you want on this. I am  
8 not -- I am just simply going to identify it at this  
9 point and then I want to look into it.

10 MR. PELLEGRINI: I'm sorry, I didn't hear the  
11 last --

12 CHAIRMAN CLARK: What was the exhibit you  
13 wanted?

14 MR. PELLEGRINI: What we want is an exhibit  
15 which contains the total lift station purchased power  
16 expenses for the following facilities: Holiday Haven,  
17 Jungle Den, Lehigh, Palm Court, Spring Garden, Sugarmill  
18 and Venetian Village. This is information identical to  
19 data supplied previously in response to Staff's Document  
20 Request 78.

21 CHAIRMAN CLARK: What is it for those  
22 facilities, again, the Power --

23 MR. PELLEGRINI: Total Lift Station Purchased  
24 Power Expenses by Facility for the Test Year.

25 CHAIRMAN CLARK: Okay.

1           MR. HOFFMAN: I would add, Madam Chairman,  
2 while you're formulating your ruling, and I think I need  
3 to emphasize, that there's no testimony in this record  
4 where Mr. Terrero has conceded that the Company made an  
5 error in its calculations. The Staff may have a  
6 different viewpoint as to how calculations should be  
7 made, but we have conceded no error.

8           (Late-filed Exhibit No. 237 identified.)

9           CHAIRMAN CLARK: Okay. We have finished cross  
10 examination; is that correct?

11          MR. PELLEGRINI: Yes, we have.

12          CHAIRMAN CLARK: Redirect?

13          MR. HOFFMAN: Thank you, Madam Chairman.

14                               REDIRECT EXAMINATION

15 BY MR. HOFFMAN:

16           Q     Just a few questions, Mr. Denny. I think in  
17 response to one of Mr. Twomey's questions you  
18 acknowledged that a -- two service areas that are  
19 physically interconnected would be functionally related  
20 in an engineering sense. Do you recall that?

21           A     Yes.

22           Q     And most of Southern States' service areas are  
23 not physically interconnected; is that correct?

24           A     That's correct.

25           Q     In your opinion, are these service areas

1 functionally related in an operational sense?

2 A Yes, they are.

3 Q Can you state why?

4 A I don't believe that any of our service  
5 territories can provide quality reliable service without  
6 the dependency of the central Apopka office, as well as  
7 personnel and equipment from other service areas.

8 Q You were asked a question by Mr. Pellegrini  
9 concerning the Beechers Point water system. Do you  
10 recall that?

11 A Yes.

12 Q Now as I understand it, the Beechers Point  
13 water system is interconnected with the town of Welaka;  
14 is that correct?

15 A That's correct.

16 Q What was the reason for that interconnection?

17 A If I'm not mistaken, the well went bad. So we  
18 interconnected with the town.

19 Q You were also asked for some information, the  
20 Company was asked for some information, concerning the  
21 Sugarmill Country Club. What is the status of the  
22 Company's corrosion control efforts at the Sugarmill  
23 Country Club?

24 A We placed the corrosion control equipment into  
25 service yesterday.

1 MR. HOFFMAN: Thank you. That's all I have.

2 CHAIRMAN CLARK: Exhibits.

3 MR. HOFFMAN: Madam Chairman, the Company  
4 would move Exhibit 235.

5 CHAIRMAN CLARK: Without objection, Exhibit  
6 235 is admitted.

7 MR. PELLEGRINI: Chairman Clark, Staff would  
8 move Exhibit 236.

9 CHAIRMAN CLARK: Exhibit 236 will be  
10 admitted.

11 With respect to 237, I would like to have the  
12 opportunity to an discuss it with our advisory-- legal  
13 section, and I'll certainly make a ruling before the end  
14 of the day.

15 (Exhibit Nos. 235 and 236 received into  
16 evidence.)

17 MR. TWOMEY: May I make just a brief comment  
18 on that?

19 CHAIRMAN CLARK: Yes.

20 MR. TWOMEY: I appreciate the desire of the  
21 Chair to keep to the issues and so forth. I would just  
22 urge, though, in your consideration of that ruling, and  
23 all of your rulings, that the -- that the Commission may  
24 consider that it has an obligation to the public  
25 interest, independent of what the parties do here.

1           CHAIRMAN CLARK: Mr. Twomey, I realize that.  
2 I know -- this is different than a court case, and I am  
3 struggling with the equities.

4           MR. TWOMEY: I know you are. And I just  
5 wanted to say that because I think there is a danger at  
6 some point with some of these objections that will have  
7 a case of form over substance, and I would just --

8           CHAIRMAN CLARK: I appreciate that, and that's  
9 exactly why I've reserved ruling. I want to give it a  
10 little more thought than just the minute I usually get  
11 up here.

12           MR. PELLEGRINI: Chairman Clark, could I offer  
13 one comment in response to Mr. Hoffman.

14           CHAIRMAN CLARK: Yes.

15           MR. PELLEGRINI: We don't really consider that  
16 there is a due process problem here because parties'  
17 positions, in fact, are preliminary, subject to  
18 development based on the record.

19           CHAIRMAN CLARK: Yes, I understand. Those are  
20 all considerations that I will take into account when I  
21 make my ruling.

22           All right, let's go ahead and take a  
23 ten-minute break and then we will start up with  
24 Ms. Teasley.

25           (Recess from 2:40 p.m. until 3:00 p.m.)

1 CHAIRMAN CLARK: Call the hearing back to  
2 order. Mr. Feil.

3 MR. FEIL: SSU calls Karla Olson Teasley.  
4 Ms. Teasley, have you been sworn?

5 WITNESS TEASLEY: Yes, I have.

6 KARLA OLSON TEASLEY  
7 was called as a witness on behalf of Southern States  
8 Utilities, Inc., and having been duly sworn, testified  
9 as follows:

10 DIRECT EXAMINATION

11 BY MR. FEIL:

12 Q Could you state your name and business address  
13 for the record please?

14 A Karla Olson Teasley, 1000 Color Place, Apopka,  
15 Florida 32703.

16 Q Are you the same Karla Olson Teasley for whom  
17 prefiled rebuttal testimony was filed in this case  
18 consisting of 30 pages?

19 A Yes.

20 Q Do you have any changes or corrections to that  
21 prefiled rebuttal testimony?

22 A Yes, I have two minor corrections.

23 Q Would you please give them?

24 A Yes. On Page 17 of the testimony, on Line 13,  
25 there is a percentage there that is 94 percent. It

1 should be 91 percent. Second change, on Page 20, Line  
2 6, the number 5,482 should be 6,482. That's all I  
3 have.

4 Q Thank you. With those corrections, if I asked  
5 you the questions in your prefiled rebuttal testimony  
6 today, would the answers to them be the same?

7 A Yes, they would.

8 MR. FEIL: Madam Chairman, I ask that  
9 Ms. Teasley's prefiled rebuttal testimony be inserted  
10 into the record as though read.

11 CHAIRMAN CLARK: The prefiled rebuttal  
12 testimony of Ms. Karla Olson Teasley will be inserted in  
13 the record as though read.

14 Q (By Mr. Feil) Ms. Teasley, did you also have  
15 attached to your prefiled rebuttal testimony one exhibit  
16 identified as KOT-1?

17 A Yes, I did.

18 MR. FEIL: Madam Chairman, I ask that the  
19 exhibit identified as KOT-1 receive the next  
20 identification number for evidence.

21 CHAIRMAN CLARK: The next exhibit number I  
22 have is 238.

23 (Exhibit No. 238 marked for identification.)  
24  
25

1 Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?

2 A. My name is Karla Olson Teasley and my business  
3 address is 1000 Color Place, Apopka, Florida 32703.

4 Q. WHAT IS YOUR POSITION WITH SOUTHERN STATES  
5 UTILITIES, INC.?

6 A. My position is Vice President-Customer Services for  
7 Southern States Utilities, Inc. which I will refer  
8 to as "SSU" or the "Company".

9 Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND WORK  
10 EXPERIENCE?

11 A. I graduated summa cum laude from the University of  
12 Wisconsin-Eau Claire with a Bachelor of Arts degree  
13 in 1980. I received my Juris Doctor from the  
14 University of Minnesota Law School in 1983. I  
15 worked for six years as an attorney for Minnesota  
16 Power & Light Company, practicing in the areas of  
17 regulatory law, corporate finance, contracts and  
18 general corporate law. In 1989, I became General  
19 Counsel and Secretary of Southern States Utilities,  
20 Inc., with progressive responsibilities until I  
21 became Vice President-Corporate Services, General  
22 Counsel and Secretary in January 1992. In February  
23 1995 I assumed my current position as Vice  
24 President-Customer Services.

25 I am a member of the American Bar Association,

1 the Florida Bar Association (Public Utilities Law  
2 Committee), the Central Florida Association of  
3 Women Lawyers, the National Association of Water  
4 Companies (Vice Chair of the Government Relations  
5 Committee), immediate Past President and current  
6 board member of the Florida Waterworks Association,  
7 and a member of the American Water Works  
8 Association.

9 **Q. WHAT ARE YOUR PRESENT DUTIES AS VICE PRESIDENT-**  
10 **CUSTOMER SERVICES?**

11 A. Generally, I am responsible for the proper  
12 operation and management of the Customer Service  
13 function in the Company. This includes direct  
14 customer contacts, including staffing and operation  
15 of our customer call center in Apopka, as well as  
16 five separate customer service offices located in  
17 Deltona, Spring Hill, Buenaventura Lakes, Lehigh  
18 and Marco Island. In addition, I have  
19 responsibility for the developer relations function  
20 at SSU, including handling developer projects,  
21 developer agreement administration, territory  
22 amendments and other matters related to internal  
23 growth.

24 **Q. HAVE YOU EVER TESTIFIED BEFORE A REGULATORY AGENCY?**

25 A. Yes, I have.

1 Q. PLEASE DESCRIBE THE SCOPE OF YOUR TESTIMONY IN THAT  
2 PROCEEDING?

3 A. In Docket No. 920655-WS I provided testimony  
4 concerning Public Counsel witness Dismukes'  
5 proposed adjustments to remove certain legal  
6 expenses from the Company's annual revenue  
7 requirements.

8 Q. PLEASE DESCRIBE THE SCOPE OF YOUR TESTIMONY IN THIS  
9 PROCEEDING.

10 A. I will address testimony of Public Counsel  
11 witnesses Hugh Larkin, Jr. and Donna DeRonne  
12 relating to proposed adjustments to rate base and  
13 the Company's annual revenue requirements based on  
14 Marco Island water supply costs, and the prudence  
15 of such costs incurred by the Company.

16 I will also respond to customer comments  
17 during customer service hearings by providing  
18 testimony on certain customer service programs that  
19 the Company has initiated during the last year to  
20 provide high quality service to customers.

21 MARCO ISLAND WATER SUPPLY COSTS

22 Q. CAN YOU ADDRESS LARKIN/DERONNE'S PROPOSALS RELATED  
23 TO THE ACCOUNTING TREATMENT FOR THE MARCO ISLAND  
24 WATER SUPPLY COSTS PROPOSED FOR DEFERRED DEBIT  
25 TREATMENT BY THE COMPANY?

1 A. No. SSU witness Morris Bencini will address  
2 accounting issues related to the proposed deferral  
3 in his rebuttal testimony.

4 **Q. DO YOU AGREE WITH MR. LARKIN AND MS. DERONNE'S**  
5 **PROPOSED ADJUSTMENT TO REMOVE CERTAIN DEFERRED**  
6 **MARCO ISLAND WATER SOURCE OF SUPPLY COSTS FROM RATE**  
7 **BASE AND DISALLOW THE COMPANY'S PROPOSED DEFERRED**  
8 **DEBIT TREATMENT?**

9 A. No, I do not. As stated in the Larkin/DeRonne  
10 testimony, during the last several years SSU has  
11 undergone "significant efforts to obtain a raw  
12 water supply source for its Marco Island service  
13 area." At no point in their testimony do Larkin or  
14 DeRonne take issue with the prudence of the costs  
15 that were incurred by the Company in an effort to  
16 obtain a permanent source of raw water for Marco  
17 Island. In fact, in their discussion of costs  
18 associated with the design and permitting of a new  
19 wellfield on the Company's 160 acre land parcel for  
20 water supply, the Public Counsel witnesses suggest  
21 that the costs should be "ultimately charged to the  
22 new wellfield that will be built." This is in fact  
23 what SSU has done regarding the Marco Island source  
24 of supply since all of the referenced water supply  
25 alternatives were necessarily pursued to obtain a

1 permanent water supply source for Marco Island.

2           Once this source of supply was obtained  
3 through condemnation of the Collier Lakes property,  
4 which was completed in May of 1995, SSU included  
5 the various water supply costs incurred in relation  
6 to other source alternatives in this rate case for  
7 recovery through amortization over a five year  
8 period. As I will discuss in further detail, SSU's  
9 efforts with regard to all of these alternatives  
10 were necessary to prudently obtain the most cost  
11 effective, reliable, long-term water supply source  
12 for Marco Island. Attached as Exhibit 238 (KOT-  
13 1) is a detailed chronology of Marco Island/Marco  
14 Shores Water Supply Planning which describes  
15 efforts to plan for water demands on Marco starting  
16 in 1964 well before SSU acquired the Marco plant  
17 through the 1995 initiatives. This information was  
18 provided to all parties through discovery to  
19 provide a detailed description of all water supply  
20 alternatives that were pursued, and the timing and  
21 prudence of the various efforts to obtain a  
22 permanent water supply. I will separately discuss  
23 each water supply alternative that Larkin/DeRonne  
24 have proposed to disallow for future recovery  
25 through rates.

1 Q. DO YOU AGREE WITH THE LARKIN/DERONNE PROPOSAL THAT  
2 SSU'S PROPOSED DEFERRAL OF COSTS ASSOCIATED WITH  
3 RENEGOTIATION OF THE COLLIER WATER LEASE BE  
4 DISALLOWED?

5 A. No, I do not. As stated by the Public Counsel  
6 witnesses, prior to acquiring the Collier property,  
7 SSU attempted to renegotiate the lease. This  
8 effort was initiated in 1990, over four years  
9 before the lease was scheduled to expire. It would  
10 not have been prudent for SSU to attempt to acquire  
11 the property either through negotiated purchase or  
12 condemnation proceedings without first pursuing a  
13 long-term lease arrangement. Over the course of  
14 the next two years, SSU attempted to renegotiate  
15 the lease utilizing both short and long-term  
16 alternatives and a variety of terms, without  
17 success. Approximately \$60,000 was incurred in  
18 these efforts including expenses necessary to  
19 define the leased property, evaluate financial  
20 terms for the proposed lease, draft and negotiate a  
21 lease agreement, etc. All such costs were  
22 prudently incurred and could not have been avoided  
23 in attempting to find the least cost alternative to  
24 obtain a permanent water supply source for Marco  
25 Island. Although it is true that these

1 negotiations were not successful, they were a  
2 necessary precursor to the ultimate acquisition of  
3 the Collier property. If such negotiations had  
4 been successfully completed, a lease extension  
5 could likely have been the least cost alternative  
6 for Marco water supply, at least based upon the  
7 terms proposed by SSU at the time. Verification of  
8 this fact is contained in page 3 of the Marco  
9 Island Water Supply Planning Chronology, attached  
10 as Exhibit 238 (KOT-1), and therefore, expending  
11 such costs was clearly prudent and in the best  
12 interest of SSU's customers. Under these  
13 circumstances it is not unreasonable for SSU to  
14 defer such costs until obtaining the permanent  
15 water supply source and then requesting recovery of  
16 such expenses from its customers.

17 **Q. PLEASE DISCUSS SSU'S EFFORTS TO INTERCONNECT WITH**  
18 **THE CITY OF NAPLES RAW WATER SUPPLY AND WHY SSU**  
19 **BELIEVES IT SHOULD BE PERMITTED TO INCLUDE ITS**  
20 **DEFERRED COSTS FOR THIS PROJECT IN RATES?**

21 A. In proposing that SSU's deferral of project costs  
22 associated with the proposed City of Naples  
23 interconnect be disallowed, Public Counsel  
24 witnesses Larkin and DeRonne do not present any  
25 evidence either that such costs were not prudently

1           incurred by SSU to obtain a permanent Marco Island  
2           water supply source or were unreasonable in amount.  
3           On the contrary, this project was pursued in good  
4           faith by the Company starting in 1993 as confirmed  
5           in Exhibit 238 (KOT-1), page 5. At the end of  
6           1992, after several years of negotiating with the  
7           Collier family to renew the water lease, SSU was  
8           notified that the Collier's would not renegotiate  
9           the lease. Although condemnation of the property  
10          was one feasible alternative, this approach had  
11          definite risks including the possibility that the  
12          property owner would not negotiate a settlement and  
13          a jury verdict was very unpredictable. Therefore,  
14          SSU pursued an interconnect with a neighboring  
15          utility, the City of Naples, as a prudent  
16          alternative to the uncertainties of condemnation.  
17          Preliminary indications in early 1993 were that  
18          adequate capacity was available from the City at a  
19          cost which would be less than an expected outcome  
20          under condemnation proceedings for the Collier  
21          property. Also, there was expected to be  
22          additional flexibility to acquire more water on a  
23          long-term basis from the City of Naples based on  
24          wellfield expansion than the volume of water SSU  
25          expected would be available from the Collier Lakes

1 property. As SSU witness Terrero will testify,  
2 subsequent events have created the real possibility  
3 of an Aquifer Storage and Recovery facility located  
4 on the property purchased from the Colliers which  
5 could address Marco Island's long term needs. In  
6 any event, during 1993, a significant amount of  
7 work relating to studies, preliminary design,  
8 permitting and agreement negotiation with the City  
9 took place. These activities were necessary to  
10 confirm available capacity, determine if necessary  
11 permits could be obtained and to make final cost  
12 estimates. When the final studies were completed  
13 in December of 1993, it became clear that several  
14 variables relating to (1) land and easement  
15 acquisition costs, (2) anticipated future cost  
16 increases from the City and (3) permitting  
17 obstacles, made the interconnect a more costly  
18 alternative than costs associated with an expected  
19 outcome in condemnation proceedings for the Collier  
20 property. Approximately \$490,000 was spent to  
21 pursue the above-referenced activities relating to  
22 the project so that the interconnect would be able  
23 to provide water to Marco Island by January 1995.  
24 However, once the necessary studies were completed,  
25 and all the costs were fully explored, SSU

1           determined that the interconnect was not the least  
2           cost alternative available as was originally  
3           anticipated. It was no longer prudent to pursue  
4           this water supply alternative, and preparations  
5           were made to pursue the acquisition/condemnation of  
6           the Collier property. These costs were not  
7           "arbitrarily deferred" as stated by Public Counsel  
8           witnesses Larkin/DeRonne. They were prudently  
9           incurred by SSU in seeking the lowest cost  
10          alternative for a Marco Island water supply source.  
11          As soon as the studies, negotiations, etc. that  
12          were necessary to determine ultimate project costs  
13          were completed, SSU discontinued this project and  
14          pursued another least cost alternative. Such costs  
15          should be borne by the ratepayers as part of the  
16          ultimate cost of securing a permanent water supply  
17          source for Marco Island. If the Naples  
18          interconnect project had been completed, such costs  
19          would certainly have been charged to the  
20          interconnect capital project and included for  
21          recovery in the current rate case. Therefore,  
22          these costs are property includable in customer  
23          rates as part of this rate proceeding.

24          **Q. WHY SHOULD SSU BE PERMITTED TO RECOVER IN CURRENT**  
25          **RATES THOSE COSTS ASSOCIATED WITH THE PROPOSED USE**

1           **OF THE DUDE PIT PROPERTY AS A WATER SUPPLY SOURCE?**

2       A.   As summarized on pages 3 through 5 of Exhibit 238  
3           (KOT-1), SSU pursued the use of property known as  
4           the Dude site from 1990 to 1994 for a water supply  
5           source for Marco Island. Unlike several of the  
6           other water supply alternatives, this proposed  
7           source was being sought as an addition to primary  
8           supplies such as the Collier Lakes property. In  
9           August of 1990 an initial lease agreement was  
10          negotiated with Southfield Farms, the owner of the  
11          property, to supplement other Marco water sources.  
12          During the remainder of 1990 and 1991, SSU  
13          conducted hydrogeological studies to support  
14          proposed water withdrawals, began preliminary  
15          design of pump structures and pipeline, and pursued  
16          acquisition of easements and permits for the  
17          project. Although SSU experienced some permitting  
18          delays in late 1991, it continued to receive  
19          necessary permitting approvals through April of  
20          1992. In May through August of 1992, amid  
21          significant objection from agricultural interests  
22          located adjacent to the Dude property, the Collier  
23          County Commission declined to grant necessary  
24          conditional use permits for the property. This  
25          denial was issued despite the fact that all other

1           permitting agencies including the South Florida  
2           Water Management District, the Florida Department  
3           of Environmental Protection, the Collier County  
4           Environmental Advisory Board and the Collier County  
5           Planning Commission had approved the project.  
6           During the pendency of Collier County hearings, May  
7           to August 1992, SSU and Southfield Farms agreed to  
8           jointly defer a pending foreclosure action on the  
9           property by the payment of \$180,000 to Barnett  
10          Bank. Pursuant to the agreement, SSU advanced  
11          \$90,000 on behalf of Southfield Farms to the Bank  
12          which was to be repaid at a later time. Although  
13          the foreclosure action was delayed until October  
14          1992, SSU and Southfield Farms were unsuccessful in  
15          obtaining the necessary permits from Collier County  
16          to use the property as a water supply source. A  
17          subsequent appeal of the County decision and  
18          related litigation with the adjacent agricultural  
19          property owners was likewise unsuccessful. The  
20          adjacent property owners eventually purchased the  
21          property from Barnett Bank and SSU entered into a  
22          settlement agreement with them by which SSU  
23          received certain easement rights over the property  
24          owner's properties. In a separate action against  
25          Southfield Farms and its principal, Harold Dude,

1 SSU has obtained a judgment for the \$90,000 it paid  
2 to Barnett Bank on behalf of Southfield Farms and  
3 is attempting to collect on this debt.

4 As described above, all of SSU's activities to  
5 negotiate the Dude water purchase agreement, as  
6 well as to design and permit the project, were  
7 prudently incurred to obtain an additional water  
8 supply source for Marco Island. From project  
9 inception through the summer of 1992, SSU had  
10 reason to believe that the project was viable and  
11 cost-effective, and that all permits would be  
12 obtained as evidenced by the fact that permits were  
13 received from all regulatory agencies having  
14 jurisdiction over the project with the exception of  
15 the Collier County Commission. The agricultural  
16 interests that intervened in the Collier County  
17 proceedings primarily objected to the proposed  
18 water withdrawals, although the County Commission  
19 arguably had no authority to deny the  
20 SSU/Southfield Farms petition on that basis since  
21 the South Florida Water Management District has  
22 jurisdiction over water withdrawals and had  
23 previously permitted the project. Also, SSU had  
24 spent significant dollars on the Dude project as  
25 evidenced by the approximately \$886,000 included as

1 part of the disputed deferred debit balance. Based  
2 on the perceived strength of SSU's legal position,  
3 the Company appealed the County Commission decision  
4 and pursued additional litigation with the property  
5 owners into 1994. However, when it became clear  
6 that SSU was going to be unsuccessful in any  
7 further attempts to utilize the property as a water  
8 supply source, it entered into a settlement  
9 agreement with the property owners. SSU did not  
10 voluntarily abandon the water supply project, but  
11 instead pursued it prudently to its logical  
12 conclusion. Outside legal counsel advised the  
13 Company that relevant legal authority supported  
14 SSU's position that SSU was entitled to receive  
15 permits for the project. Despite this, however,  
16 the opposition prevailed. SSU should not now be  
17 denied recovery of the amounts prudently incurred  
18 because it was unsuccessful in permitting what  
19 appeared at the time decisions were being made to  
20 be the most viable and cost-effective water supply  
21 project. Furthermore, the sums paid to Barnett  
22 Bank were necessary to retain SSU's interest in the  
23 property during the pendency of the Collier County  
24 conditional use proceedings. Contrary to the  
25 testimony of Larkin/DeRonne, SSU did not and should

1 not be expected to accept the risk that the Dude  
2 property would not be permitted as a water supply  
3 source and not be allowed to recover its costs  
4 which were prudently incurred. For the reasons  
5 stated above, SSU should be permitted to recover  
6 its costs associated with this project in current  
7 rates.

8 **Q. DO YOU HAVE ANY COMMENTS REGARDING AUDIT EXCEPTION**  
9 **NO. 3 RELATING TO FPSC STAFF'S PROPOSED**  
10 **DISALLOWANCE OF SSU'S COSTS ASSOCIATED WITH THE**  
11 **PROPOSED USE OF THE DUDE PROPERTY AS A WATER SUPPLY**  
12 **SOURCE?**

13 A. Yes. FPSC staff auditors propose that SSU costs of  
14 \$886,409 associated with the Dude water supply  
15 project be reclassified to Miscellaneous Non  
16 Utility Expenses for two reasons: (1) the property  
17 was proposed for mining by the owner, Southfield  
18 Farms, in addition to its use as a source of water  
19 supply for SSU and (2) a certain amount of raw  
20 water from the Dude property was anticipated to be  
21 provided to the Massachusetts Mutual Golf Course  
22 for irrigation prior to SSU ultimately providing  
23 treated effluent for irrigation of the golf course.  
24 Regarding the use of the property for mining, the  
25 agreement between SSU and Southfield Farms provides

1 that Southfield would conduct mining activities on  
2 the property and SSU would lease the property based  
3 on charges for the amount of water withdrawn, as  
4 described on page 3 of Exhibit 238 (KOT-1)  
5 attached hereto. It was never anticipated that SSU  
6 would conduct or pay for any mining activities on  
7 the property, and none of the \$886,409 expended by  
8 SSU related to studies, design or permitting  
9 activities for the proposed mining. All of the SSU  
10 expenditures related to obtaining permits and  
11 conducting related activities to use the property  
12 for water supply; Southfield expended funds to  
13 permit the mining activities.

14 Therefore, any allocation and disallowance of  
15 SSU costs based on acres available for pit mining  
16 on the property is totally inappropriate. SSU did  
17 not stand to gain financially from any mining  
18 activities based on its agreement with Southfield  
19 Farms, and therefore should not be denied recovery  
20 of its prudently incurred expenses because the  
21 owner had a proposed dual use for the property.

22 Regarding the proposal by SSU to use a portion  
23 of the water from the Dude property to provide raw  
24 irrigation water to the Massachusetts Mutual Golf  
25 Course, this agreement was never consummated. FPSC

1 staff auditors acknowledge in their exception  
2 report that only drafts of such an agreement had  
3 been exchanged by the parties. It is certainly not  
4 clear that if such water had been sold by SSU to  
5 the golf course that it would not have been  
6 regulated by the FPSC as a bulk sale and treated as  
7 utility income. Furthermore, the amount of water  
8 which was anticipated for sale to the golf course  
9 in the draft agreement, 350,000 gallons per day,  
10 was in fact less than nine percent of the 4,000,000  
11 gallons of water per day that was estimated to be  
12 available from the Dude property. The balance of  
13 the water supply, or <sup>91</sup>94% of the water, would have  
14 been available as a water supply source for SSU's  
15 Marco Island customers. Therefore, disallowing  
16 SSU's prudently incurred expenses to obtain this  
17 source of water for its customers is also  
18 inappropriate for the second reason enunciated by  
19 FPSC staff auditors.

20 Customer Service Issues

21 **Q. DO YOU HAVE ANY COMMENTS REGARDING CUSTOMER**  
22 **TESTIMONY AT CUSTOMER SERVICE HEARINGS REGARDING**  
23 **THE QUALITY OF CUSTOMER SERVICE BEING PROVIDED BY**  
24 **SSU?**

25 A. Yes. Staff witness Nancy Pruitt presents facts

1 regarding complaints received by the Commission  
2 during the years 1994 and 1995. The most  
3 noteworthy fact is that only 20 complaints for each  
4 year or .014 percent were even justified out of  
5 SSU's total of approximately 145,000 customers  
6 served during 1994 and 1995 years, respectively. I  
7 have used an average of 145,000 customers for each  
8 of the years in this analysis since the actual  
9 number of customers served by SSU pursuant to FPSC  
10 jurisdiction varied slightly during this time frame  
11 due to jurisdiction transfers. We have performed  
12 an analysis of complaints per customer made to the  
13 Commission for SSU versus Florida Power & Light for  
14 the years 1993 and 1994 and have determined that  
15 SSU compares favorably with this large electric  
16 utility. In conducting this analysis 1995  
17 complaints were not considered to date since no  
18 Customer Complaint Activity Report has been issued  
19 by the FPSC for 1995. In 1993, the Commission  
20 received .415 complaints per 1,000 customers on FPL  
21 and .6 complaints per 1,000 customers on SSU. This  
22 comparison becomes more favorable when comparing  
23 the complaints which were found to be justified by  
24 the Commission: FPL had .139 complaints justified  
25 per 1,000 customers and SSU had .166 complaints

1 justified for each 1,000 customers. These facts  
2 certainly cast SSU in a favorable light as compared  
3 to other utilities in this state. This is  
4 especially true in light of the fact that SSU has  
5 experienced significant rate increases during this  
6 same time period which generally spur additional  
7 customer complaint activity. In contrast, FPL has  
8 had no general rate activity during the 1993-1994  
9 period.

10 During 1994 SSU's complaint comparisons with  
11 FPL became even closer: the Commission received  
12 .501 complaints per 1,000 customers on FPL and .531  
13 complaints per 1,000 customers on SSU. When  
14 comparing the complaints which were found to be  
15 justified by the Commission, SSU's record is better  
16 than FPL's record with .138 complaints justified  
17 per 1,000 customers for SSU versus FPL complaints  
18 of .149 justified per 1,000 customers.

19 **Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING THE NUMBER**  
20 **OF CUSTOMER COMPLAINTS RECENTLY RECEIVED BY SSU?**

21 A. Yes. Since SSU implemented interim rates effective  
22 for service rendered on or after January 23, 1996,  
23 SSU has been inundated with complaints regarding  
24 the rates. As a result of the Commission's  
25 reversion to modified stand-alone rates, customers

1 in many communities served by SSU have experienced  
2 huge increases in their bills for average levels of  
3 use. Some noteworthy examples are as follows:  
4 Chuluota - 99% increase on combined bill with 7,149  
5 average gallons; Citrus Springs - 70% increase on  
6 combined bill with ~~5,482~~<sup>6,482</sup> average gallons; Deltona -  
7 82% increase on average wastewater bill;  
8 Intercession City - 189% increase on water bill  
9 with 5,032 average gallons; Palm Valley - 562%  
10 increase on water bill with 9,186 average gallons;  
11 Tropical Isles - 185% increase on average  
12 wastewater bill; and Tropical Park - 126% increase  
13 on combined bill with 4,888 average gallons.  
14 Customer service representatives for SSU estimate  
15 that since the new bills were received by customers  
16 they have experienced an increase of approximately  
17 75% in the number of customer calls received on a  
18 daily basis. For example, prior to the rate  
19 change, an average monthly calling volume from  
20 customers was in the range of 8,000 calls. In just  
21 one day recently on March 11, 1996, SSU documented  
22 receiving 1,155 calls. This trend has continued  
23 over the last several weeks as customers received  
24 their bills reflecting the full effect of the  
25 change to modified stand-alone rates. The

1           vehemence of customer responses, including death  
2           threats, is unlike anything SSU has ever  
3           experienced. A particular source of customer  
4           confusion is why the Commission moved away from  
5           uniform rates after it had previously determined  
6           that uniform rates were appropriate in not one but  
7           several different proceedings, as well as having  
8           determined that it had jurisdiction over all SSU  
9           plants.

10           Many of the calls are coming from customers  
11           living in communities which have been most affected  
12           in the change from uniform to modified stand-alone  
13           rates. They include Chuluota with customers'  
14           average monthly bills going from \$48.55 to \$96.62,  
15           Palm Valley - bills increasing from \$15.16 to  
16           \$100.31, Marion Oaks - bills increasing from \$43.49  
17           to \$84.59, Deltona wastewater customers -  
18           wastewater bills increasing from \$34.63 to \$62.95,  
19           and Citrus Springs - bills increasing from \$47.73  
20           to \$81.32. Calls have been received from almost  
21           all areas that are paying more under modified  
22           stand-alone rates, but these plants I have  
23           mentioned were the highest in terms of the number  
24           of calls received. The types of complaints  
25           received from the customers include the following:

1           Cannot afford to pay their bill, the rates are  
2           ridiculous, on fixed income/will have to take money  
3           from their food allowance to pay their water bills,  
4           can't afford to take baths or flush their toilets  
5           anymore, question accuracy of the meter because  
6           their bill has doubled or tripled, etc.

7           **Q. AS A RESULT OF THE COMMISSION'S REVERSION TO**  
8           **MODIFIED STAND-ALONE RATES, ARE THERE ANY OTHER**  
9           **IMPACTS TO CUSTOMERS THAT YOU WOULD LIKE TO**  
10           **DISCUSS?**

11          A. Yes. Another by-product of the decision to  
12          implement modified stand-alone rates is the request  
13          of customers from several communities to  
14          discontinue central water service and go on private  
15          wells for their potable water use. This has been  
16          prevalent in the areas of Chuluota and Marion Oaks,  
17          and is most severe in the Palm Valley community.  
18          Many of the Palm Valley customers have insisted  
19          that they be allowed to revert to private wells. A  
20          St. John's County ordinance will allow customers  
21          that either have constructed or have been issued a  
22          permit to construct a well prior to May 5, 1995,  
23          the effective date of the ordinance, to use the  
24          well for their potable needs. Any other customers  
25          will not be allowed to discontinue service from a

1 central system. This creates the untenable  
2 situation of some customers being allowed to  
3 discontinue water service as a result of high rates  
4 while other customers have no other choice but to  
5 remain on the system. As a result of current  
6 customers reverting to use of their private wells,  
7 fewer customers will be available to bear the costs  
8 of the significant capital improvements that were  
9 made by SSU to improve the plant facilities  
10 pursuant to a Florida Department of Environmental  
11 Protection order. Further, customers who  
12 discontinue service from SSU will have greater  
13 health risks associated with using untreated  
14 private well water for potable purposes. This  
15 unacceptable situation is the direct result of the  
16 Commission's decision to implement modified stand-  
17 alone rates. Numerous Palm Valley customers have  
18 indicated that they would reconnect to SSU's system  
19 if uniform rates were again implemented by the  
20 Commission.

21 **Q. DURING CUSTOMER SERVICE HEARINGS, SEVERAL CUSTOMERS**  
22 **COMPLAINED ABOUT HIGH BILLS. DO YOU HAVE ANY**  
23 **COMMENTS?**

24 **A.** Yes. A notable customer complaint came from Marco  
25 Island customer Dr. Wilbur Gross. As Dr. Gross

1 indicated, his situation was too close to the  
2 hearings to have been investigated by SSU. Upon  
3 investigation, the following facts were determined:  
4 Dr. Gross' meter was read on December 4, 1995  
5 and the reading was 1436750. The meter readings  
6 were unloaded that night and his account flagged  
7 for high usage on the meter reading edit dated  
8 December 5, 1995. A field investigation was  
9 dispatched and performed on the same day. The  
10 meter reading was 1439090 and there was no  
11 indication of a leak at that time. As a final  
12 check, the account was also flagged on the  
13 exception report that printed on December 13, 1995.  
14 The meter reader was dispatched again to check the  
15 meter before the account was locked for billing.  
16 The meter reading was once again verified and the  
17 meter reader spoke to Dr. Gross at that time. SSU  
18 has no explanation for the high usage. At the  
19 request of the customer, a meter bench test was  
20 performed by the City of Naples on January 24,  
21 1996. The meter tested within the guidelines of  
22 accuracy and in accordance with the rules and  
23 regulations. Dr. Gross was present and witnessed  
24 the test. At the request of the Public Service  
25 Commission, the meter was shipped to Ed Cucinelli

1 with Precision Meter on February 12, 1996. On  
2 March 6, 1996 the Commission staff issued a report  
3 from Mr. Cucinelli on the testing and condition of  
4 the meter. In his report Mr. Cucinelli indicated  
5 several possible conclusions for the high usage,  
6 but opined that he does not believe that the meter  
7 could have created such a large increase unless  
8 water actually passed through it. Since a new  
9 meter was installed at Dr. Gross's residence the  
10 monthly usage continues to run high as compared  
11 with other Marco Island customers: 32,220 gallons  
12 billed in January 1996, 27,940 gallons in February  
13 and 45,260 gallons in March. In response to the  
14 most recent high usage, a field accuracy test was  
15 conducted on March 12, 1996, with satisfactory  
16 results. SSU personnel continue to work with Dr.  
17 Gross to resolve his high bill concerns.

18 **Q. DO YOU HAVE ANY COMMENTS CONCERNING DR. GROSS'**  
19 **COMPLAINT?**

20 **A.** Yes. SSU's procedure when an extraordinary meter  
21 read occurs is as follows:

22 First, SSU performs a field investigation to  
23 verify the meter reading, checking for leaks and  
24 any unusual circumstances. This information is  
25 reported to the customer if they are at home. If

1 the customer is not home at the time of the field  
2 investigation, a door card is left for the  
3 customer. If the customer requests an accuracy  
4 check on the meter, a field accuracy test, or bench  
5 test, is scheduled to be performed on the meter.  
6 The customer is advised that he/she has the right  
7 to be present to witness the test if they wish to  
8 do so.

9 Our procedures and the results of the  
10 investigation of Mr. Gross' complaint confirms that  
11 customers must be mindful of their monthly bills  
12 and whether they leave water running or have leaks.  
13 A more important issue regarding overall  
14 consumption on Marco Island is highlighted in the  
15 testimony of Public Counsel witness Dismukes. SSU  
16 requested that 17 Marco Island single-family  
17 residential customers, who use in excess of 100,000  
18 gallons of water a month, on average, participate  
19 in a water audit program to assist them to conserve  
20 water. As Ms. Dismukes noted, 7 of the 17 single-  
21 family residential customers who were invited  
22 agreed to participate. Ms. Dismukes' response is  
23 that SSU's proposed conservation program should be  
24 curtailed because of less than full participation  
25 -- SSU disagrees. These customers must be

1           educated.   Affordability is not a question for  
2           them, obviously, but perhaps they will respond to  
3           the message that they could be adversely affecting  
4           the local water supply.   We at SSU want to spread  
5           the conservation message, not curtail it because a  
6           few customers have not yet understood its  
7           importance.

8           **Q.   DO YOU HAVE ANY COMMENTS CONCERNING HIGH BILL**  
9           **COMPLAINTS AT MARCO ISLAND DURING 1994 AND 1995?**

10          A.   At the Marco Island customer service hearing held  
11          in this case on January 22, 1996, Chairman Clark  
12          requested that SSU provide information to the  
13          Commission regarding the number of complaints  
14          received by the Company regarding high bills from  
15          Marco Island customers.   That information,  
16          including actions taken to resolve each complaint,  
17          was provided in an interrogatory response on  
18          February 6, 1996.   I have already discussed the  
19          procedure that is followed in attempting to resolve  
20          these complaints.   Out of a total of 792 high bill  
21          complaints received by SSU from Marco Island  
22          customers during 1994 and 1995, the vast majority  
23          of complaints were satisfactorily addressed and  
24          resolved by the Company.   In fact in the testimony  
25          of FPSC staff witness Nancy Pruitt, during 1994

1           only 17 complaints to the Commission related to  
2           high bills for all of SSU's customers, and of this  
3           number only two complaints were determined to be  
4           justified. Regarding 1995 complaints, Ms. Pruitt  
5           indicates that for all SSU plants there were 20  
6           complaints logged concerning high bills. Of this  
7           number, only two complaints were determined to be  
8           justified, and one complaint is still open. Based  
9           on this evidence it is clear that SSU is  
10          satisfactorily resolving the vast majority of the  
11          high bill complaints of its customers, including  
12          Marco Island customers.

13         **Q. HAS SSU DONE ANYTHING TO IMPROVE CUSTOMER SERVICE?**

14         A. Yes. As the Commissioners heard several times  
15          during customer service hearings, customers,  
16          particularly part-time Florida residents, desired  
17          the ability to pay for SSU bills by electronic  
18          funds transfer. SSU was in the midst of  
19          implementing this process at the time and has had  
20          overwhelming positive response to the program which  
21          was initiated in December 1995. To date  
22          approximately 5,750 customers or 5% of our customer  
23          base have completed an application to be included  
24          in this program. We are pleased to inform the  
25          Commission and our customers that we expect

1 payments may be made by electronic fund transfer as  
2 of billings for mid April 1996.

3 Also, as of our September 1995 billings, SSU  
4 provides customer historic use information on bills  
5 - as Commissioners have stated would be preferred  
6 due to the need to conserve water in Florida. We  
7 are not aware of other Florida water utilities  
8 which provide this information on bills.

9 We also have established a Communications  
10 Advisory Committee in each of four regions in the  
11 state. Various customers and community leaders  
12 were requested to join these committees and, to  
13 date, we have 31 customer leaders who have agreed  
14 to serve on these committees. The committees,  
15 which include SSU employee members, will each meet  
16 a minimum of twice each year to provide SSU with  
17 public and employee review and recommendations on  
18 the Company's overall customer information efforts,  
19 with special interest given to conservation  
20 programs. It is also envisioned that these  
21 committees will serve as listening posts for  
22 community opinion regarding SSU's overall  
23 operations, customer service performance, and  
24 regulatory matters. The first round of  
25 Communications Advisory Committee meetings were

1 held in December 1995 and January 1996. The second  
2 set of meetings are planned to take place in March  
3 and April 1996. We are very pleased with the  
4 feedback we have received from the committees to  
5 date and anticipate that SSU's quality of customer  
6 service and communications with its customers will  
7 be enhanced through this program.

8 **Q. Does that conclude your rebuttal testimony?**

9 A. Yes, it does.

1 Q (By Mr. Feil) Ms. Teasley, you do not have a  
2 summary of your testimony?

3 A No, I do not.

4 MR. FEIL: Tender the witness for cross.

5 CHAIRMAN CLARK: Mr. Beck.

6 MR. BECK: No questions.

7 CHAIRMAN CLARK: Mr. Jacobs. Mr. Twomey.

8 MR. TWOMEY: No questions.

9 CHAIRMAN CLARK: Staff?

10 MS. O'SULLIVAN: Staff has questions.

11 COMMISSIONER KIESLING: Ms. Kaufman has  
12 questions.

13 CHAIRMAN CLARK: Ms. Kaufman.

14 MS. KAUFMAN: I know I wasn't on your list,  
15 but I just have a very few questions if you would  
16 indulge me.

17 CHAIRMAN CLARK: I'll check my list.

18 MS. KAUFMAN: I'm not going to be on your  
19 list.

20 CHAIRMAN CLARK: I'm just -- you may go  
21 ahead.

22 CROSS EXAMINATION

23 BY MS. KAUFMAN:

24 Q Ms. Teasley, I just have a few questions for  
25 you. And I'm Vicki Kaufman, and I represent the Marion

1 Oaks Homeowners Association and the City of Keystone  
2 Heights. And my questions are going to focus on your  
3 testimony that begins at the bottom of Page 19 regarding  
4 customer complaints. And at the bottom of Page 19 you  
5 discuss the number of complaints that have occurred  
6 since the interim rate order in this case; is that  
7 right?

8 A Yes, I did.

9 Q Am I correct that the majority of these  
10 complaints related to the modified standalone rate  
11 structure that is in effect as of the interim increase?

12 A Yes. The calls started coming in from the  
13 customers objecting once they started receiving both the  
14 notices and the bills of the interim modified standalone  
15 rates.

16 Q And can you just tell us what was the nature  
17 of the objections or complaints from these customers?

18 A Customers were basically objecting to the  
19 magnitude of the increase in the rates, and I listed in  
20 my testimony a number of areas where we had the most  
21 significant increases and where we were getting the most  
22 calls from customers, again, either once they received  
23 the notices of the rate change or the actual bill  
24 showing the rate change.

25 Q Would you characterize the number of

1 complaints that you received about the rate structure as  
2 a significant number, vis-a-vis the number of complaints  
3 that you would ordinarily get?

4       A     Much greater increase. We asked some of our  
5 customer service reps the volume of calls that they were  
6 seeing differently, and they estimated it was like a 75  
7 percent increase in the volume of calls, again related  
8 to the rates that were going into effect. And the calls  
9 were coming, again, from the areas that had the most  
10 significant percentage increases on the modified  
11 standalone rates.

12               I used in my testimony an example of a typical  
13 month where we had about, say, 8,000 calls a month on  
14 one particular day in March. After, again, the bills  
15 had gone out showing the increase from the modified  
16 standalone rates, we had over 1100 calls in one day.  
17 And so it was just a huge, huge volume that our customer  
18 service reps were trying to deal with.

19       Q     I notice on Page 21 at Line 16, you  
20 specifically discuss Marion Oaks and the dramatic  
21 increase in their bills. Did you get a significant  
22 number of complaints from the Marion Oaks people?

23       A     Yes, Marion Oaks -- I've listed here on Page  
24 21 of my testimony the areas where we were getting the  
25 most number of calls from. And Marion Oaks is right up

1 on the top of the number of calls received from those  
2 customers complaining about their bills, and you can see  
3 there the average bill increased from about \$43 to about  
4 \$85.

5 Q And on Page 22, again beginning with your  
6 answer on Line 11, you're discussing Marion Oaks and  
7 some other areas, and you say there that the because of  
8 the increase that resulted from the modified standalone  
9 rate structure, that some of these customers have  
10 indicated that they want to go to a private well instead  
11 of using your service; is that correct?

12 A Yes, that's correct. There were several areas  
13 that we've had numerous phone calls of people wanting to  
14 get off our water service and go on to private wells.  
15 Most prevalent in the areas of Chuluota, Marion Oaks,  
16 and Palm Valley I think was the worst, and their bills  
17 went up over 500 percent under the interim modified  
18 standalone rates.

19 Q On Page 23, Line 13, when you're discussing  
20 the move to the private wells, you allude to some health  
21 risks associated with using private well water. Can you  
22 tell us what those risks would be?

23 A I'm not an engineer, but just generally  
24 speaking, when people go to private wells, obviously  
25 those wells are not tested and there's a greater health

1 risk to the individuals as to whether or not that water  
2 is going to be safe for their consumption. And so just  
3 the fact that a lot of these customers might have the  
4 choice to go on private wells, and then ultimately may  
5 do so, could affect public health.

6 MS. KAUFMAN: Thank you, Ms. Teasley. That's  
7 all I have.

8 CHAIRMAN CLARK: Staff.

9 MS. O'SULLIVAN: Thank you. First we've  
10 passed out a packet of exhibits during the break that  
11 everybody should have. I would like to go through and  
12 identify those ahead of time. The first exhibit is  
13 portions of Beacon Hills Developer Agreements between  
14 SSU and John Wieland Homes of Jacksonville.

15 CHAIRMAN CLARK: That will be 239.

16 MS. O'SULLIVAN: The second is SSU's Response  
17 to PSC Interrogatory No. 435.

18 CHAIRMAN CLARK: That will be 240.

19 MS. O'SULLIVAN: The third is SSU's Response  
20 to PSC Interrogatory No. 433.

21 CHAIRMAN CLARK: That will be 241.

22 MS. O'SULLIVAN: We've also passed out a  
23 couple of documents that have already been entered into  
24 the record. Exhibit No. 75, there was difficulty in  
25 reading the numbers, and we've passed out new copies

1 that have the page numbers more visible in bold, and  
2 also a portion of Exhibit 167, a one page letter.

3 CHAIRMAN CLARK: All right. Thank you.

4 (Exhibit Nos. 239, 240 and 241 marked for  
5 identification.)

6 CROSS EXAMINATION

7 BY MS. O'SULLIVAN:

8 Q Ms. Teasley, I guess our first question  
9 relates to your testimony that the utility expects that  
10 customers can make payments by electronic fund transfers  
11 as of mid April 1996. Has that in fact occurred?

12 A Yes, it has occurred. We actually started  
13 billing the customers that had signed up for this  
14 Conserve-a-Check program is what we call it. On April  
15 10th of this year, and our arrangements call for them to  
16 be direct debited 15 days after they receive their  
17 bill. And so the first customers to be direct debited  
18 received that on April 25th of this year. And just for  
19 your information, we're up to about 6500 customers now  
20 that are involved in that program.

21 Q All right, thank you. We've identified --

22 COMMISSIONER GARCIA: May I ask why it took so  
23 long to institute this program?

24 WITNESS TEASLEY: Took so long from when?

25 COMMISSIONER GARCIA: Apparently from our

1 customers hearings they had said that they had  
2 complained about this years ago, and the Company had  
3 promised then. And I'm very pleased that you're doing  
4 it. I'm just curious why it had taken so long.

5 WITNESS TEASLEY: I think initially we wanted  
6 to institute it with the budget billing program, and we  
7 were not going to be able to do that without going  
8 forward with a new CIS system. We certainly -- we  
9 currently do not have the ability to do budget billing.  
10 But because of the interest, we decided to go forward  
11 and institute this direct debit program without the  
12 budget billing plan. And I guess it's a matter of  
13 priorities in terms of the programming staff's time to  
14 do the programming. We started actually working on the  
15 program last summer, and then, you know, it took  
16 approximately six months to get everything put together.

17 COMMISSIONER GARCIA: And you're up to 6500,  
18 you said, which is what -- what is that percentage  
19 wise?

20 WITNESS TEASLEY: I think it's about 6 percent  
21 of our customer base. It's a very, very significant  
22 response, and even higher than some of us estimated.

23 COMMISSIONER GARCIA: And you instituted it  
24 when, just for my own --

25 WITNESS TEASLEY: We actually started mailing

1 out the materials in December of last year, and then,  
2 again, we had such a large response that it took a  
3 little longer to get everybody put into the program, but  
4 now we've actually started debiting the accounts in  
5 April.

6 COMMISSIONER GARCIA: Great. Thank you.

7 MS. O'SULLIVAN: Thank you.

8 Q (By Ms. O'Sullivan) The first exhibit we've  
9 passed out, Exhibit No. 239, which is labeled Developer  
10 Agreement for Beacon Hills. Were these developer  
11 agreements prepared under your supervision?

12 MR. FEIL: I have an objection to this  
13 question. It's outside the scope of her prefiled  
14 testimony. She doesn't say anything about developer  
15 agreements in her prefiled testimony. It's vastly  
16 outside the scope of her prefiled testimony. She's not  
17 identified as a witness on any issue pertaining to  
18 developer agreements or service availability.

19 MS. O'SULLIVAN: If I could respond,  
20 Ms. Teasley did prepare the developer agreements. Our  
21 sole purpose in entering this into the record at this  
22 point, we have some questions for Mr. Bencini concerning  
23 billing determinants and the number of customers in that  
24 system. We felt it appropriate to take it through  
25 Ms. Teasley to at least identify the exhibit, since she

1 did prepare at least part of the developer agreement.  
2 That's our sole purpose in entering it at this time.

3 MR. FEIL: Still outside the scope of her  
4 testimony.

5 CHAIRMAN CLARK: Then will Mr. Bencini be able  
6 to verify this exhibit?

7 MR. FEIL: I don't know. I see my name on  
8 here. I don't know whether or not Mr. Bencini will be  
9 able to -- what use he would be able to make of this  
10 information. We would have to ask --

11 CHAIRMAN CLARK: Well, we would have to ask  
12 him, wouldn't we, Mr. Feil?

13 MR. FEIL: Yes, ma'am.

14 MS. O'SULLIVAN: The Utility has addressed  
15 billing determinants in Mr. Bencini's testimony and  
16 addressed the number of customers and has capped out the  
17 number of bills at certain locations, including Beacon  
18 Hills. We wanted to discuss the number of customers  
19 that have since been added on.

20 MR. FEIL: Then it seems to me a more  
21 appropriate question for Mr. Bencini.

22 MS. O'SULLIVAN: If you will agree subject to  
23 check that the developer agreement does indicate the  
24 number of customers that are going to be added on.

25 MR. FEIL: Excuse me. I didn't hear that.

1 MS. O'SULLIVAN: If you would agree, subject  
2 to check, in the developer agreement, that those are the  
3 number of customers. That's our sole purpose of trying  
4 to bring it in right now.

5 MR. FEIL: I can't say subject to check,  
6 because all I have are excerpts here. 36 single-family  
7 homes it says on one page.

8 CHAIRMAN CLARK: Just so I'm sure, we're on  
9 Exhibit 239?

10 MR. FEIL: Yes, ma'am. And I see on one page  
11 it says 36 single-family homes and on another 24  
12 single-family homes.

13 CHAIRMAN CLARK: Well, the document, it does  
14 show it was prepared under the supervision of  
15 Ms. Teasley. And I think it's fair simply to verify  
16 that she did prepare this.

17 MS. O'SULLIVAN: Shall I re-ask the question?

18 CHAIRMAN CLARK: Unless, Mr. Feil, you want to  
19 stipulate that she did prepare.

20 MR. FEIL: I see her name on here as well. My  
21 only point is that it's outside the scope of her  
22 testimony and I -- given Ms. O'Sullivan's  
23 representations of the purpose to which she would like  
24 the exhibit admitted, I don't have a problem if  
25 Ms. Teasley identifies the document, to the extent that

1 she can identify the document.

2 CHAIRMAN CLARK: Okay.

3 Q (By Ms. O'Sullivan) Thank you. Ms. Teasley,  
4 my sole question is the two agreements, would you agree  
5 that one is for a 36-lot single-family subdivision and  
6 one is for a 24-lot single-family subdivision in the  
7 Beacon Hill service area?

8 A Yes, that's correct.

9 Q All right, thank you. I would like to refer  
10 now to your rebuttal testimony regarding the Dude  
11 property water source for Marco Island starting on Page  
12 12, and at Lines 19 through 24 you state that the  
13 Utility received easement rights for that property from  
14 its owner; is that correct?

15 A The easement rights that are referred to in  
16 this particular section relate to easement rights that  
17 were received from an entity called TGL that  
18 subsequently purchased the property from Barnett Bank  
19 under foreclosure. And we received certain easement  
20 rights from them that we wanted to use to develop the  
21 160-acre parcel.

22 Q Have those easement rights actually been  
23 received and are now available for use by the Utility?

24 A I have not been directly involved in that  
25 matter, but I understand that we have exercised or are

1 in the process of exercising the option to acquire those  
2 easement rights.

3 Q With respect to your testimony beginning on  
4 Page 29, starting at Line 9, you discuss the  
5 Communications Advisory Committee in the various four  
6 regions of the state. Will you be directly involved in  
7 this committee?

8 A Yes, I have been directly involved. And in  
9 fact I have attended all of the meetings that have been  
10 held to date and have chaired those meetings.

11 Q Will you incorporate customer education in  
12 those committee activities?

13 A Absolutely. Part of the purpose of the  
14 committee is to educate the committee members and then  
15 to determine how that education can be further extended  
16 to the customer bases that they represent.

17 Q Would that include conservation education?

18 A Absolutely. Conservation education is an  
19 important part of those committees, and in fact in the  
20 charter we specifically emphasize that that's a part of  
21 the process.

22 Q Would it also address education concerning the  
23 need for seasonal flushing of home lines upon return  
24 from extended periods away?

25 A That could be one part of education. I don't

1 know if it's specifically been identified yet at this  
2 point, but that could be included.

3 Q All right, thank you. I would like to turn  
4 next to what's been identified as Exhibit No. 240, which  
5 is the Utility's Response to Public Service Commission  
6 Interrogatory No. 435. It's a description of the method  
7 for reading the meters at Sunny Hills service area. Did  
8 you prepare this response?

9 A It was prepared under my direction.

10 Q Can you tell us or would you agree that the  
11 meters within the Sunny Hills service area are not read  
12 electronically?

13 A That's correct.

14 Q Although the Sunny Hills meters are on not  
15 read electronically, would you agree that the majority  
16 of SSU's other service areas have electronic meter  
17 readings?

18 A Yes, the majority do.

19 Q I would like to turn next to Exhibit No. 241,  
20 which is the Utility's Response to Commission  
21 Interrogatory No. 433. Did you prepare or direct the  
22 preparation of this interrogatory?

23 A Again, it was prepared under my direction.

24 Q And this interrogatory describes how service  
25 calls are received by the Company and the procedure for

1 responding to service calls; is that correct?

2 A Yes, it does.

3 Q I guess the next focus of our cross would be  
4 beginning with Exhibit No. 75, which we've passed out,  
5 relating to Customer Welch's concerns about his billing  
6 history. On the first page of the Utility's response to  
7 Interrogatory No. 459-C, you'll notice that between  
8 meter reading dates May 9th, 1995 and July 11th, 1995,  
9 the meter actually registered usage less than the  
10 previous month.

11 MR. FEIL: Counselor, can I get you to refer  
12 me to a specific page? I'm a little bit lost here.

13 MS. O'SULLIVAN: Page 1, first page of the  
14 exhibit.

15 MR. FEIL: First page of the exhibit, or where  
16 it says Appendix 459-A, Page 1 of 28?

17 MS. O'SULLIVAN: The cover page, second page.

18 MR. FEIL: Excuse me. Thank you.

19 CHAIRMAN CLARK: Ms. O'Sullivan, would you  
20 clarify what you mean by less? You mean it read  
21 negatively, right?

22 MS. O'SULLIVAN: That's correct.

23 CHAIRMAN CLARK: Not that it was less usage  
24 than the month before.

25 MS. O'SULLIVAN: That's correct.

1 Q (By Ms. O'Sullivan) My question is, would you  
2 agree that the meter appeared to have run backwards for  
3 those two months?

4 A My understanding is the meter did run  
5 backwards for a period of time.

6 Q Okay. Please refer to Page 8 of that  
7 exhibit. Could you identify what this document is and  
8 which customer is featured on this page?

9 A You said Page 8?

10 Q Yes.

11 A It appears to be an excerpt from the meter  
12 reading edits that are done by our billing department as  
13 a part of the billing process.

14 Q And this document indicates a warning notice;  
15 is that correct?

16 A Yes, it does. Can I explain?

17 Q Certainly.

18 A Typically what happens is if there is very  
19 high usage or very low usage, a warning will come up on  
20 the meter reading edit, and then the billing department  
21 has various procedures they will go through to determine  
22 whether or not that needs to initiate, say, a rereading  
23 of the meter or some other activity.

24 Q And if you look on Page 9, would that be a  
25 meter reading edit for Mr. Welch for the following

1 month?

2 A Yes, it says that as well, it says warning.

3 Q Could you explain why it took two months for  
4 the Utility to change out the customer's meter because  
5 it was running backwards?

6 A Sure. Basically what happened is there was --  
7 there were several low usages, I believe, for the months  
8 of April and May of that year, 1995, and then in June of  
9 that year, again, it was a very low usage, and the  
10 billing department people that reviewed this assumed  
11 that when it actually started to be less than the  
12 previous usage, that there was a misread, which does  
13 occasionally occur. So what they did then is they  
14 credited the customer the difference, assuming it was a  
15 misread, and then didn't go any further. They just  
16 basically zeroed out the consumption amount and charged  
17 them for the base charges. Then the following month,  
18 when there was another warning and the meter went  
19 backwards again, then they obviously felt that there was  
20 a problem with the meter, that it couldn't have been  
21 just another misread, and so therefore then they went  
22 ahead and did a field investigation.

23 Q How often do warning notices issue on a  
24 typical billing cycle?

25 A I believe we get many warning notices. The

1 way the system is set up, it's set up to have notices  
2 for quite low consumption and also high consumption. We  
3 don't follow up with all of the low consumption because  
4 there are many reasons why a customer may have low  
5 consumption on any particular month. We have many  
6 snowbirds that, you know, are gone a long time of the  
7 year, and they may have very low or zero consumption.  
8 And then we also have a situation where, you know, some  
9 residents change their usage patterns for various  
10 reasons. So we don't, as a rule, go out and investigate  
11 every instance of low usage.

12 Q Thank you. We've also passed out a letter  
13 that was a portion of Exhibit 167. It was a letter to  
14 Christianne Ferraro of DEP to Mr. Terrero. Is the Stone  
15 Island system also known as the Enterprise system?

16 A Yes, it is.

17 Q And SSU is appointed receiver of this plant;  
18 is that correct?

19 A Correct.

20 Q And I assume that my being appointed a  
21 receiver, the Utility has not purchased the assets of  
22 the system, but is running the system pursuant to a  
23 court-appointed receivership?

24 A Correct.

25 Q In reference to the proposed revisions to the

1 consent order, the Utility stated that it is in the  
2 process of preparing the necessary documents to transfer  
3 the receivership of Enterprise; is that correct?

4 A I can't personally speak to the status of  
5 that, but I do know that we have evaluated whether or  
6 not as a company we should or can continue to have that  
7 receivership.

8 Q Is the proposed rate structure part of that  
9 consideration?

10 A Yes, it is, because it's a very small customer  
11 base that is served by the Stone Island area, and from  
12 what I understand, the proposed improvements that might  
13 be necessary in that area could be up to a million  
14 dollars.

15 MS. O'SULLIVAN: We have no further  
16 questions. Thank you very much.

17 CHAIRMAN CLARK: Redirect? -- I'm sorry,  
18 Commissioner Kiesling.

19 COMMISSIONER KIESLING: Yes, thanks. I have  
20 one question. And that is, at the prehearing  
21 conference, I thought that we had agreed that there was  
22 no issue about a situation involving a Dr. Gross, Gross.

23 MR. FEIL: Yes, that was my understanding as  
24 well.

25 COMMISSIONER KIESLING: And there's four pages

1 of testimony in here about it and I just didn't know if  
2 you had intended to strike that or --

3 MR. FEIL: Ma'am, that prefiled rebuttal  
4 testimony was filed long before the prehearing, as I'm  
5 assuming you're aware. I didn't intend to strike it. I  
6 suppose it makes no difference to me, although one could  
7 argue it still goes to quality of service generally, but  
8 it's not of any significance to me. I don't care  
9 whether or not it's specifically stricken or not.

10 COMMISSIONER KIESLING: My only concern was  
11 that it is going through the routine complaint process,  
12 and to the extent that there was information in here  
13 about it, I did not want it to act to the prejudice of  
14 anyone in the complaint investigation proceedings here.

15 MR. FEIL: I understand that.

16 COMMISSIONER KIESLING: Okay.

17 CHAIRMAN CLARK: And it's not intended to do  
18 that?

19 MR. FEIL: No, ma'am.

20 CHAIRMAN CLARK: Redirect?

21 MR. FEIL: Madam Chairman, if I could have  
22 just a moment to look through some of these exhibits  
23 that Staff passed out, because I didn't have time to  
24 read them. I know that specifically Exhibit 240 --

25 CHAIRMAN CLARK: Go ahead and do that.

1 MR. FEIL: Okay, thank you. (Pause)

2 CHAIRMAN CLARK: All right, we'll go back on  
3 the record. No redirect?

4 MR. FEIL: No redirect.

5 CHAIRMAN CLARK: All right, exhibits.

6 MR. FEIL: SSU moves -- I think it was 238.

7 CHAIRMAN CLARK: 238 will be admitted in the  
8 record without objection.

9 MS. O'SULLIVAN: Staff moves 239 through 241.

10 CHAIRMAN CLARK: I think we'll -- the only  
11 thing that concerns me is that you had indicated you  
12 wanted to ask the questions of Mr. Denny on 239 to  
13 establish its relevancy.

14 MS. O'SULLIVAN: Mr. Bencini, you mean?

15 CHAIRMAN CLARK: Yes, unless you do not object  
16 to the exhibit at this point.

17 MR. FEIL: Given my understanding of the rule  
18 of limited admissibility and the purpose to which they  
19 would like to put this --

20 CHAIRMAN CLARK: You have no objection.

21 MR. FEIL: -- I have no objection.

22 CHAIRMAN CLARK: 239 will be admitted in the  
23 record.

24 We are now ready to take up Ms. Kimball?

25 MS. O'SULLIVAN: Chairman Clark, I know Staff

1 moved in 239 through 241 and I know you ruled on 239,  
2 but did you also --

3 CHAIRMAN CLARK: I'm sorry, they're all moved  
4 into the record.

5 MS. O'SULLIVAN: Thank you.

6 (Exhibit Nos. 238, 239, 240 and 241 received  
7 into evidence.)

8 CHAIRMAN CLARK: Is Ms. Kimball next?

9 MR. FEIL: Yes, ma'am.

10 CHAIRMAN CLARK: Let me just indicate  
11 something. Mr. Twomey has filed a Notice of Successor  
12 Party to Marco Island Civic Association. I understand  
13 there is no objection to that Notice of Successor Party,  
14 and that in fact those people are customers of the  
15 Utility.

16 MR. TWOMEY: That's correct, Madam Chairman.

17 CHAIRMAN CLARK: So we'll acknowledge that  
18 notice.

19 MR. TWOMEY: Thank you very much.

20 CHAIRMAN CLARK: Go ahead.

21 MR. HOFFMAN: Thank you, Madam Chairman

22 JUDITH J. KIMBALL

23 was called as a witness on behalf of Southern States  
24 Utilities, Inc., and having been duly sworn, testified  
25 as follows:

## 1 DIRECT EXAMINATION

2 BY MR. HOFFMAN:

3 Q Would you please state your name and business  
4 address?5 A Judith J. Kimball, 1000 Color Place, Apopka,  
6 Florida.7 Q Ms. Kimball, you're the same Judith J. Kimball  
8 who prefiled direct testimony in this proceeding?

9 A Yes, I am.

10 Q Have you prepared and caused to be filed 51  
11 pages of prefiled rebuttal testimony in this proceeding?

12 A Yes, I have.

13 Q Do you have changes or revisions to your  
14 rebuttal testimony?15 A Yes, I do. I have three changes. On Page 30,  
16 Lines 9 and 10, should read "Commission, and that an  
17 adjustment to the MFRs is appropriate." And then I'm  
18 adding two new sentences: "Since the MFRs began with  
19 the 1994 books, the required adjustments are as provided  
20 in my late-filed deposition Exhibit No. 1, and result in  
21 a reduction to rate base of \$88,355, and \$456,530 for  
22 water and wastewater, respectively."23 On Page 31, Line 4, the number \$78,535 should  
24 be \$40,411. And on Page 43, Line 18, the word  
25 "pursuing" should be "per using."

1 Q Ms. Kimball, with respect to your first  
2 revision, could you back and read that one more time a  
3 little more slowly?

4 A Okay. The line -- it starts on Line 9. It  
5 starts just the same way it was before. "Commission,  
6 and that an adjustment to the MFRs is appropriate." And  
7 then I add two sentences: "Since the MFRs began with  
8 the 1994 books, the required adjustments are as provided  
9 in my late-filed Deposition Exhibit No. 1 and result in  
10 a reduction to rate base of \$88,355 and \$456,530 for  
11 water and wastewater respectively."

12 Q Do you have any other revisions to your  
13 rebuttal testimony?

14 COMMISSIONER KIESLING: I'm sorry, could you  
15 just give me the numbers one more time, to make sure I  
16 got those?

17 WITNESS KIMBALL: Surely. \$88,355. That's  
18 water. And \$456,530 for wastewater.

19 COMMISSIONER KIESLING: Thank you.

20 Q (By Mr. Hoffman) With those revisions,  
21 Ms. Kimball, if I asked you the questions contained in  
22 your prefiled rebuttal testimony today, would your  
23 answers be the same?

24 A They would.

25 Q Madam Chairman, I would ask that Ms. Kimball's

1 prefiled rebuttal testimony be inserted into the record  
2 as though read.

3 CHAIRMAN CLARK: The prefiled rebuttal  
4 testimony of Ms. Kimball will be inserted in the record  
5 as though read.

6 MR. HOFFMAN: Thank you. Ms. Kimball, you  
7 have attached Exhibits JJK-2 through JJK-15 to your  
8 testimony?

9 WITNESS KIMBALL: That's correct.

10 MR. HOFFMAN: Madam Chairman, I would ask that  
11 Ms. Kimball's exhibits to her prefiled rebuttal  
12 testimony be marked for identification.

13 CHAIRMAN CLARK: The next exhibit number I  
14 have is 242.

15 MR. HOFFMAN: Thank you.

16 (Exhibit No. 242 marked for identification.)  
17  
18  
19  
20  
21  
22  
23  
24  
25

1       **Q.    ARE YOU THE SAME JUDITH J. KIMBALL WHO SUBMITTED**  
2       **PRE-FILED DIRECT TESTIMONY ON BEHALF OF SOUTHERN**  
3       **STATES?**

4       A.    Yes, I am.

5       **Q.    COULD YOU PLEASE GIVE THE PURPOSE FOR YOUR REBUTTAL**  
6       **TESTIMONY?**

7       A.    Yes, I will be rebutting various issues raised by  
8       Office of Public Counsel witnesses Hugh Larkin, Jr.  
9       and Donna DeRonne, as well as Kimberly Dismukes and  
10      Sugarmill Woods Civic Association witness Buddy L.  
11      Hansen.    In addition, I will address various  
12      Exceptions and Disclosures raised in FPSC Witness  
13      Dodrill's testimony.  For ease of understanding as  
14      to which party raised the issue, I will group the  
15      rebuttal by witness category.  Within the rebuttal,  
16      testimony will be referred to as Larkin, K.  
17      Dismukes, Hansen and Dodrill.  I will begin my  
18      rebuttal by addressing issues raised by Hugh  
19      Larkin.

20      **Q.    WHAT DOES YOUR FIRST ISSUE RELATE TO?**

21      A.    On pages 12 through 14 of Larkin's testimony, the  
22      issue of the dollars on SSU's books in Account 1030  
23      is discussed.  Although this testimony did not  
24      result in an adjustment by Larkin, it was only  
25      because he felt that other proposed non-used and

1 useful adjustments more than covered the amount of  
2 dollars booked to Account 1030 by SSU. Therefore,  
3 Larkin feels an additional adjustment is not  
4 required. However, he has, on page 14, reserved  
5 the right to update his recommendation based on  
6 information to be provided in my deposition Late  
7 Filed Exhibit 1.

8 **Q. WHAT DOES YOUR LATE FILED EXHIBIT 1 CONTAIN AND IS**  
9 **THERE A PROBLEM REGARDING THIS LATE FILED?**

10 A. This exhibit contains a list of the plants and the  
11 associated dollars that are booked to Account 1030  
12 as of December 31, 1994, broken down between water,  
13 sewer, and general plant. This Late Filed was  
14 requested by the Office of Public Counsel during my  
15 deposition of November 8, 1995. That exhibit is  
16 included as Exhibit 242 (JJK-2). Larkin states  
17 that "As of January 26, 1996 we are still awaiting  
18 a response to Late Filed 1 from the Deposition of  
19 Judith Kimball..." This exhibit was delivered via  
20 a memorandum to Counsel of Record in Docket No.  
21 950495-WS on November 13, 1995 by Kenneth A.  
22 Hoffman, Esq. (along with my Late Filed Exhibit 2).  
23 A copy of the transmittal memorandum is attached as  
24 Exhibit 242 (JJK-3). I have to wonder why, if  
25 Larkin had not received this exhibit, it was not

1 brought to SSU's attention earlier. Instead,  
2 Public Counsel waited until almost three months  
3 later and presented it as a problem in completing  
4 their analysis and testimony.

5 **Q. IN YOUR OPINION, IS THERE A PROBLEM WITH THE**  
6 **COMPANY RECORDING NON USED AND USEFUL ASSETS IN**  
7 **ACCOUNT 1030 AND ROLLING THESE BALANCES INTO PLANT**  
8 **IN SERVICE IN THE MFRS?**

9 A. No, there is not. In fact, there has been no  
10 change in SSU's treatment of Account 1030 balances  
11 and MFR presentation in the current docket from  
12 prior presentations before the FPSC. SSU has  
13 always rolled Account 1030 balances for  
14 transmission and distribution and collection lines  
15 into plant in service balances in the MFRs. In the  
16 instant proceeding, the Account 1030 balances were,  
17 for the most part, already in the Company's  
18 beginning points because they appeared as part of  
19 the year-end balances (before the application of  
20 non-used and useful percentages) in Docket 920199-  
21 WS.

22 **Q. WHAT CHANGED IN THIS PROCEEDING?**

23 A. One plant, Deep Creek, had not been included in  
24 Docket 920199-WS because it was not then under FPSC  
25 jurisdiction. That plant has a considerable amount

1 of non-useful lines recorded in Account 1030. We  
2 had to add those balances into plant in service in  
3 the present case. We also had to review each  
4 plant's balance in Account 1030 at December 1994  
5 and compare it to the December 1991 balance to  
6 insure that if the account balance had increased or  
7 decreased from the 1991 balance, the dollars were  
8 trued up in the MFR presentation.

9 **Q. WHAT DO THE ASSETS THAT ARE BOOKED TO ACCOUNT 1030**  
10 **REPRESENT?**

11 A. Most of the future use dollars in Account 1030  
12 pertain to the Deltona plants and the three plants  
13 that were part of the Punta Gorda (PGI)  
14 acquisition. Deltona had dollars recorded to  
15 Account 1030 at the time they were acquired and  
16 merged into SSU. As a result, SSU simply carried  
17 their balances over into SSU's ledgers in like  
18 amounts. The balances carried over from the  
19 Deltona books had been in place for some time and  
20 had not been updated by Deltona as a result of the  
21 acquisition. Deltona only updated this information  
22 in preparation for a rate case. Although PGI did  
23 not have dollars recorded to Account 1030, their  
24 plants did have a considerable amount of  
25 contributed lines which were non-used and useful.

1 At the time of booking the acquisition, I did an  
2 "estimate" of an amount which I assumed to be  
3 reasonable to place in the non-useful category.  
4 There was no formal engineering study done on the  
5 PGI assets to make an accurate determination of  
6 what should be booked to Account 1030.

7 **Q. AT DECEMBER 1994, THEN, DID THE AMOUNTS RECORDED IN**  
8 **ACCOUNT 1030 HAVE ANY RELEVANCE?**

9 A. Not a whole lot. They were pretty much stagnant  
10 amounts which had been on the books for quite some  
11 time and had not been updated with an engineering  
12 study to determine the non-useful value at December  
13 1994. The study that did update the non-used and  
14 useful numbers was, in fact, that conducted for the  
15 current rate case. Those results are published in  
16 the MFRs for Docket 950495-WS.

17 **Q. IS IT UNUSUAL FOR ACCOUNT 1030 TO REFLECT BALANCES**  
18 **WHICH MIGHT NOT BE ENTIRELY ACCURATE AND UP-TO-**  
19 **DATE?**

20 A. Not really. Theoretically, non-used and useful is  
21 a ratemaking concept. It is a time consuming  
22 endeavor to calculate and there are many diverse  
23 opinions as to the assumptions and methodologies  
24 which should be applied. This is obvious from  
25 looking at Larkin's proposed \$51.5 million

1 adjustment to SSU's filed numbers. As a result,  
2 most utilities only do a sophisticated calculation  
3 when preparing for rate cases or service  
4 availability filings.

5 **Q. HAS ANY HARM BEEN DONE TO THE CUSTOMERS BY SSU**  
6 **ROLLING ACCOUNT 1030 BALANCES INTO PLANT IN SERVICE**  
7 **ACCOUNT 1010 IN THE MFRS?**

8 A. Absolutely not. When the balances are rolled into  
9 Account 1010 in the MFRs, the Engineering  
10 Department's current non-used and useful  
11 percentages are then applied to the total value of  
12 the assets. Interestingly, the total amount booked  
13 to Account 1030 at December 31, 1994 was  
14 \$34,908,326 as indicated in the FPSC Audit Report,  
15 Audit Exception 1. The total amount of non-used and  
16 useful lines in the MFRs (including the three  
17 counties that are not in the present docket) at  
18 December 1994 is \$39,022,150. The total non-used  
19 and useful at December 1994 (plant and lines) in  
20 the MFR's (also including the three counties) is  
21 \$52,327,668. It is obvious from this comparison,  
22 that the book numbers in Account 1030 had not been  
23 updated through 1994 and that the Company has  
24 actually presented more non-used and useful in the  
25 MFRs than what is recorded on the Company's books.

1 Obviously, there is no harm to ratepayers and no  
2 adjustment is necessary simply because SSU rolled  
3 the Account 1030 balance into the 1010 Account in  
4 the same manner which we have done in past cases.  
5 This procedural technique of presenting the  
6 information in the MFRS simply does not impact  
7 anything.

8 **Q. WHY ARE YOU INCLUDING DOLLARS THAT PERTAIN TO THE**  
9 **THREE COUNTY OPERATIONS IN YOUR COMPARISON?**

10 A. We need to look at it on a total Company basis  
11 because the numbers that are referred to by staff  
12 in the Audit Report and by Larkin in his testimony  
13 refer to the "Balance" in Account 1030, which is,  
14 in fact, a total Company balance.

15 **Q. IN YOUR OPINION, DOES IT MAKE SENSE TO BOOK NON-**  
16 **USED AND USEFUL AS A CATEGORY OF ASSET SEPARATE**  
17 **FROM UTILITY PLANT IN SERVICE?**

18 A. No, it does not. First of all, the utility would  
19 like to keep intact what represents the value of an  
20 asset. In the case of transmission and collection  
21 lines, many times it isn't a matter of entire  
22 segments of lines not having flows going through  
23 them. Most of the lines do have flow going through  
24 them; the non-used and useful is simply a  
25 percentage applied to that line value based on

1 various possible non used and useful scenarios.  
2 Thus, to capture a portion of the line and book it  
3 as non-useful is really meaningless. This is even  
4 more obvious when it comes to the plant side of the  
5 equation. To try to take the value of a well, for  
6 example, and say that twenty percent of it should  
7 be spun off and placed in future use plant is not  
8 only irrelevant because non-used and useful is a  
9 constantly changing number with growth and demand,  
10 but it also takes a continuing property record and  
11 attempts to divide it into two parts for book  
12 purposes. It is not something I think should be  
13 done.

14 Therefore, in late 1995 SSU took all assets  
15 except land which were booked to future use and  
16 moved them to the 1010 category. The Company is  
17 now depreciating all assets, whether theoretically  
18 useful or not. These assets were booked to Account  
19 1030 up to this time primarily to segregate them  
20 for the depreciation calculation.

21 **Q. IS THERE ANY FINAL POINT YOU WOULD LIKE TO MAKE**  
22 **ABOUT THE TREATMENT OF THE 1030 ASSETS ON THE BOOKS**  
23 **AND IN THE MFRS?**

24 **A.** I would just like to summarize by saying I believe  
25 utilities are in a no-win situation where the

1 accounting and MFR reflection of non-used and  
2 useful is concerned. On the book side, it is too  
3 expensive for the utilities to calculate non-used  
4 and useful on an annual basis and even if it were  
5 done, it is not good accounting treatment to break  
6 up an asset and record it in two accounts. I  
7 personally believe, with some understandable  
8 exceptions, that these assets should be rolled into  
9 plant in service on the books as well as in the  
10 MFRs and non-used and useful calculations should be  
11 updated when circumstances call for it.

12 **Q. DO YOU AGREE WITH THE PROJECT SLIPPAGE ADJUSTMENT**  
13 **PROPOSED BY LARKIN?**

14 A. No, I do not. Larkin bases his proposed adjustment  
15 on an SSU appendix provided in response to OPC  
16 Interrogatory 165 that presented the status of  
17 capital projects as of August 31, 1995. We have  
18 updated that appendix to reflect results as of  
19 December 31, 1995. This updated status report is  
20 included as Exhibit 242 (JJK-4). Also included  
21 as Exhibit 242 (JJK-5) is a summary of the  
22 information presented in the status report which  
23 makes the same comparisons as Larkin did, but  
24 through year-end 1995. This summary shows that  
25 actual in-service capital additions, excluding the

1 lines constructed under the Lehigh refundable  
2 advance agreement, totaled \$22,933,548 compared to  
3 \$24,508,825 included in the MFRs. On a year-end  
4 basis, this represents an overstatement in the MFRs  
5 of \$1,575,277 of in service capital projects, or a  
6 6.43% variance. More importantly, however, and  
7 consistent with Larkin's presentation, on a 13-  
8 month average basis, there is only a \$190,579  
9 variance between actuals and what is in the MFRs  
10 and it is a positive variance. In other words, on  
11 a 13-month average basis, actual in-service  
12 additions exceeded what was filed in the MFRs.  
13 This amount represents a 2.52% variance over what  
14 was filed. Exhibit 242 (JJK-5) also contains the  
15 monthly activity included in the calculation of the  
16 13-month average balance.

17 **Q. WHY HAVE YOU EXCLUDED THE LINES CONSTRUCTED UNDER**  
18 **THE LEHIGH REFUNDABLE ADVANCE AGREEMENT FROM THE**  
19 **COMPARISON OF TOTAL 1995 PLANT IN SERVICE PROJECTED**  
20 **IN THE MFRS VERSUS ACTUALS?**

21 A. This construction spending is removed from the  
22 analysis because completion of these projects is  
23 not at SSU's discretion; Lehigh Corporation is  
24 responsible for this construction. Let me explain  
25 a little further.

1           SSU projected a cost of \$1,602,000 associated  
2 with the water lines and \$905,000 for the  
3 wastewater collection lines for a total of  
4 \$2,507,000. Only \$204,128 and \$355,276 of water and  
5 wastewater lines, respectively, were placed into  
6 service. The removal of this \$2,507,000 from the  
7 "filed to actual" plant in service comparison  
8 reduces the deviation of filed to actual plant in  
9 service to six and forty-three one hundredths  
10 percent (6.43%). It is appropriate to ignore the  
11 \$2,507,000 for purposes of the "filed" to "actual"  
12 comparison for the following reasons: (1) the  
13 projects are funded by refundable advances; (2) the  
14 refundable advances operate as a reduction to rate  
15 base; (3) the funds were included in the 1995 plant  
16 in service projects solely to balance out the fact  
17 that the associated refundable advances had been  
18 included as deducted line items in the rate base  
19 calculation; (4) consideration of the refundable  
20 advances, a reduction to rate base, without  
21 consideration of the offsetting plant, an increase  
22 to rate base, would have resulted in an improper  
23 double reduction to rate base; and (5) the lines  
24 were not placed into service due to developer  
25 activity beyond SSU's control. The bottom line is

1 that there is no rate base and no revenue  
2 requirement impact from the fact that the  
3 associated lines were not placed into service.

4 **Q. GIVEN THE ABOVE UPDATE THROUGH THE END OF 1995, IS**  
5 **A PROJECT SLIPPAGE ADJUSTMENT WARRANTED?**

6 A. No, it is not.

7 **Q. WHAT IS THE NEXT ADJUSTMENT YOU WILL ADDRESS?**

8 A. Mr. Larkin proposes an adjustment to increase CIAC  
9 by the amount of non-used and useful applied  
10 against the categories of plant capacity fees and  
11 line/main extension fees by SSU in its MFRs.  
12 Larkin acknowledges that the offset for non-used  
13 and useful is appropriate in the case of  
14 contributed lines and contributed property other  
15 than lines. He has assumed that the plant capacity  
16 fees and line/main extension fees represent cash  
17 provided by utility customers and that the entire  
18 amount of the cash received is cost free capital to  
19 SSU and should not have non-used and useful applied  
20 to it.

21 **Q. WHAT ARE THE PROBLEMS WITH LARKIN'S ASSUMPTIONS?**

22 A. From Larkin's discussion on page 19, lines 11  
23 through 17, I believe he has assumed that SSU has  
24 applied non-used and useful percentages against  
25 plant capacity fees and line/main extension fees in

1 each service area. This is an erroneous  
2 assumption. There are only three plants that have  
3 had non-used and useful applied to these two  
4 categories of CIAC. Those plants are Burnt Store,  
5 Deep Creek, and Sugar Mill Woods. They are also  
6 referred to as the PGI plants as they are the  
7 plants acquired from Punta Gorda Isles, Inc.  
8 Exhibit 242 (JJK-6) shows the plants and amounts  
9 that reconcile to the total dollars Larkin is  
10 proposing to adjust in his Exhibit 174 (HL-1),  
11 Schedule 10. These amounts were taken from the  
12 1996 "A-12" Schedules in Volume III, Book 1 and  
13 Book 2 for Deep Creek, and workpapers contained in  
14 Volume XII, Books 1 and 7 for Burnt Store, water  
15 and wastewater, respectively, and Books 6 and 9 for  
16 Sugarmill Woods water and wastewater, respectively.

17 **Q. WHY DID SSU APPLY A NON-USED AND USEFUL PERCENTAGE**  
18 **TO PLANT CAPACITY FEES AND LINE/MAIN EXTENSION FEES**  
19 **AT THESE THREE PLANTS?**

20 A. There is a great deal of non-used and useful assets  
21 at these three plants. That non-used and useful  
22 existed at the time Southern States acquired the  
23 operations. These non-used and useful assets were  
24 funded by prepaid CIAC advanced by the developer at  
25 the time (1986/1987) in order to avoid the federal

1 tax on CIAC which was about to be passed into law.  
2 There are several important points regarding this  
3 prepaid CIAC. First of all, SSU never acquired the  
4 cash--it was spent to build the lines by the  
5 utility prior to SSU ownership. Secondly, this  
6 represents prepaid CIAC which should be fully  
7 offset against the non-useful assets, especially  
8 since SSU never received the cash. Third, this  
9 treatment of prepaid CIAC is consistent with that  
10 followed in the last rate case (Docket 920199-WS)  
11 for Burnt Store and Sugar Mill Woods and the last  
12 rate case before Charlotte County for Deep Creek.

13 **Q. IS THERE ANYTHING DIFFERENT ABOUT WHAT YOU HAVE**  
14 **DONE IN THESE MFR'S FROM THE PRESENTATION IN THE**  
15 **LAST CASE?**

16 **A.** Basically the treatment is pretty much the same.  
17 In the last case, the non-useful prepaids were  
18 removed from the rate case by the utility as a  
19 utility adjustment to its books. In the prior  
20 cases, I believe it was more difficult to see the  
21 entire picture because in some instances, the total  
22 pot of dollars was really not clear. In this case,  
23 we have presented the total CIAC dollars and then  
24 applied the non-useful calculation to show removal  
25 of the prepaids. The Commission supported the

1 removal of the prepaids in Docket 920199-WS.

2 **Q. WHERE DID THE NON-USEFUL PERCENTAGE COME FROM THAT**  
3 **WAS APPLIED TO THE CIAC DOLLARS?**

4 A. The percentage represents the composite non-used  
5 and useful percentage that was developed for the  
6 related plant in service non-useful calculations  
7 and comes directly from page 7 of the A-5(W) and A-  
8 6(S) plant in service schedules.

9 **Q. LARKIN ALSO INCLUDED ADJUSTMENTS TO ACCUMULATED**  
10 **AMORTIZATION OF CIAC RELATED TO THIS ISSUE. DO YOU**  
11 **AGREE WITH THOSE ADJUSTMENTS?**

12 A. The Company's position is that there should be no  
13 adjustment to remove the non-used and useful CIAC  
14 related to prepaids. If there are no adjustments  
15 made to SSU's numbers, then the related adjustments  
16 to accumulated amortization are inappropriate. If  
17 adjustments are made to SSU's numbers; either in  
18 the methodology or in the non-used and useful  
19 percentage, then a fall-out calculation to  
20 accumulated amortization of CIAC is proper.

21 **Q. WHAT IS THE NEXT PROPOSED ADJUSTMENT WHICH YOU**  
22 **DISAGREE WITH?**

23 A. Larkin has proposed reversing SSU's adjustment  
24 which restates accumulated depreciation to reflect  
25 the fact that the Company did not recover the

1 increased depreciation expense until final rates  
2 went into effect in September 1993. The proposed  
3 reversal would result in an increase to accumulated  
4 depreciation of \$199,086 and \$518,176 for water and  
5 wastewater, respectively. I disagree with Larkin's  
6 viewpoint that SSU is "retroactively" adjusting its  
7 books for items that SSU feels it has not fully  
8 recovered in rates in the past.

9 **Q. WHAT SPECIFICALLY DO YOU DISAGREE WITH?**

10 A. First, there is no way the Company recovered the  
11 new depreciation rates in the past when Docket  
12 900329-WS was dismissed (in the case of the Deltona  
13 plants) and when Docket 920199-WS was finalized and  
14 new rates were authorized and implemented in  
15 September 1993. Just because the new rates were  
16 used to calculate accumulated depreciation in past  
17 MFRs doesn't mean the Company has recovered any of  
18 that increased expense. Recovery doesn't begin  
19 until the Company begins to collect the revenue  
20 designed to include that additional expense. This,  
21 in fact, did not occur until September 1993. A  
22 basic concept of accounting is that expenses should  
23 be matched with revenue whenever feasible. That is  
24 one reason why there is such a thing as accrual  
25 accounting. If the Company's depreciation rates

1 reflect one level of expense and, yet, the revenue  
2 being collected reflects a different level of  
3 expense, then we have not properly matched the two.

4 Secondly, the restatement of accumulated  
5 depreciation for the Deltona plants for 1989 and  
6 1990 was nothing more than a correction of an  
7 error. These plants had incorrect rates in 1989  
8 and 1990 as a result of calculations originally  
9 done for Docket 900329-WS which was later  
10 dismissed. Unfortunately, SSU did not realize the  
11 rates had been changed for the MFRs in that  
12 proceeding and continued to use them in calculating  
13 depreciation expense through 1991 in Docket 920199-  
14 WS. Our adjustment for the Deltona plants simply  
15 corrects this mistake. Again, there was no earlier  
16 recovery because Docket No. 900329-WS was  
17 dismissed.

18 **Q. IS THERE ANY PRECEDENT THAT YOU KNOW OF FOR**  
19 **RESTATING ACCUMULATED DEPRECIATION TO REFLECT THE**  
20 **OLD RATES UNTIL THE REVENUE IS REALIZED WHICH**  
21 **OFFSETS THE NEW LEVEL OF EXPENSE?**

22 A. Yes there is. The FPSC issued, on November 6,  
23 1995, Order No. PSC-95-1376-FOF-WS, related to an  
24 application for a rate increase by Ortega Utility  
25 Company. In that Order, the FPSC states the

1 following:

2 "However, we do find that the  
3 reported balances for accumulated  
4 depreciation of plant and  
5 accumulated amortization of CIAC  
6 shall be reduced to remove the  
7 increment associated with adoption  
8 of guideline rates for MFR reporting  
9 purposes before service rates were  
10 increased to recover that added  
11 expense."

12 An earlier order issued in a rate application  
13 for Orange-Osceola Utilities in Docket 871134-WS,  
14 Order 20434, issued on December 8, 1988, also  
15 supports the above Commission position as follows:

16 "The Utility did not correctly  
17 institute the depreciation and  
18 amortization rates approved under  
19 Order No. 17366. These rates should  
20 have been instituted when the final  
21 rates became effective."

22 In addition, Staff Advisory Bulletin No. 17  
23 indicates a request for a "change in depreciation  
24 rates outside a revenue rate case"... "also has the  
25 drawback of the likelihood of not matching expenses

1 with revenues." It goes on to say "...there has  
2 been growing recognition that a change in  
3 depreciation rates should be associated with the  
4 timing of new revenue rates."

5 **Q. IS THERE A DIFFERENCE IN HOW THE RESTATEMENT OF**  
6 **ACCUMULATED DEPRECIATION FOR THE DELTONA PLANTS FOR**  
7 **1989 AND 1990 SHOULD BE VIEWED VERSUS THE PLANTS**  
8 **THAT HAD DEPRECIATION RESTATED FOR 1991 THROUGH**  
9 **AUGUST 1993?**

10 A. I don't believe there is. In both situations, the  
11 MFR's were prepared using guidelines rates. As  
12 Order 900329-WS was dismissed, and revenues from  
13 Order 920199 did not begin to be realized until  
14 September 1993, there is no possibility in either  
15 situation that SSU could have already recovered the  
16 higher depreciation expense through increased  
17 rates.

18 **Q. DID SSU PROVIDE FOR A RELATED DECREASE TO**  
19 **ACCUMULATED AMORTIZATION OF CIAC AS MENTIONED IN**  
20 **THE CITED ORDER?**

21 A. Unfortunately, SSU overlooked that side of the  
22 equation. However, that information has since been  
23 provided to FPSC staff in response to FPSC  
24 Interrogatory 33. That adjustment would result in  
25 an average and year-end decrease to water

1 accumulated amortization of CIAC of \$128,751 and a  
2 decrease to wastewater accumulated amortization of  
3 CIAC of \$135,129.

4 At the same time that we agree with the  
5 adjustment to CIAC amortization just mentioned, the  
6 Commission should know that actual CIAC booked in  
7 1995 is \$672,223 less than that projected for 1995  
8 in this docket. The downward CIAC variance is  
9 \$444,020 in water and \$228,203 in wastewater.  
10 Known downward adjustments should be offset against  
11 known upward adjustments. Doing so would result in  
12 a reduction of CIAC of \$315,269 and \$93,074 for  
13 water and wastewater, respectively.

14 **Q. DO YOU AGREE WITH THE PROPOSED CORPORATE INSURANCE**  
15 **ADJUSTMENT OF -\$96,458?**

16 A. No, I do not, for a variety of reasons. To begin  
17 with, there are several flaws in the numbers as  
18 presented in Larkin's Exhibit \_\_\_\_\_ (HL-1),  
19 Schedule 22, related to this issue. They are as  
20 follows:

21 (1) The actual 1995 insurance premiums as  
22 indicated by Larkin did not include the impact of  
23 the Buenaventura Lakes acquisition. Thus, when  
24 Larkin applies the attrition factor of 1.95% to the  
25 1995 actuals to arrive at the "1996 insurance

1 premium per OPC", he has understated the 1996  
2 premium by \$63,096. This represents the insurance  
3 costs Buenaventura Lakes brought into the rate case  
4 in 1996. Buenaventura insurance costs can be  
5 verified in Volume II, Book 3 of 4, pages 314  
6 through 317. Therefore, under Larkin's assumption  
7 in his exhibit, the "1996 insurance premium per  
8 OPC" would be \$692,223 instead of \$629,127.

9 (2) SSU's budgeted 1995 premiums indicated on the  
10 bottom of Schedule 22 also did not include the  
11 impact of Buenaventura Lakes' insurance. As a  
12 result, the budgeted 1996 premiums of \$772,720  
13 would also have to have \$63,096 added to that  
14 number for a new 1996 premium of \$821,036.

15 (3) Larkin tries to compare insurance expense to  
16 insurance premiums, which are two very different  
17 things. In Interrogatory 252, OPC asks for actual  
18 1995 insurance premiums, not expense. If one looks  
19 at MFR Volume II, Book 1, page 175 and adds up the  
20 total company insurance expense for 1995, it will  
21 be found that the number totals \$593,878. However,  
22 Interrogatory Appendix 252-A indicates that the  
23 total company insurance budget for 1995 was  
24 \$757,940. One of the reasons for this difference  
25 is that insurance costs are, in part, capitalized

1 as part of the overhead factor to the Company's  
2 capital projects. As a result, if an attempt is  
3 made to compare the MFR expense (accrual basis) to  
4 the budget (cash basis), it will never match, even  
5 if there was no variance in actuals from what was  
6 budgeted. Larkin attempts to arrive at the net of  
7 capital expense adjustment through his calculations  
8 on lines 8 through 11 of Schedule 22. The problem  
9 is that on line 1 he uses an understated amount for  
10 actual 1995 insurance premiums.

11 **Q. IS THERE UPDATED INFORMATION AS TO THE ACTUAL 1995**  
12 **INSURANCE PREMIUMS?**

13 A. Yes, there is quite a significant change as it  
14 relates to the premiums for workers compensation.  
15 The Company recently filed a revised response to  
16 OPC Interrogatory 252 which includes Appendix 252R-  
17 A which indicates the actual workers compensation  
18 premium disbursements in the years 1992 through  
19 1995 and the 1995 budget. The amount indicated as  
20 the 1995 actual premium for workers compensation in  
21 Appendix 252-A was necessarily incomplete. As the  
22 Company indicated in its initial response, the  
23 premiums for workers compensation were subject to  
24 year-end audits which could result in additional  
25 premiums being charged or credits being issued.

1           The \$136,023 indicated on that appendix did not  
2           include paid losses or the cash impact of premiums  
3           related to prior periods.     The new appendix  
4           indicates the Company paid out \$474,166 in 1995  
5           related to workers compensation; \$338,143 more than  
6           was indicated in Appendix 252-A as the Company's  
7           1995 actuals for workers compensation.   That would  
8           bring the Company's actual 1995 premiums in total  
9           for insurance to \$955,237 compared to a budget of  
10          \$757,940.   On a gross expense basis, the 1995 books  
11          recorded \$371,150 of workers compensation expense  
12          compared to a 1995 budget of \$250,000.   Obviously  
13          if any adjustment to gross insurance expense is  
14          warranted, it is an increase of \$121,150 -- the  
15          difference     between     the     \$250,000     workers  
16          compensation in the 1995 MFR projection and the  
17          \$371,150 actual expense for 1995--not a decrease.  
18          I have included the revised response to OPC  
19          Interrogatory 252 as Exhibit 242 (JJK-7).   SSU  
20          requests that the increase in 1995 workers  
21          compensation expense above the expense projected in  
22          the MFRs be used as an offset to any reduction the  
23          Commission may find to SSU's expenses without  
24          exceeding the revenue requirement projected in the  
25          MFRs.

1 Q. IS THERE ANYTHING ADDITIONAL YOU WOULD LIKE TO ADD  
2 REGARDING THIS ADJUSTMENT?

3 A. Yes there is. On Larkin's Schedule 22 and on many  
4 of the other schedules proposing adjustments,  
5 witnesses have used the Company's 1996 attrition  
6 factor of 1.95% in calculating the adjustments.  
7 When the Commission is considering downward  
8 adjustments to the Company's expenses, it should  
9 also keep in mind that the actual price index for  
10 1996 established by the FPSC in Docket 960005-WS  
11 issued February 9, 1996 is 2.49%, not the  
12 conservative 1.95% used in the current filing. The  
13 known and quantifiable figure of 2.49% should be  
14 applied to the 1995 FPSC filed expenses and the  
15 resulting increased expense of \$45,107 should be  
16 considered as an offset to any decreases to SSU's  
17 revenue requirements. To do otherwise would  
18 encourage utilities to use "high-end" projections  
19 in MFRs to avoid being detrimentally impacted if  
20 projections, such as SSU's 1.95% attrition factor,  
21 are determined to have been too conservative.  
22 Exhibit 242 (JJK-8) contains the attrition  
23 differential calculation. Also SSU sees no  
24 distinction between the proposed adjustment to  
25 recognize the impact of a subsequent PSC order

1 regarding attrition and the Commission's standard  
2 practice, customarily agreed to by SSU to adjust  
3 cost of capital to the level indicated in the  
4 Commission's leverage graph order in effect at the  
5 date of the Commission's agenda conference.

6 **Q. DOES THAT COMPLETE YOUR REBUTTAL OF LARKIN'S**  
7 **TESTIMONY?**

8 A. Yes it does. I will now address some of K.  
9 Dismukes proposed adjustments. The first issue I  
10 will discuss relates to the proposal to move some  
11 Lehigh land to future use from plant in service. I  
12 will only address the accuracy of the numbers;  
13 Witness Vierima will discuss the proposed 60%  
14 reduction to the land values.

15 **Q. DO YOU AGREE WITH THE VALUES OF THE LAND AS**  
16 **PRESENTED IN EXHIBIT 175 (KHD-1), SCHEDULE 37?**

17 A. The numbers in the top half of the schedule  
18 totaling \$257,577 are correct and represent the  
19 direct costs of the land acquisition. SSU has  
20 already indicated in response to FPSC Audit Request  
21 #104 that inclusion of the first three of these  
22 parcels in the MFRs was an oversight and that  
23 \$238,310 of direct costs related to these three  
24 parcels should have gone to future use land. What  
25 is not included on the top half of the schedule is

1 the total cost which has been included in the MFRs  
2 for the land which includes such things as  
3 consulting fees and overhead. As explained in my  
4 response to Audit Request #104, when these costs  
5 are added to Parcel 4, which is to remain in plant  
6 in service, the value of that parcel becomes  
7 \$33,203. In the presentation on the lower part of  
8 the schedule, K. Dismukes presents the 60%  
9 reduction to Parcel 4 as pertaining to sewer. This  
10 parcel of land pertains to the water plant, not  
11 wastewater.

12 **Q. IF THE COMMISSION SUPPORTED THE 60% REDUCTION TO**  
13 **THE LAND VALUES, IS IT PROPER TO MAKE THIS**  
14 **CALCULATION ON THE TOTAL AMOUNT INCLUDED IN THE**  
15 **MFRS?**

16 A. No, it is not. That calculation should only be  
17 applied to the direct cost of the land from Lehigh.  
18 It should not be applied to SSU's costs associated  
19 with the land acquisition.

20 **Q. WHAT IS THE SECOND ISSUE IN K. DISMUKES' TESTIMONY**  
21 **WHICH YOU WILL DISCUSS?**

22 A. The second issue regards the proposed adjustment to  
23 remove non-used and useful assets from Lehigh's  
24 plant in service as they relate to the developers  
25 agreement with Lehigh Corporation and the

1 associated advances for construction. It appears  
2 that the main concern regarding this item is  
3 Dismukes' contention that additional lots were not  
4 taken into consideration in the denominator when  
5 calculating non-used and useful using the lot count  
6 methodology. From a methodology standpoint, I  
7 believe K. Dismukes agrees with the SSU  
8 presentation. Her testimony, on page 85, line 3,  
9 indicates they are waiting for outstanding  
10 discovery on this issue. I believe OPC  
11 Interrogatory 343 is the discovery being  
12 referenced. I have attached SSU's response to that  
13 interrogatory as Exhibit 242 (JJK-9). I believe  
14 it to be concise in explaining why the methodology  
15 followed by the Company is correct as well as the  
16 consequences of not following that methodology.

17 **Q. IS THERE ANY OTHER RELEVANT INFORMATION THAT NEEDS**  
18 **TO BE DISCUSSED?**

19 A. Yes, there are a few mechanical problems with  
20 Schedule 38. First of all, the "1996 average  
21 additions-LAC" which appears on the 4th line of the  
22 schedule as reflected by Dismukes are simple  
23 average numbers but should be 13-month averages.  
24 The correct 13-month average numbers are \$93,077  
25 and \$191,019 for water and wastewater,

1           respectively. The contractor payments (line 5) are  
2           also simple averages instead of 13-month averages.  
3           The correct numbers are \$57,538 for water and  
4           \$111,692 for wastewater.

5           One final point relates to page 85, lines 9  
6           through 11, of K. Dismukes' testimony where she  
7           infers that the Company has said that "only a small  
8           portion of these assets are related to customers  
9           that have connected to the system." I reviewed 500  
10          pages of an Appendix to Document Request 196 which  
11          she refers to and could find no statement by the  
12          Company to that effect. Perhaps she is making this  
13          inference from looking at the numbers alone, but  
14          she has not made that clear. As these were  
15          projected numbers, it would not seem the Company  
16          would be in a position to make such a statement.

17          **Q. ARE YOU, THEN, ACCEPTING THESE ADJUSTMENTS WITH THE**  
18          **CHANGES INDICATED ABOVE?**

19          A. I am only accepting in theory that what is being  
20          proposed is correct in that SSU failed to calculate  
21          the appropriate non-used and useful percentage.  
22          The amount of the ultimate adjustment actually is a  
23          fall out number based on the final non-used and  
24          useful percentage arrived at by the Commission. It  
25          would be totally inappropriate to recognize this

1 adjustment to non-used and useful in the amount of  
2 \$1.8 million on top of a new non-used and useful  
3 percentage. The new percentage should take this  
4 adjustment into consideration. It is important to  
5 note that care must be exercised in making any  
6 adjustments related to this issue. If, for  
7 example, a true-up downward adjustment to Lehigh  
8 plant in service is made as indicated in Exhibit  
9 242 (JJK-5), the same adjustment needs to be made  
10 to the advances before non-used and useful is  
11 applied. The net result should be no net impact to  
12 rate base or revenue requirements. In theory, the  
13 way we have approached the presentation is correct.  
14 Realistically, the actual non-used and useful  
15 percentage will not exactly equal the amount of  
16 advances being removed from the equation. Overall,  
17 a percentage is being applied to a large asset base  
18 constructed over long periods of time and at  
19 different cost rates. Theoretically, however, all  
20 else being equal, if the numbers are calculated  
21 correctly, the end result should have been a zero  
22 impact to rate base, which is what all parties are  
23 attempting to accomplish.

24 **Q. WHAT IS THE FINAL ADJUSTMENT PROPOSED BY K.**  
25 **DISMUKES WHICH YOU WILL DISCUSS?**

1 A. She has provided the adjustments to the  
 2 Buenaventura Lakes rate base which are required to  
 3 make the MFRs consistent with Commission  
 4 adjustments found in Order No. PSC-95-1325-FOF-WS,  
 5 Docket No. 941151-WS, issued October 31, 1995. The  
 6 rate base adjustments are as of December 31, 1994.  
 7 We agree that the adjustments to rate base provided  
 8 on her Schedule 39 are those ordered by the  
 9 Commission and that an adjustment to the MFRs ~~in~~  
 10 ~~the same amounts~~ is appropriate. *Since the MFRs began with the 1994*  
*books, the required adjustments*  
*are as provided in my late-filed*  
*deposition exhibit no. 1 and result in a reduction to rate base of \$88,355 and \$456,530.*

11 **Q. DO YOU AGREE WITH THE CALCULATIONS TO REDUCE**  
 12 **DEPRECIATION EXPENSE PRESENTED ON THE LOWER HALF OF**  
 13 **SCHEDULE 39?**

14 A. No, I do not. The calculations simply take the  
 15 adjustments made to plant and CIAC and calculate  
 16 one year of expense using composite depreciation  
 17 and amortization rates. It is not appropriate to  
 18 make these calculations on the total adjusted plant  
 19 and CIAC amounts because these adjustments contain  
 20 1994 book activity which SSU already has in its  
 21 MFRs. SSU has provided detailed calculations to  
 22 FPSC staff as Late Filed Exhibit 1 from my  
 23 deposition taken on January 19, 1996. That Late  
 24 Filed contains a detailed recalculation of  
 25 depreciation expense and amortization expense for

for water and wastewater, respectively.

1 1996 which can be compared to the original MFRs to  
2 determine the adjustment required. The proper  
3 adjustment is a net decrease to depreciation  
4 expense of \$2,132 in water and ~~\$78,535~~<sup>\$40,411</sup> in  
5 wastewater.

6 **Q. IS THERE ANY OTHER INFORMATION WHICH IS RELEVANT TO**  
7 **THE MATTER OF THE APPROPRIATE RATE BASE FOR**  
8 **BUENAVENTURA LAKES?**

9 A. Yes, there is. While in the process of preparing  
10 the above mentioned Late Filed Exhibit 1, it came  
11 to our attention that certain asset retirements had  
12 not been properly offset to the accumulated  
13 depreciation reserve. This oversight, if  
14 corrected, would reduce water accumulated  
15 depreciation by \$6,894 and would reduce wastewater  
16 accumulated depreciation by \$198,578. It was also  
17 discovered that the calculations performed to  
18 remove capitalized interest utilized the  
19 Commission's approved depreciation rates instead of  
20 the incorrect rates used by Orange-Osceola on their  
21 books. The adjustment should be based on the  
22 incorrect depreciation rates. The correction of  
23 this calculation would increase water accumulated  
24 depreciation by \$513 and decrease wastewater  
25 accumulated depreciation by \$35,317. The

1 Commission approved all of these adjustments to  
2 accumulated depreciation by unanimous vote at the  
3 March 5 Agenda Conference. Therefore, these  
4 adjustments should be reflected in this proceeding.  
5 In response to a staff request, SSU has revised my  
6 deposition Late Filed Exhibit No. 1 to reflect this  
7 change to accumulated depreciation and forwarded it  
8 to the Commission on March 12, 1996.

9 **Q. DOES THE NEXT ISSUE TO BE DISCUSSED CONCERN WITNESS**  
10 **HANSEN'S TESTIMONY ON BEHALF OF THE SUGARMILL WOODS**  
11 **CIVIC ASSOCIATION?**

12 A. Yes, and it also addresses a portion of the FPSC  
13 Audit Report sponsored by Staff Witness Charleston  
14 J. Winston. The issue I would like to discuss now  
15 relates to the adjustment the Company made to the  
16 beginning points of wastewater CIAC in that portion  
17 of the MFRs related to the Sugarmill Woods or "SMW"  
18 service area. It is discussed in Audit Disclosure  
19 No. 3 in the FPSC Audit Report.

20 **Q. WHAT IS THE AMOUNT OF THAT ADJUSTMENT AND WAS IT**  
21 **AUDITED BY COMMISSION AUDITORS?**

22 A. The amount of the wastewater adjustment to the CIAC  
23 beginning points was a \$1,116,283 reduction to  
24 CIAC. Hansen made the point that Staff and/or OPC  
25 should audit the Sugarmill Woods CIAC account going

1 back to the audit for the certificate transfer.  
2 The auditor, Ronald Mayes, did exactly that. He  
3 "reconstructed the 'book balance' as of 12/31/91."  
4 As stated in his Audit Disclosure No. 3, "There is  
5 a definite difference between the amounts as filed  
6 in Docket #920199-WS and the financial records of  
7 the Company as of 12/31/91. The auditor did not  
8 find any errors in the 'booked amounts'".

9 **Q. MR. HANSEN STATES IN HIS TESTIMONY THAT HE DOES NOT**  
10 **KNOW ANY OF THE PARTICULARS OF THAT MISTAKE. DO**  
11 **YOU AGREE WITH HIS STATEMENT?**

12 **A.** No, I do not. In the second set of Interrogatories  
13 filed on SSU by Sugarmill Woods Civic Association,  
14 Interrogatory Number 23 specifically questioned  
15 this adjustment. Along with other information  
16 filed with our response to this interrogatory, we  
17 provided a brief explanation saying both the  
18 auditor and SSU had been unable to explain what had  
19 happened to cause the mistake in the past -- which  
20 mistake was to the detriment of SSU by resulting in  
21 an understatement of revenue requirements. SSU  
22 also included Appendix 23-B in our response which  
23 consisted of 56 pages of information provided to  
24 the FPSC auditor regarding this issue. Review of  
25 this information should have provided some

1 knowledge of the matter to Mr. Hansen and it  
2 certainly should have put him on notice that an  
3 FPSC staff auditor already had audited this  
4 information from the time of the certificate  
5 transfer before Mr. Hansen submitted his testimony.

6 **Q. DO YOU HAVE ANY NEW INFORMATION ON THIS MATTER?**

7 A. Yes. Since conclusion of the audit and after SSU's  
8 response to SMW Civic Association discovery, we  
9 contacted Bob Nixon, the consultant who put the SMW  
10 rate base together in Docket 920199-WS, under the  
11 supervision of Chuck Lewis, who has since left the  
12 Company. Mr. Nixon produced his workpapers for us  
13 and indicated they had added back to the CIAC  
14 accounts certain amounts that had been charged to  
15 the Acquisition Adjustment account in 1989. His  
16 workpapers confirmed that they had added back to  
17 wastewater CIAC \$1,108,870 that had been booked to  
18 the acquisition adjustment account as a credit.  
19 Mr. Nixon could not remember why they had done  
20 this. My belief is that they thought the entry  
21 that had been booked to the acquisition adjustment  
22 account as a credit was in error and that it should  
23 have been booked to CIAC. If that is what  
24 happened, it was a totally unfounded assumption and  
25 the books are correct as they stand.

1 Q. COULD YOU ATTEMPT TO EXPLAIN THE CIRCUMSTANCES  
2 BEHIND WHAT YOU BELIEVE WAS THE CAUSE OF THE  
3 OVERSTATEMENT OF CIAC IN THE MFRS FOR DOCKET  
4 920199-WS?

5 A. The transaction that created the overstatement of  
6 CIAC involved a \$4.9 million transfer of utility  
7 assets from Punta Gorda Isles, Inc. to Southern  
8 States' Sugarmill Woods water and sewer plant  
9 assets for lines that were installed in Oak  
10 Village. This transfer was consummated on August  
11 21, 1989 even though it was part of the original  
12 purchase agreement closed in December 1988.  
13 Construction was not yet complete and the Division  
14 of Florida Land Sales had not yet signed off on the  
15 project as to completion of the improvements at the  
16 time of closing the acquisition.

17 When the assets were turned over to Southern  
18 States, a list was received from the Controller of  
19 Punta Gorda Isles which indicated those lots for  
20 which Advances for Construction (prepaid CIAC) had  
21 already been received and recorded on the utility's  
22 books. The water advances totaled \$87,080 and the  
23 wastewater advances, \$1,108,870, or a total of  
24 \$1,195,950. When the transaction was recorded by  
25 Southern States, the entire credit of \$1,195,950

1 should have been recorded to Acquisition  
2 Adjustment, because it was already included in the  
3 Advances account. Instead, the transaction was  
4 incorrectly recorded to CIAC in the full amount of  
5 \$4.9 million with the offset being to various plant  
6 in service accounts.

7 Once the CIAC overbooking was discovered, the  
8 amount of the advances (\$87,080 for water and  
9 \$1,108,870 for wastewater) were reversed out of  
10 CIAC and the Acquisition Adjustment account was  
11 credited in total for \$1,195,950. It is this  
12 credit entry that went to the Acquisition  
13 Adjustment account that was added back to CIAC in  
14 the MFRs prepared in Docket 920199. The \$87,080 is  
15 exactly the amount of the difference on the water  
16 side between what the MFRs said and what the books  
17 said. On the wastewater side, the adjustment to  
18 the beginning points was \$1,116,283, \$1,108,870 of  
19 which relates to the above described transaction.  
20 When the MFRs were put together for Docket 920199-  
21 WS, they probably believed this correction of a  
22 previous error in booking was wrong--therefore,  
23 they added it back to CIAC. This leaves a  
24 wastewater unexplained difference of \$7,413.  
25 Exhibit 242 (JJK-10) provides a reconciliation

1           between the amount included in the MFRs in Docket  
2           920199-WS and the books.

3           **Q.   DO YOU AGREE WITH MR. HANSEN'S POSITION THAT PEOPLE**  
4           **WHO HAVE PREPAID CIAC AND HAVE NOT BUILT ON THE LOT**  
5           **SHOULD RECEIVE A REFUND?**

6           A.   No, I do not.  First of all, most if not all of the  
7           prepayments were made by the developer, not the  
8           individual who might own a lot but has not yet  
9           built on it.  Secondly, even though SSU booked the  
10          prepayments as CIAC SSU never received possession  
11          of that cash CIAC.  It was used to build lines by  
12          the utility prior to SSU's ownership.  On top of  
13          that, SSU does not earn on the related assets  
14          because they are non-used and useful and, of  
15          course, SSU never earns on the CIAC.  In addition,  
16          SMW will continue to require capital improvements  
17          throughout the years which, given the nature of the  
18          prepaids, will have little, if any, future funding  
19          from CIAC.  Given the above facts, I see no  
20          justification for a refund of CIAC on the part of  
21          SSU.

22          **Q.   PLEASE COMMENT ON THE CONTENTS OF AUDIT EXCEPTION**  
23          **NUMBER ONE FROM THE FPSC AUDIT REPORT AS SPONSORED**  
24          **BY R. DODRILL.**

25          A.   It is difficult, to say the least, to figure out

1           how to approach a response to this audit exception.  
2           I think the conclusion reached by Mr. Dodrill in  
3           this Exception is that SSU's books and records are  
4           in violation of Rule 25-30.450 which says that  
5           worksheets, etc. supporting the schedules and data  
6           submitted must be organized in a systematic and  
7           rational manner so as to enable Commission  
8           personnel to verify the schedules in an expedient  
9           manner and minimum amount of time. That conclusion  
10          was, I believe, the result of the Company saying it  
11          would take two weeks to reconcile Accumulated  
12          Depreciation in the general ledger to Accumulated  
13          Depreciation in the MFRs. I do not believe the  
14          need for that reconciliation and the time that it  
15          would take has anything to do with the ability to  
16          follow the MFRs or to expediently review them. Mr.  
17          Dodrill had been told very early in the audit how  
18          accumulated depreciation had been handled in the  
19          MFRs and that it would take some time to do a  
20          reconciliation since we had never been asked to do  
21          that before. His real problem was that he forgot  
22          to ask us to do this until his audit period was  
23          almost over because he concentrated so much of his  
24          audit time on Marco Island. Out of 54 Audit  
25          Service Requests submitted by Dodrill, 35 pertained

1 to Marco Island. Through September 25 (only three  
2 weeks prior to the end of the field work), Dodrill  
3 had only submitted seven Audit Service Requests on  
4 matters other than Marco Island.

5 On Friday, October 6, Mr. Dodrill presented me  
6 with Audit Document Request #113 with the due date  
7 left blank. The request was a two part request  
8 which included as part A, a request for the lead  
9 workpapers for depreciation expense calculations,  
10 including support for the rates used. Part B of  
11 the request was for the reconciliation of book  
12 Accumulated Depreciation to MFR Accumulated  
13 Depreciation. Mr. Dodrill asked me when we would  
14 be able to get this information to him. I told him  
15 that it would take us at least two weeks to  
16 accomplish--that the person I would have work on  
17 this project was scheduled to attend the NARUC  
18 school the week of October 9 and would therefore be  
19 out of the office for a week. As a result, I asked  
20 for a due date of Friday, October 20. Mr. Dodrill  
21 ignored my request and put a due date of October  
22 13, 1995 with "FIRM" written after it. On Monday,  
23 October 9, I provided Mr. Dodrill with the  
24 information for part A of the request. I had  
25 indicated the earliest we could respond with Part B

1 was by Friday, October 20. Upon giving Part A to  
2 Mr. Dodrill, I explained that I kept the rate  
3 analyst from going to the NARUC school in order to  
4 complete this request. I also told him that if he  
5 had told me early in the audit that he was going to  
6 be asking for this, that we would have had it done.  
7 Mr. Dodrill admitted that he had forgotten to ask  
8 for it. Obviously the looming completion date of  
9 the field work (October 13) was now weighing  
10 heavily on his mind. Part B of the request was  
11 faxed to Mr. Dodrill at the Orlando field office at  
12 9:30 a.m. on Monday, October 23. It is included as  
13 Exhibit 242 (JJK-11).

14 **Q. IS THERE ANYTHING IN THE MFRS OR IN THE BOOKS WHICH**  
15 **PUT THEM IN VIOLATION OF COMMISSION RULE 25.30.450?**

16 A. No. Books are maintained in accordance with  
17 regulatory requirements and GAAP and the MFRs are  
18 prepared following FPSC guidelines. Depreciation  
19 calculations contained within the MFRs are  
20 straight-forward and easy to follow for each of the  
21 three test periods. Supporting workpapers were  
22 provided for the calculations in those years  
23 building up to the test years. There are obvious  
24 reasons why accumulated depreciation on the books  
25 does not agree with the MFRs. Audit Requests 22

1 and 71, included as Exhibit 242 (JJK-12) and  
2 Exhibit 242 (JJK-13) discuss at length some of  
3 the reasons for these differences. It is  
4 interesting to note that as early as August 9, the  
5 auditors were aware that book accumulated  
6 depreciation and accumulated amortization would not  
7 agree with the MFRs. However, Mr. Dodrill chose to  
8 wait until October 6 to request this  
9 reconciliation; some two months after Mr. Mayes  
10 requested the CIAC amortization reconciliation.  
11 One will also note from looking at Audit Request 22  
12 contained in Exhibit 242 (JJK-12), that it also  
13 took us two weeks to reconcile CIAC amortization.  
14 These reconciliations are something that the  
15 Commission has never requested in the past. Had we  
16 known this was going to be a requirement, we would  
17 have had it completed prior to the auditors being  
18 on site. We pride ourselves in the fact that we  
19 had so many excellent supporting schedules and  
20 workpapers backing up the filing, only to find  
21 ourselves criticized for not having something we  
22 could not have anticipated. In my twelve years  
23 working for both the Commission and for Southern  
24 States, the Commission has never looked at our  
25 booked accumulated depreciation or accumulated

1           amortization. They have simply audited the plant  
2           balances and verified the depreciation calculations  
3           and rates used within the MFRs. Whatever was on  
4           the books was incidental as long as they verified  
5           correct plant balances in the MFRS, correct rates,  
6           and correct mathematical calculations.

7           **Q. DO YOU AGREE WITH THE OPINION CONTAINED WITHIN THIS**  
8           **AUDIT EXCEPTION AS TO THE MFRS BEGINNING WITH THE**  
9           **GENERAL LEDGER AMOUNTS?**

10          A. The opinion stated that "the Audit Staff is of the  
11          belief that the MFRs should begin with the general  
12          ledger amount, then adjustments made to achieve the  
13          balance submitted for rates." In the Commission's  
14          own examples of MFR schedule formats, there are  
15          only two rate base schedules that reflect a  
16          "Balance per Books", then utility adjustments and  
17          finally the Adjusted Utility Balance. Those  
18          schedules are summary schedules A-2 which shows  
19          rate base and A-7 which summarizes non-used and  
20          useful adjustments. Interestingly enough, both of  
21          these schedules are based on averages pulling from  
22          other support schedules and are, therefore, not  
23          "per the books". All other schedules simply start  
24          with test year balances with no columns for  
25          adjustments. In other words, the staff auditor is

1 suggesting an approach that is not in the "format  
2 schedules" provided by FPSC to utility companies.

3 If the Commission compared Southern States'  
4 MFRs, schedule by schedule, to the formats the  
5 Commission provides as a guide, they would be  
6 astonished and, I would hope, impressed, by the  
7 enormity of the information provided by SSU which  
8 is not actually required but which makes the audit  
9 easier and facilitates interpretation of the  
10 information. In addition, we provide volumes of  
11 information that are not required in the form of  
12 summary schedules, summary reports, capital  
13 spending summaries, volumes of benchmark  
14 information as well as allocation details and  
15 summaries--all to help bring the case together and  
16 facilitate the review of what does amount to a lot  
17 of information--but not so much so that anyone  
18 ~~pursuing~~<sup>per using</sup> it (with a little effort) can't easily  
19 follow it. It is appalling to us that the staff  
20 auditor would even suggest that the MFRs did not  
21 allow for expedient review.

22 **Q. WHAT IS THE NEXT AUDIT EXCEPTION SPONSORED BY R.**  
23 **DODRILL WHICH YOU WILL DISCUSS?**

24 A. I will address Audit Exception No. 10 and also  
25 Audit Disclosure No. 18 which both relate to

1 organization costs. To begin this discussion, I  
2 believe an understanding of what led up to the  
3 audit exception is necessary. By the time SSU  
4 received Audit Document Request No. 95, dated  
5 September 27, the auditors had been on site roughly  
6 two and one-half months, having commenced their  
7 field work on July 17. We had already received  
8 close to 100 audit requests and had previously held  
9 discussions with the auditors as to the  
10 appropriateness of some of their requests which the  
11 Company felt bordered on "discovery" instead of  
12 "audit". For example, I specifically recall Mr.  
13 Dodrill admitting on one occasion that certain  
14 Marco Island flow data requested in an audit  
15 request was sought by the staff engineer.  
16 Dodrill's request No. 95 began by stating "The  
17 Tallahassee analysts are concerned about the  
18 Organization Costs...". At that point, the Company  
19 made the determination that it would request the 30  
20 day response period accorded to discovery, as  
21 opposed to the 3 days accorded audit requests and  
22 so informed the auditor. Thereafter, SSU received  
23 a letter from Ms. Salak of the Division of Audit  
24 and Financial Analysis (AFAD) insisting that we  
25 provide the information as part of the audit. On

1           October 11, we provided the response to Mr.  
2           Dodrill. Mr. Dodrill's request No. 95 was very  
3           simplistic, inquiring as to the status of the old  
4           amounts and whether any similar costs were included  
5           in the current docket. SSU's response provided the  
6           information requested by Mr. Dodrill. It is  
7           included as Exhibit 242 (JJK-14).

8           At that point in time (October 11), at 3:30 in  
9           the afternoon, Dodrill submitted Audit Request #114  
10          asking for the journal entries which removed  
11          organization costs from the books. This  
12          information was due by October 13, the last day of  
13          the field audit. The journal entries were provided  
14          by the due date.

15          **Q. DO YOU BELIEVE THE HANDLING OF THIS MATTER WAS IN**  
16          **VIOLATION OF FPSC RULE 25-30.450 AS TO THE**  
17          **TIMELINESS INVOLVED?**

18          A. No, I do not. SSU followed the rules when it chose  
19          not to respond to this request which it believed to  
20          be discovery. Further, SSU followed the direction  
21          of Tallahassee AFAD staff when we submitted the  
22          response on October 11, three working days after  
23          the due date stated in the request. I believe the  
24          real problem behind this issue is that Dodrill  
25          spent almost the entire on-site time working on

1 Marco Island. It would appear from viewing the  
2 dates of several late audit requests, that either  
3 FPSC staff or the audit manager reminded him on  
4 September 27 that there were several items that  
5 Tallahassee had indicated were high priority in  
6 their Audit Service Request dated August 11, 1995  
7 that had not yet been addressed by Dodrill. One  
8 such item was organization cost; the other two were  
9 supporting detail behind the retirements discussed  
10 in my testimony and the analysis of rate base  
11 adjustments made to beginning points as a result of  
12 my work accomplished on this issue and its  
13 inclusion in my testimony. These appeared to be  
14 three high priority issues, and nothing had been  
15 requested from SSU by Dodrill on them until two  
16 weeks prior to the end of field work. In my  
17 opinion, Dodrill worked himself into this corner  
18 through poor planning and focusing all of his time  
19 on Marco Island. If the organization cost issue  
20 had been raised early in the audit, we would have  
21 been able to follow the same process and Dodrill  
22 would still have had ample time to review the  
23 related support documentation.

24 **Q. ADDRESSING SPECIFICALLY THE DOLLARS IN ORGANIZATION**  
25 **COST IN THIS DOCKET, IS IT YOUR OPINION THAT THE**

1           **DOLLARS CONTAINED IN THE ORGANIZATION COST ACCOUNTS**  
2           **(THUS, IN RATE BASE) ARE AN ACCURATE REPRESENTATION**  
3           **OF THE COMPANY'S BOOKS AND RECORDS?**

4           A.   Yes, they are.   As I read Number 6 under High  
5           Priority in the FPSC Audit Service Request,  
6           included as Exhibit 242 (JJK-15), and comments  
7           contained within Audit Disclosure No. 18, it  
8           appears there is a concern that SSU has simply  
9           transferred the pot of dollars that were in  
10          Organization Cost in Docket 900329-WS, which was  
11          dismissed by the Commission in 1991, into other  
12          rate base accounts.   This is a disturbing  
13          assumption when one considers that the asset  
14          records of SSU have been audited by FPSC in both  
15          Docket 920199-WS and in the current docket.   If  
16          inappropriate transfers of Organization Costs to  
17          other asset accounts had, in fact, been made, these  
18          audits should have detected this.   Inappropriate  
19          transfers were not made.   In addition, SSU's  
20          external auditors surely would have questioned why  
21          we were doing so and if it was in accordance with  
22          Commission directive.

23          **Q.   IS THERE ANYWHERE ELSE THAT INFORMATION ON THE**  
24          **TRANSFER OF ORGANIZATION COSTS IS CONTAINED OTHER**  
25          **THAN IN RESPONSE TO DODRILL'S AUDIT REQUEST NO.**

1           **114?**

2           A.    Yes.   SSU's response to OPC's Interrogatory No. 13  
3           provided a 23 page spreadsheet (dated August 17,  
4           1995) containing a plant-by-plant itemization of  
5           the transfer of any organization costs that were on  
6           the books for the period December 1991 through  
7           December 1994, the description of each expenditure,  
8           and the accounts the costs had been transferred to.  
9           That spreadsheet, although not totaled, resulted in  
10          the following transfers:         \$1,089,949 to  
11          Unauthorized Acquisition Adjustment, \$36,641 to  
12          Franchises and Consents, and \$29,857 to expense.  
13          Any transfers to expense would not be included in  
14          the current docket as the budget did not contain  
15          items of this nature. In addition, SSU's response  
16          to OPC's Document Request No. 38 also included  
17          information on transfers of Organization Costs to  
18          other accounts.

19          **Q.    AREN'T THERE MORE ORGANIZATION COST TRANSFERS THAN**  
20          **WHAT ARE PRESENTED IN THE ABOVE DISCOVERY**  
21          **RESPONSES, SPECIFICALLY, WASN'T THERE IN EXCESS OF**  
22          **\$2 MILLION IN ORGANIZATION COST IN DOCKET 900329-**  
23          **WS?**

24          A.    That is true. The facts behind the transfer of the  
25          bulk of the dollars are contained in the journal

1 entries provided to Dodrill. Dodrill did not  
2 include these journal entries in his Exhibit 190  
3 (RFD-7) even though they were the key to the  
4 significant transfers that had occurred. In fact,  
5 the actual journal entries that resulted in this  
6 transfer consisted of only eight pages which could  
7 have easily been summarized by Dodrill prior to  
8 issuance of the audit report. The significant  
9 dollar transfers occurred on the books in 1990 and  
10 related to the Deltona plants. Those journal  
11 entries show that \$2,010,035 was transferred from  
12 SSU's books to Topeka, \$205,124 was transferred to  
13 Unauthorized Acquisition Adjustments, and \$311,234  
14 was transferred to Franchise and Consents (later  
15 transferred to a deferred debit as this represented  
16 the cost of opposing the Deltona Lake  
17 condemnation).

18 **Q. WHAT ARE THE TOTAL DOLLARS INCLUDED IN THIS DOCKET**  
19 **IN THE ORGANIZATION COST AND FRANCHISE AND CONSENTS**  
20 **ACCOUNTS?**

21 A. The water organization cost account at December  
22 1996 reflects a balance of \$110,693 and the  
23 wastewater balance is \$113,472. Franchise and  
24 Consents reflects balances of \$272,180 and \$133,016  
25 for water and wastewater, respectively.

1       **Q.   DID   THE   COMPANY   ALSO   ADJUST   ACCUMULATED**  
2       **DEPRECIATION AT THE TIME OF THESE TRANSFERS?**

3       A.   Yes, accumulated depreciation adjustments followed  
4       the transfers to the respective accounts; i.e., to  
5       amortization   of   acquisition   adjustments,  
6       depreciation   of   franchise   and   consents,   or  
7       expensed.

8       **Q.   IS THERE ANYTHING ELSE YOU WOULD LIKE TO COMMENT ON**  
9       **RELATED TO DODRILL'S TESTIMONY?**

10      A.   Yes, as it relates to Audit Disclosure No. 17  
11      concerning the amount of non-used and useful assets  
12      recorded in account 1030 on the books.   I have  
13      already discussed this at length earlier in my  
14      rebuttal testimony.   I would, however, like to take  
15      exception to the statement in Dodrill's Disclosure  
16      No. 17 that "SSU feels that according to its  
17      classification there is \$33,082,895 of future plant  
18      in its filed UPIS balances."   SSU has never  
19      represented to Dodrill that we feel there is  
20      \$33,082,895 of future plant in its filed UPIS  
21      balances.   What we did indicate to Dodrill was the  
22      amounts in account 1030 are not an accurate  
23      representation of non-used and useful as of  
24      December 1994 and that account 1030 has  
25      historically been added to account 1010 balances

1           for ratemaking purposes to have non-used and useful  
2           percentages, as updated by engineers, applied to  
3           the total balances.

4       **Q.   DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

5       A.   Yes, it does.

1 Q (By Mr. Hoffman) Do you have a brief summary  
2 of your rebuttal?

3 A I do.

4 Q If you would give that, please.

5 A OPC has recommended a slippage adjustment to  
6 be applied against SSU's 1996 capital projections. SSU  
7 disagrees with that proposed adjustment. In 1995, SSU  
8 placed in service \$22,933,548 of capital improvements,  
9 6.43 percent of what was budgeted.

10 Although OPC would lead one to believe that  
11 many of these projects were behind schedule, the facts  
12 speak for themselves. As explained by the engineers,  
13 spending may shift from one project to another based on  
14 plant-specific priorities that may arise which are  
15 unanticipated at budget time.

16 In addition, the operations projects account  
17 for a relatively small amount of the capital budget, but  
18 a large number of the projects that were completed  
19 behind schedule. In fact, of the 242 1995 projected  
20 projects, 166 were operations projects totaling  
21 \$3,983,000 of the in-service amounts. These projects  
22 are usually lower priority in terms of deadline  
23 completion and are short term to complete.

24 My Exhibit JJK-5 reflects SSU 1995 in-service  
25 additions based on a 13-month average balance for the

1 purpose of substantiating the accuracy and reliability  
2 of the capital budgeting process. This exhibit shows  
3 that although for 1995 in-service additions totalled  
4 \$22,933,548, on a 13-month average basis in-service  
5 additions were \$7,752,384, compared to a 13-month  
6 average budget of \$7,561,805, or a variance of only  
7 \$190,579.

8           The reason there is such a small variance on a  
9 13-month average basis is because the Company budgeted a  
10 substantial number of projects for completion in the  
11 fourth quarter of 1995. This, incidentally, is also a  
12 case in point of why SSU has to file projected test  
13 years. The 13-month average rate base, combined with  
14 regulatory lag, make it necessary for utilities having  
15 large capital investments to use projected test years in  
16 order to have any reasonable possibility to earn the  
17 rate of return authorized by the Commission.

18           Mr. Westrick has testified as to the Utility's  
19 past experience in meeting its capital projections in  
20 the case of the Lehigh and Marco Island rate cases just  
21 prior to this proceeding. In addition, I have been  
22 informed that through April 1996, SSU will have  
23 4.6 million --

24           MR. BECK: Objection, the witness is going  
25 beyond the scope of her prefiled rebuttal testimony.

1 CHAIRMAN CLARK: Mr. Hoffman?

2 MR. HOFFMAN: Madam Chairman, I think the  
3 witness is simply reiterating testimony that's already  
4 in the record that's consistent with that part of her  
5 testimony which speaks to the fact that the Company's  
6 projections were very close to the amount of the actual  
7 investments.

8 MR. BECK: Commissioner, that's the point.

9 CHAIRMAN CLARK: There is no need to reiterate  
10 what is already in the record. So Ms. Kimball, if you  
11 would stay to a summary of your prefiled rebuttal,  
12 please.

13 WITNESS KIMBALL: Well, it's almost finished.

14 Q (By Mr. Hoffman) Does that then conclude your  
15 summary? Or do you have anything else you would like to  
16 add?

17 A Well, I would just like to -- I'll read the  
18 last paragraph. Just saying: Coupling these facts with  
19 the Company's decision to only include projects in the  
20 1996 test year which were high priority, and which SSU  
21 was certain would be completed, I feel confident the  
22 1996 timetables, as established in the MFRs, will be  
23 accomplished and that no slippage adjustment is  
24 warranted.

25 MR. HOFFMAN: Thank you, Ms. Kimball. She's

1 available for cross examination.

2 CHAIRMAN CLARK: Mr. Beck?

3 MR. BECK: No questions.

4 CHAIRMAN CLARK: Mr. Jacobs.

5 MR. JACOBS: No questions.

6 CHAIRMAN CLARK: Mr. Twomey.

7 MR. TWOMEY: No questions.

8 CHAIRMAN CLARK: Staff.

9 MS. O'SULLIVAN: We're going to pass out a few  
10 exhibits. Just one for identification, late-filed  
11 Exhibit No. 3 for Ms. Kimball's January 19, 1996  
12 deposition. We're also passing out a couple of MFR  
13 pages just for reference.

14 CHAIRMAN CLARK: So there is only one that we  
15 need to identify?

16 MS. O'SULLIVAN: That's correct.

17 CHAIRMAN CLARK: The next number I have is  
18 243, and that's the late-filed deposition exhibit.

19 COMMISSIONER DEASON: Madam Chairman, is it  
20 true that when we reach 250, we run out of numbers?

21 CHAIRMAN CLARK: That's absolutely true.

22 (Exhibit No. 243 marked for identification.)

23 CROSS EXAMINATION

24 BY MS. O'SULLIVAN:

25 Q Ms. Kimball, please refer to Exhibit 243,

1 identified as your late-filed deposition Exhibit No. 3,  
2 pertaining to double bookings to plant.

3 A Yes.

4 Q Is it correct that 520,808 was overstated in  
5 the MFRs due to double bookings or reversals of 1994  
6 accruals?

7 A What was the number you said?

8 Q 520,808.

9 A I don't see that number on this exhibit.

10 Q I'm sorry, I think I've misread or mistyped.  
11 It's \$520,079. This is an updated schedule, I believe.  
12 That's why we have the wrong number.

13 A That's the number it says. Can you repeat  
14 what your question was?

15 Q Certainly. Does that exhibit indicate double  
16 bookings due to -- I'm sorry, does that exhibit indicate  
17 that \$520,079 was overstated in the MFRs due to double  
18 bookings or reversals of 1994 accruals?

19 A There were various things going on which, as  
20 indicated by the numbers out to the right of the  
21 columns, are telling the different things that are going  
22 on and are explained in the rest of the -- in the rest  
23 of the exhibit. But basically it did come down to that  
24 bottom line number as being overstated.

25 I would like to add that in the course of our

1 work on this, we found another \$330,000, however, that  
2 was not included in this exhibit that goes the other  
3 direction, where we had underaccrued our 1994 spending  
4 on certain projects which was -- on the books there was  
5 more spending recognized in 1995, but because they  
6 weren't budgeted projects, we didn't pick that up. So  
7 that would really be an offset to this 520,000.

8 Q Okay. Excuse me. I would like to ask you  
9 some questions regarding a 13-month average. Referring  
10 to your Exhibit JJK-5 attached to your rebuttal  
11 testimony, Page 2 of 2, which indicates the 13-month  
12 average, would you agree that in order to calculate the  
13 13-month average in addition to the balances for each of  
14 the 12 months shown here on your exhibit from 1995, you  
15 would also need to look at the balance in December of  
16 1994?

17 A I don't really agree with that. We were doing  
18 this exhibit strictly to show what our 1995 spending was  
19 compared to what was in the MFRs. What the balance was  
20 at 1994 really has no relevance in this particular  
21 comparison.

22 Q Would you agree, though, that the very last  
23 column to the right indicates a 13-month average based  
24 upon --

25 A It is a 13-month average.

1 Q And I guess my question is, is that 13-month  
2 average there indicated based upon January through  
3 December of 1995, in addition to December of 1994?

4 A No. What we did is we took, in this case --  
5 there's different ways you could calculate it, but in  
6 this case these are monthly additions. So we took the  
7 January additions times 12. We took the February  
8 additions times 11. Took the March additions times  
9 ten. We added up all those totals and we divided by  
10 13. If we had taken a December balance, the December  
11 balance for this comparison would have had to have been  
12 zero. There was no spending in December. So I feel  
13 these numbers are correct.

14 Q What you've described, wouldn't you agree  
15 that's a 12-month average, not a 13-month average?

16 A No, we divided by 13.

17 Q Wouldn't you agree that typically when you  
18 create a 13-month average, that you use 13 months  
19 information and then divide it by 13?

20 A Typically you do, but typically you aren't  
21 trying to project what we're trying to do here either,  
22 which is strictly 1995 in-service additions compared to  
23 what we had in the MFRs for 1995. I think you're doing  
24 two different things. I know what you're saying as far  
25 as how you normally calculate a 13-month average.

1 Q Well, let me ask, on Page 2 of 2 of that  
2 exhibit, you list actual plant in service additions  
3 total being approximately 23.5 million. Your 13-month  
4 average is 7.7 million approximately, or actually  
5 7.8 million, approximately. How does one reach a  
6 13-month average of 7.8 million from a total addition  
7 for the whole year only 23 million, assuming you're  
8 going to divide by 13?

9 A Well, I've told you, it's all weighted by when  
10 those additions were budgeted and when they came in.

11 MS. O'SULLIVAN: Could we take just a moment,  
12 please? (Pause)

13 Staff has nothing further.

14 CHAIRMAN CLARK: Commissioners? Redirect?

15 MR. HOFFMAN: No redirect.

16 CHAIRMAN CLARK: Exhibits?

17 MR. HOFFMAN: Company moves Exhibit 242.

18 CHAIRMAN CLARK: 242 will be admitted in the  
19 record without objection.

20 MS. O'SULLIVAN: Staff moves 243.

21 CHAIRMAN CLARK: Exhibit 243 will be admitted  
22 in the record without objection.

23 (Exhibit No. 242 and 243 received into  
24 evidence.)

25 CHAIRMAN CLARK: Let's go back for a minute to

1 the late-filed exhibit request 237. I am going to at  
2 least allow that late-filed exhibit to be -- the request  
3 to be -- have SSU fulfill that request. You may object  
4 to the -- it's subject to objection, and you may again  
5 object at that time, but I do note that it -- that the  
6 issue on 25 is a broad issue, although Staff's position  
7 does list particular plants. But it seems to me the  
8 Commission does have a duty to pursue some errors that  
9 may come to light as part of the hearing process, and it  
10 was -- the issue of infiltration was covered in the  
11 testimony. As I indicated --

12 MS. JABER: Madam Chairman?

13 CHAIRMAN CLARK: Yes.

14 MS. JABER: Just for the record, I believe you  
15 said Issue 25. I think you mean to say Issue 23.

16 CHAIRMAN CLARK: Issue?

17 MS. JABER: 23.

18 CHAIRMAN CLARK: Okay. You may object to its  
19 admission and pursue your objection in later filings.

20 MR. HOFFMAN: Thank you, Madam Chairman.

21 CHAIRMAN CLARK: Thank you.

22 (Transcript continues in sequence in  
23 Volume 42.)

24

25

**DOCKET** 950495-WS  
**EXHIBIT NO.** 236  
**CASE NO.** 96-04227

**EXHIBIT NO.** 236

**WITNESS: DENNY**

**DOCKET NO. 950495-WS**

**APPLICATION FOR RATE INCREASE BY  
SOUTHERN STATES UTILITIES, INC.**

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**DESCRIPTION:**

**DRINKING WATER COMPLIANCE INSPECTION REPORT  
LEISURE LAKES-COVERED BRIDGE  
OCTOBER 10, 1995**

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. 950495 EXHIBIT NO. 236  
COMPANY/  
WITNESS:  
DATE: 4/29/96

# DRINKING WATER

## COMPLIANCE INSPECTION REPORT

SYSTEM NAME: SSU/Leisure Lakes-Covered Bridge

PWS ID NUMBER: 5280064

SYSTEM TYPE: Community

NUMBER SERVICE CONNECTIONS: 230

ESTIMATED POPULATION: 805

DATE: October 10, 1995

Time: 10:00 a.m.

MAILING ADDRESS: Mr. Mel Fisher, Utilities Director  
Southern States Utilities, Inc.  
Post Office Box 197  
Marco Island, Florida 33937

CONTACTED: Wendell Faircloth, Jack Green TELEPHONE: (941)493-8402

RECORD KEEPING: YES/NO  
LOG BOOK UP TO DATE? (X) ( ) OPERATOR COVERAGE ADEQUATE? (X) ( )  
BACTI SAMPLING PLAN OK? (X) ( ) MOR'S SATISFACTORY? (X) ( )  
MONITORING UP TO DATE? (X) ( )

### SOURCES:

(X) GROUND ( ) SURFACE ( ) GROUND UNDER INFLUENCE OF SURFACE

NUMBER OF WELLS: 2 (2 REQUIRED FOR COMMUNITY SYSTEM WITH POP. >350)

	PRESENT?	12" ABOVE GROUND?	DOWN FACING?	BEFORE CHECK VALVE?
	YES/NO	YES/NO	YES/NO	YES/NO
RAW TAP	(X) ( )	(X) ( )	(X) ( )	(X) ( )
PLANT TAP	(X) ( )	(X) ( )	(X) ( )	
6X6 PAD	(X) ( )			

### PLANT:

#### TREATMENT PROCESSES:

(X) CHLORINATION ( ) SAND FILTER ( ) REVERSE OSMOSIS  
(X) AERATION ( ) PRES. CART. FILTER ( ) ULTRAFILTRATION  
( ) IFE SOFTENING ( ) LIME SOFTENING ( ) GAC FILTER  
( ) MGS FILTER ( ) OTHER

	YES/NO	YES/NO
FLOW MEASUREMENT DEVICE PRESENT?	(X) ( )	PRESSURE RELIEF VALVE? (X) ( )
PRESSURE TANK PRESENT?	(X) ( )	SIGHT GLASS PRESENT? (X) ( )
CROSS CONNECTIONS(S) OBSERVED?	( ) (X)	EQUIPMENT PROTECTED? (X) ( )
STORAGE CAPACITY? <u>20,000 gal.</u>		
OVERALL EQUIPMENT CONDITION? <u>FAIR-POOR</u> ★		
DISTRIBUTION SYSTEM PRESSURE: <u>65 psi</u>		

### DISINFECTION SYSTEM:

( ) LIQUID CL<sub>2</sub> PLANT FREE CL<sub>2</sub> RESIDUAL: 2.0 mg/L pH:  
(X) GAS CL<sub>2</sub> REMOTE " " : 1.8 mg/l pH:  
( ) OTHER LOCATION: Clubhouse

	YES/NO	YES/NO
BACK UP CHLORINATOR PRESENT?	(X) ( )	OPERATIONAL? (X) ( )
ADEQUATE CL <sub>2</sub> SUPPLY?	(X) ( )	
AIR PACK AVAILABLE?	(X) ( )	OPERATIONAL? (X) ( )
CROSS VENTILATION?	(X) ( )	OPERATIONAL? ( ) (X)
WEIGHING DEVICE PRESENT?	(X) ( )	OPERATIONAL? (X) ( )
LOSS OF CHLORINATION ALARM PRESENT?	(X) ( )	OPERATIONAL? (X) ( )
CHLORINE CYLINDERS RESTRAINED?	( ) ( )	
VIEWING WINDOW PRESENT?	( ) ( )	
10CM ABOVE GRADE?	( ) ( )	

CONTINUED ON OTHER SIDE

Compliance Inspection Report  
Page Two

**SANITARY HAZARDS:**

- (X) NONE OBSERVED ( ) FUEL STORAGE TANK WITHIN 100 FT.  
( ) SEPTIC SYSTEM WITHIN 200 FT. ( ) OTHER - 100 FT.  
( ) SEWAGE PERC PONDS 500 FT.

**DEFICIENCIES:**

1. Well previously used for drinking water system may not be abandoned properly - Abandon the old well in accordance with F.A.C. Rule 62-555.315(5).
2. Aeration tank/clearwell interface may not be sealed properly - Seal this interface to be certain the aerator is sealed/screened/locked against the entrance of vermin, insects etc. F.A.C. Rule 62-555.330(4) part 7 and 62-555.350 (1). Upon completion, disinfect aerator. After disinfection, submit satisfactory analysis results from bacteriological samples collected on two consecutive days immediately downstream of the aeration tank.

**RECOMMENDATIONS:**

1. Records do not indicate as to when the Finished water storage tanks were previously inspected/cleaned - Consider a periodic inspection program. American Water Works Association (AWWA) D101-53 (R1979) states "all water tanks should be thoroughly inspected at intervals of not more than five (5) years," and cleaned, painted or repaired if required. Please advise the Department in writing of any inspection or cleaning, and submit the required Bacteriological Tests for clearance.
2. The overall condition of the WTP is not good and requires maintenance/painting - The supplier of water shall maintain in good condition all equipment, Rule F.A.C. 62-555.350(1). Consider a preventive maintenance program to continually paint portions and clean the area of the Water Treatment System. This should significantly decrease any detrimental corrosion, and would improve/maintain the overall appearance of the WTP's.

**NOTE:**

1. Please submit a bacteriological sampling plan each year in accordance with F.A.C. Rule 62-550.518(1). Ensure the submitted plan includes the address or lot number, timing frequency and rotation period.

Inspected by: \_\_\_\_\_

Louis LeMaize  
Engineer III

Approved by: \_\_\_\_\_

Gary A. Maier  
Gary Maier  
Professional Engineer III

DOCKET \_\_\_\_\_  
EXHIBIT NO. \_\_\_\_\_  
CASE NO. \_\_\_\_\_

WILLIAM (DAVE) DENNY  
LATE FILED EXHIBIT NO. 237  
DOCKET NO. 950495-WS

1994 PURCHASED POWER EXPENSES FOR LIFT STATIONS

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. 950495-WS <sup>LF</sup> EXHIBIT NO 237  
COMPANY/ Denny  
WITNESS: \_\_\_\_\_  
DATE: 4/29/96

LATE FILED EXHIBIT NO. 237

WILLIAM (DAVE) DENNY

Provide total lift station purchased power expenses, by facility, for the test year for each of the following wastewater facilities: Holiday Haven, Jungle Den, Lehigh, Palm Port, Spring Garden, Sugar Mill Country Club, Venetian Village.

1994 Purchased Power Expenses for Lift Stations

<u>Plant#</u>	<u>Facility Name</u>	<u>1994 Total PurPow L/S</u>	<u>Vendor</u>
573	Holiday Haven	\$527.25	Clay Electric Cooperative
1082	Jungle Den	968.79	Clay Electric Cooperative
2901	Lehigh	53,372.36	Lee County Electric Coop./FP&L
440	Palm Port	691.84	Florida Power & Light
994	Spring Garden	-	Did not acquire Plant until March 1995
1801	Sugar Mill Country Club	6,709.19	New Smyrna Beach Utilities Comm.
567	Venetian Village	<u>1,315.65</u>	Sumter Electric Cooperative
		\$63,585.08	

DOCKET 950495-WS  
EXHIBIT NO. 237  
CASE NO. 96-04227

WILLIAM (DAVE) DENNY  
LATE FILED EXHIBIT NO. 237  
DOCKET NO. 950495-WS

1994 PURCHASED POWER EXPENSES FOR LIFT STATIONS

FLORIDA PUBLIC SERVICE COMMISSION 7  
DOCKET NO. 950495-WS EXHIBIT NO. 235  
COMPANY/  
WITNESS:  
DATE: 4-29-97

LATE FILED EXHIBIT NO. 237

WILLIAM (DAVE) DENNY

Provide total lift station purchased power expenses, by facility, for the test year for each of the following wastewater facilities: Holiday Haven, Jungle Den, Lehigh, Palm Port, Spring Garden, Sugar Mill Country Club, Venetian Village.

1994 Purchased Power Expenses for Lift Stations

<u>Plant#</u>	<u>Facility Name</u>	<u>1994 Total PurPow L/S</u>	<u>Vendor</u>
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994	Spring Garden	-	Did not acquire Plant until March 1995
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567	Venetian Village	<u>1,315.65</u>	Sumter Electric Cooperative
		\$63,585.08	

**DOCKET** 950495-WS  
**EXHIBIT NO.** 238  
**CASE NO.** 96-04227

EXHIBIT (KOT-1)  
 PAGE 1 OF 9

<b>CHRONOLOGY</b> <i>Marco Island/Marco Shores Water Supply Planning</i>	
1964	<ul style="list-style-type: none"> <li>• Marco Island began development.</li> <li>• <u>Collier Site</u> - Conducted original hydrogeological analysis - (updated in 1971, 1977, 1980, and 1988).</li> <li>• <u>Collier Site</u> - October 2nd - Original 30 year agreement from Colliers to utilize Collier pits for water supply to Marco Island and Marco Shores. Expiration date was December 31, 1994. No limits set on withdrawals.</li> </ul>
1976	<ul style="list-style-type: none"> <li>• <u>Collier Site</u> - Added first infiltration gallery - Phase I.</li> </ul>
1980	<ul style="list-style-type: none"> <li>• <u>Collier Site</u> - Updated hydrogeological analysis. Capacity was determined to be 14 MGD at Collier site and 5 MGD at the Section 35 site.</li> </ul>
1984	<ul style="list-style-type: none"> <li>• <u>Section 35</u> - Purchased 160 site in Section 35.</li> <li>• Extended first infiltration gallery - Phase II.</li> </ul>
1988	<ul style="list-style-type: none"> <li>• <u>Collier Site</u> - Hydrogeological analysis updated. Collier Lakes and infiltration galleries determined to have safe yield capacity of 6.8 MGD.</li> <li>• <u>Section 35</u> - November - Hydrogeological analysis updated. Estimated safe yield of 5 to 6 MGD.</li> <li>• Added second infiltration gallery - Phase III.</li> </ul>
1989	<ul style="list-style-type: none"> <li>• <u>August</u> - Joint Planning Study - Marco Island Utilities/Collier County Utilities.</li> </ul> <p><u>Scope:</u> Identify and evaluate the feasibility of developing potential water resources for long-range water demands - Marco Island and Collier County.</p> <p>Summary of resources evaluated:</p> <ol style="list-style-type: none"> <li>1) Collier Lakes/Infiltration Gallery.</li> <li>2) Section 35 Water Table Aquifer.</li> <li>3) Fakahatchee Strand Water Table Aquifer.</li> <li>4) Sable Palm Area Water Table Aquifer.</li> <li>5) Golden Gate Lower Tamiami Aquifer.</li> <li>6) North County Lower Tamiami Aquifer.</li> <li>7) Marco Island Lower Hawthorn Aquifer.</li> <li>8) Mainland Lower Hawthorn Aquifer.</li> <li>9) North County Lower Hawthorn Aquifer.</li> <li>10) North County Deep Saline Aquifer.</li> </ol>

**FLORIDA PUBLIC SERVICE COMMISSION**  
**DOCKET**  
 NO. 950495-WS EXHIBIT NO. 238  
 COMPANY/  
 WITNESS: SSU / TEASLEY  
 DATE: 4/29/96

DOCUMENT NUMBER-DATE

03405 MAR 21 1996

FPSC-RECORDS/REPORTING

**CHRONOLOGY**  
*Marco Island/Marco Shores Water Supply Planning*

1989  
(cont'd)

Conclusion:

- 1) Marco Island needs through buildout would be 16-17 MGD. High quality water was limited in South County area and no single source of water would be sufficient to meet the needs of Marco Island.
  - 2) Potential impact to wetlands within the Fakahatchee Strand area would create serious concerns about the potential development as a major water supply. Alternative was deleted from further consideration.
  - 3) The Sabal Palm area was limited by the presence of environmentally sensitive areas, thin water producing strata, existing competing water users, and severe impacts to water quantity and quality due to climatic conditions. Alternative was eliminated from further consideration.
  - 4) Encourage Marco Island to proceed with additional hydrogeological testing and modeling to more accurately define the safe yield of the Lower Hawthorn Aquifer system on Marco Island.
  - 5) Encourage Marco Island to construct reverse osmosis treatment facilities on Marco Island of sufficient capacity to maximize size production from the Lower Hawthorn Aquifer.
  - 6) Consider and weigh the benefits and liabilities of constructing a dual system on Marco Island for irrigation supply vs. development of a mainland Lower Hawthorn wellfield and reverse osmosis treatment facility.
  - 7) Proceed with detailed hydrogeological investigation modeling and permitting of the mainland Lower Hawthorn Aquifer system in the County's manatee road storage and repump facility.
  - 8) Consider development of a formal water conservation program for Marco Island.
  - 9) Encourage County and Marco Island to proceed with detailed hydrogeologic investigation modeling and permitting of the Lower Tamiami Aquifer system in the North County area.
  - 10) Encourage the County to proceed with the steps necessary to obtain appropriate easements, right-of-way or acquisition for wellfield and treatment facility construction for the North County Regional Water Treatment Facility.
  - 11) Encourage the County to add detailed hydrogeological modeling of the Golden Gate Lower Tamiami Aquifer system to their capital improvements plan to determine ultimate safe yield.
  - 12) Investigate and evaluate methods of retaining surface and groundwater during the wet season for potable and/or irrigation using during the dry season. Methods to include retention in canals, lakes, ASR.
- R.O. Plant - Marco Island initiated preliminary design and engineering for Marco Island R.O. plant.
  - Conservation - Initiate watering restrictions on island.

**CHRONOLOGY**  
*Marco Island/Marco Shores Water Supply Planning*

1990

- **R.O. Plant** - February - Update hydrogeological analysis - Marco Wellfield. Adequate capacity determined to support a 6 MGD R.O. Plant.
- **July** - SSU acquires Marco Island and Deltona Utilities.
- **Dude Site** - June through August - Negotiate an agreement with Southfield Farms to withdraw 4 MGD of water to supplement Marco source. Agreement reached August 13. **Terms:** 4 MGD. 15 years extendable to 20 years Base compensation of \$150,000/year for 2 MGD (20.5¢/1000 gal in excess of 2 MGD. Provisions for increasing according to FPSC recognized price indexing. (Note: Rate differs from that shown in RCAR #94CS056-July 24, 1995).
- **Dude Site** - August - Complete follow up hydrogeological study to support a 4 MGD withdrawal. Begin design of pumping structures and pipeline. Begin acquisition of easements and permits.
- **Dude Site** - September - Met with SFWMD, FDEP(R), and Collier County regarding permissibility of project. Received favorable determination that project would be permissible.
- **Collier Site** - November - Initiate formal negotiations with Colliers to extend lease. Request 15 year agreement extendable to 30 years, minimum of 5 year cancellation agreement. Base compensation of \$190,000/year for 4 MGD (13¢/1000 gal) + 10¢/1000 gal in excess of 4 MGD. Provision for FPSC price index escalators.
- **R.O. Plant** - Begin preliminary design and permitting of R.O. Plant - received all FDEP construction permits for construction in December.
- **Conservation** - Begin Customer Education Water Conservation Program on Marco Island.

1991

- **All Sites** - January 17th - Receive 5 year Water Management Consumptive Use Permit. Covers Collier Pits (5.3 MGD), infiltration galleries (1.5 MGD), Dude Pit (4 MGD), and R.O. Wells (5.4 MGD). Maximum daily withdrawal of 10.78 MG and annual average daily of 7 MGD.
- **R.O. Plant** - April - Continue permitting (zoning). Project released for construction.
- **Dude Site** - January through April - Southfield applies for provisional use for earth mining and water withdrawal. April 17, Collier County Environmental Advisory Council approves petition for all issues. Collier County Water Management Advisory Board also considers petition, however, defers action until board is eliminated and is replaced by the Environmental Advisory Board (EAB).
- **Dude Site** - October - Receive FDEP permits for raw water pumping and pipeline.
- **Dude Site** - November 6th - EAB first hears petition, continues to the 13th.
- **Dude Site** - November 13th - County adopts new land development code. All provisional uses are eliminated and replaced with conditional uses in their place. County deleted water withdrawal provisions from petition and converted earth mining to an application for conditional use.

<b>CHRONOLOGY</b> <i>Marco Island/Marco Shores Water Supply Planning</i>	
1991 (cont'd)	<ul style="list-style-type: none"> <li>• <u>Collier Site</u> - January through December - Work through several draft agreements. Collier counters with 5 year agreement, no extension option, weak warrants to protect water quality, no counter offers of rates, requires SSU to restore all above and below ground areas to condition which existed in 1964.</li> <li>• <u>Conservation</u> - Continue conservation program efforts increasing public education/awareness (refer to Carlyn Kowalsky's conservation testimony).</li> </ul>
1992	<ul style="list-style-type: none"> <li>• <u>Dude Site</u> - January 8th - EAB approves Southfield petition.</li> <li>• <u>Collier Site</u> - January 21st - Collier notices SSU of their expectation that SSU will vacate Collier Property by 12/31/94.</li> <li>• <u>Collier Site</u> - February 18th - Collier agrees to continue discussions on possible sale of raw water.</li> <li>• <u>Dude Site</u> - April 16th - Planning Commission approves Southfield petition.</li> <li>• <u>R.O. Plant</u> - April - 4.0 MGD R.O. Plant placed into service.</li> <li>• <u>Collier Site</u> - April 28th - Colliers indicate they are unwilling to extend the lease - want property back unencumbered and SSU should plan for orderly withdrawal.</li> <li>• <u>Dude Site</u> - May 12th - First full County Commission hearing of Southfield petition. Continued on grounds staff needed additional time to review water use.</li> <li>• <u>Dude Site</u> - May 14th - Agricultural interests intervene seeking interpretation of why water withdrawal was withdrawn from petition.</li> <li>• <u>Dude Site</u> - May 27th - SSU enters settlement agreement with Southfield Interests to stay impending foreclosure of property.</li> <li>• May - SSU contacts County to increase 1 MGD emergency interconnect to 7 MGD firm.</li> <li>• <u>Dude Site</u> - August 18th - County Commissioners table petition, rules that Southfield must recommence with EAB for conditional use on water withdrawal and earth mining.</li> <li>• <u>August</u> - Re-evaluation of alternative Sources: <ul style="list-style-type: none"> <li>* Interconnect with Naples or Collier County for raw or finished water.</li> <li>* Continue development of Dude and Section 35 site.</li> <li>* Develop new sites.</li> </ul> </li> </ul>

**CHRONOLOGY**  
*Marco Island/Marco Shores Water Supply Planning*

1992  
(cont'd)

- Conclusions:
- \* Collier pits continued to be favored alternative.
  - \* Dude property vs. developing new sources on the 951 corridor and implementing the Section 35 site had several unknowns. Although development of a liner wellfield up 951 could eventually tie into Naples.
  - \* Further evaluate possible interconnections with the City of Naples for raw or finished water.
  - \* Attempt to augment possible purchases from Collier County.
  - Dude Site - October 1st - Barnett Bank forecloses on Southfield Farms.
  - Collier Site - November 9th - Collier again notifies SSU that lease will not be renegotiated and SSU must make alternate arrangements.

1993

- Naples Interconnect - January - SSU contacts Collier County and City of Naples to purchase raw or finished water. Collier County has none available. Naples is interested in selling raw water.
- City required:
- \* SSU pay for interconnect.
  - \* SSU pay for hydrogeological study to confirm adequacy of aquifer.
  - \* SSU pay for rate study and capital improvements studies to be completed to verify O&M and capital costs for improvements.
- Naples Interconnect - March 15th - Present program before the City Council. Received favorable go-ahead.
  - Dude Site - April - TGL acquires Southfield site.
  - Naples Interconnect - June - Reach final feasibility study agreement with City of Naples.
  - Naples Interconnect - September/October - Begin design for raw water interconnect with City of Naples.
  - Naples Interconnect - October - Complete Briefing Document. Conclusion: Approximately 48 MGD of capacity. Combined current demand was approximately 35 MGD. Therefore adequate capacity was available.
  - Section 35 - November 19th - Pre-application meeting with SFWMD.

**CHRONOLOGY**  
*Marco Island/Marco Shores Water Supply Planning*

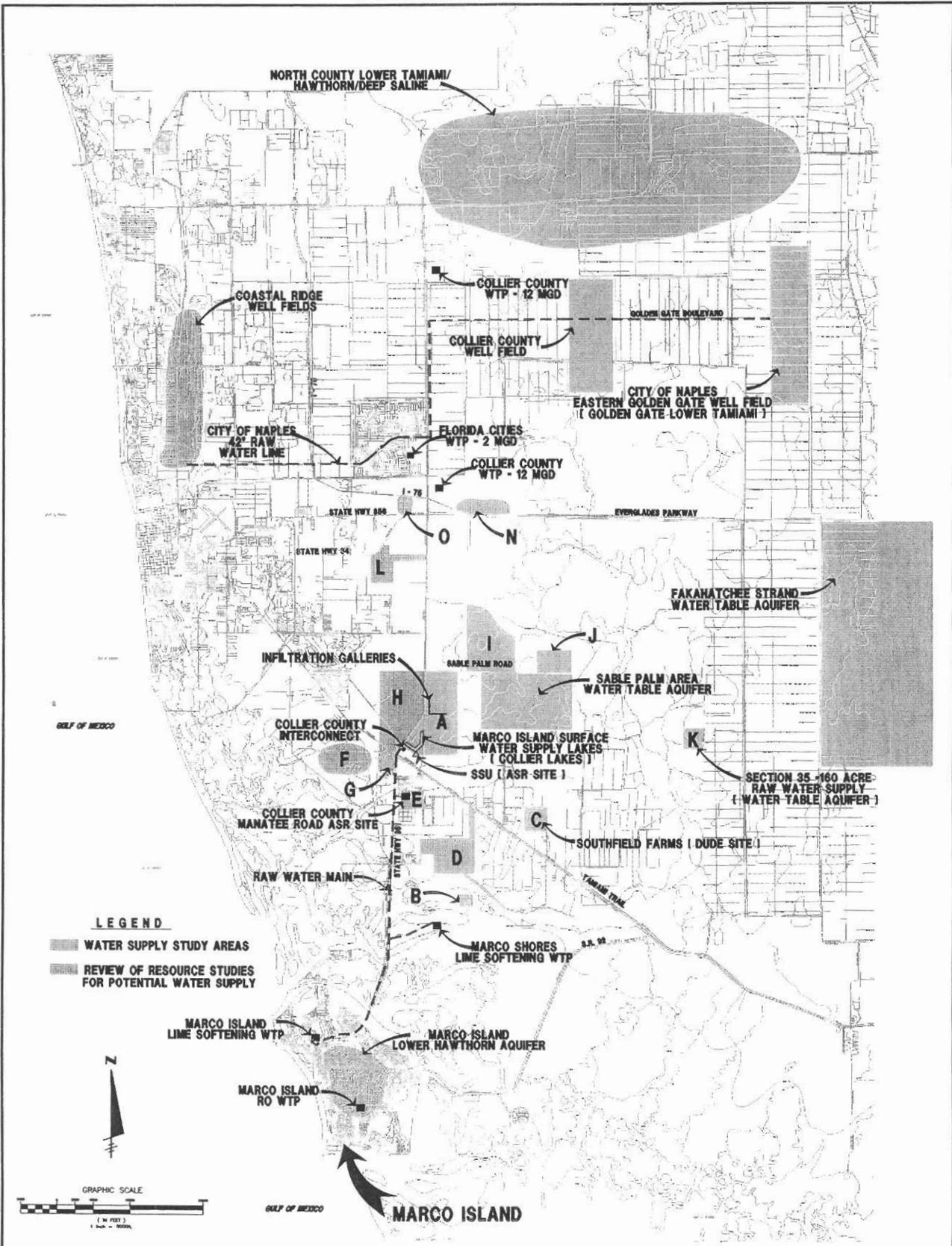
1993 (cont'd)	<ul style="list-style-type: none"> <li>• <u>Naples Interconnect</u> - December - Studies completed. Final cost analysis including unknowns for land acquisition, easements, future cost increases from City, and possible permissibility issues led SSU to pursue condemnation alternative.</li> <li>• <u>Section 35</u> - December 7th - Request for water use permit modification to add this site to present WUP.</li> </ul>
1994	<ul style="list-style-type: none"> <li>• <u>Collier Site</u> - January 18th - SSU offers to purchase lakes only, for \$4,300,000 plus attorney's and appraiser's fees. Provide deadline of February 14th for Collier Interests to accept offer. Later amended to add a 100 foot easement and extended deadline to March 1, 1994.</li> <li>• <u>Collier Site</u> - May/June - Taking confirmed and settlement payment made.</li> <li>• <u>ASR</u> - May 11th - SSU submits cost sharing proposal to construct a 1.5 MGD pilot ASR well at Collier Lakes; or in the alternative, construct an Aquifer Recharge Project for the R.O. wells on Marco Island.  Total cost for ASR project is \$994,950 split \$461,724 (WMD) and \$533,225 (SSU).  Total cost of recharge project is \$1,077,300 split \$502,650 (WMD) and \$574,650 (SSU).  WMD takes no action. Chooses to defer until September - next fiscal year.</li> <li>• <u>Section 35</u> - June 14th - Dredge and fill permit application applied for with SFWMD for transmission main.</li> <li>• <u>Section 35</u> - June 15th - Conceptual Surface Water Management Application filed.</li> <li>• <u>ASR</u> - September 29th - SSU resubmits modified cost sharing proposal to construct a 1.5 MGD pilot ASR raw water well at Collier Lakes; or in the alternative, construct an ASR finished water well on Marco Island.  Total cost for Collier ASR well is \$1,363,500 split \$639,250 (WMD) and \$724,250 (SSU).  Total cost for Island ASR well is \$1,073,100 split \$500,300 (WMD) and \$572,800 (SSU).</li> <li>• <u>Section 35</u> - October 19th - Meet with Army Corps of Engineers to confirm wetland delineation.</li> <li>• <u>ASR</u> - November 1994 - February 1995 - Collier Lake proposal is accepted by WMD. District commits to \$85,000 before September 1995 and additional \$140,000 (total \$225,000) if initial phase is satisfactory. Also leaves door open for cost sharing of \$664,000 in 1996/1997.</li> <li>• <u>Conservation</u> - January - December - SSU commits to aggressive conservation program throughout Island and evaluates expansion of reclaim potential along Collier Boulevard. Began negotiations with Hideaway Beach to substitute potable water with reclaimed water.</li> </ul>

## CHRONOLOGY

*Marco Island/Marco Shores Water Supply Planning*

- |      |  |
|------|--|
| 1995 | <ul style="list-style-type: none"><li>• <u>ASR</u> - August 1995 - Initial phase satisfactory. WMD commits to additional \$140,000 for 1995/1996.</li><li>• <u>ASR</u> - September - FDEP issues intent to issue construction.</li><li>• <u>Conservation</u> - SSU submits proposal for conservation reimbursement program for \$10,000 in 1995 and \$25,000 in 1996. Proposal approved by WMD. Continue to negotiate a reclaim agreement with Hideaway Beach.</li></ul> |
|------|--|





**MARCO ISLAND WATER SUPPLY ALTERNATES**

FIGURE NO.



**DOCKET** 950495-WS  
**EXHIBIT NO.** 239  
**CASE NO.** 96-04227

**EXHIBIT NO.** 239

**WITNESS: KARLA TEASLEY**

DOCKET NO. 950495-WS

Application for rate increase and  
increase in service availability charges  
by Southern States Utilities

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**DESCRIPTION:**

Developer Agreements for Beacon Hills

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. 950495 EXHIBIT NO. 239  
COMPANY/  
WITNESS:  
DATE: 4/29/96



Southern States Utilities • 1000 Color Place • Apopka, FL 32703 • 407/880-0058

April 23, 1996

96 APR 26 PM 1:32  
MAIL ROOM  
RECEIVED  
FLORIDA PUBLIC SERVICE COMMISSION

Via Certified Mail

Mr. Charles H. Hill, Director  
Division of Water and Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RE: Southern States Utilities, Inc. & John Wieland Homes of Jacksonville, Inc. Water and Sewer Service Agreement for the Hidden Hills Development, Unit 9 in the Beacon Hills Service Area located in Duval County, Florida FPSC Certificate Numbers 177-W & 124-S

Dear Mr. Hill:

Enclosed is a copy of the referenced Agreement. This Agreement is being submitted for filing in accordance with the rules of the Florida Public Service Commission.

Pursuant to the requirements of Rule 25-30.550(3), Florida Administrative Code, the following information is being submitted in regard to the referenced Agreement:

Water

Current treatment plant connected load:	3,300,000 GPD
Current treatment plant capacity:	3,600,000 GPD
Amount of capacity reserved under the Agreement:	12,600 GPD

Wastewater

Current treatment plant connected load:	970,000 GPD
Current treatment plant capacity:	1,780,000 GPD
Amount of capacity reserved under the Agreement:	3,800 GPD

If you need any additional information or other assistance, please feel free to call me at (407) 880-0058 ext. 260. Thank you for your cooperation.

Very truly yours,

Matt Feil  
Staff Counsel

MF/ada

enclosures

**SOUTHERN STATES UTILITIES, INC.  
&  
JOHN WIELAND HOMES OF JACKSONVILLE, INC.  
WATER AND SEWER SERVICE AGREEMENT**

**for the  
Hidden Hills Development, Unit 9  
in the  
Beacon Hills System  
located in Duval County, Florida**

**FPSC Certificate Numbers 177-W & 124-S**

Florida Public Service Commission  
Division of Water and Wastewater

APR 26 1996

**RECEIVED**

This instrument was prepared  
under the supervision of  
Karia Olson Teasley  
Vice President, Customer Services  
Southern States Utilities, Inc.  
1000 Color Place  
Apopka, Florida 32703

This AGREEMENT is made this 16 day of April 19 76, by and between SOUTHERN STATES UTILITIES, INC., a Florida corporation (hereafter "UTILITY"), and JOHN WIELAND HOMES OF JACKSONVILLE, INC., a Georgia corporation authorized to transact business in Florida (hereafter "DEVELOPER").

### RECITALS

1. The DEVELOPER owns certain properties located in Duval County, Florida, more particularly described in Exhibit "A", attached to and incorporated in this Agreement and hereinafter referred to as the "Developer's Property".
2. The DEVELOPER intends to construct a 36 lot single-family subdivision as improvements to the Developer's Property (which improvements shall hereinafter be referred to as the "Improvements") in accordance with the Development Plan attached hereto as Exhibit "B" which will require Water and Sewer Service Capacity.
3. The DEVELOPER has completed and executed an Application for Water and Sewer Service, a true copy of which is attached to and incorporated in this Agreement as Exhibit "C".
4. Water and Sewer Service Capacity for the Improvements shall be provided in the manner described below and subject to the terms and conditions provided herein.
5. The UTILITY is willing to provide Water and Sewer Service Capacity to the DEVELOPER in accordance with and subject to the terms and conditions of this Agreement and applicable rules, regulations, laws and requirements.

ACCORDINGLY, in consideration of the Recitals hereof for and in consideration of the mutual undertakings and agreements herein contained and assumed, and other good and valuable consideration received by each party from the other, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree to as follows:

**SECTION 1 RECITALS.** The above Recitals are true and correct, and form a material part of this Agreement.

**SECTION 2 DEFINITIONS.** The parties agree that in construing this Agreement, the following words, phrases, and terms shall have the following meanings unless the context requires otherwise:

- 2.1 "Allowance for Funds Prudently Invested" (AFPI) means an FPSC approved fee designed to cover the carrying costs of actual company investment in plant prudently constructed for future customer use.

**EXHIBIT B**  
TO  
**WATER AND SEWER SERVICE AGREEMENT**

**DEVELOPMENT PLAN**

GENERAL DESCRIPTION: The Hidden Hills Unit 9 project is a single-phase development for the construction of a 36 lot single-family subdivision, located on 15.8 acres, more or less, presently zoned Planned Urban Development (PUD), with a density cap of 2.3 lots per acre, more or less. The entire development will be serviced for water and, lots 1 through 11 and 29 through 36 only, for wastewater by SSU's Beacon Hills system. The remaining lots (12 through 28) will have septic systems. Average water demand and wastewater flow is estimated at 12,600 GPD and 3,800 GPD respectively per the developer's engineer's calculations on the DEP permit applications.

SCHEDULE & ESTIMATES:

<u>PHASE ID</u>	<u>SPECIFIC CONSTRUCTION (TYPE &amp; SCOPE)</u>	<u>ASSOC. ERCs (WTR/WSTW)</u>	<u>PROJECTED CONNECT'N DATE</u>	<u>WATER CONTRIB'D PROPERTY</u>	<u>WASTEWTR CONTRIB'D PROPERTY</u>
	36 single family homes	36 / 19	June 1996	\$43,410.00	\$43,581.00



Southern States Utilities • 1000 Color Place • Apopka, FL 32703 • 407/880-0058

April 23, 1996

Via Certified Mail

96 APR 26 PM 1:33  
MAIL ROOM

Mr. Charles H. Hill, Director  
Division of Water and Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RE: Southern States Utilities, Inc. & John Wieland Homes of Jacksonville, Inc. Water and Sewer Service Agreement for the Hidden Hills Development, Unit 10A in the Beacon Hills Service Area located in Duval County, Florida FPSC Certificate Numbers 177-W & 124-S

Dear Mr. Hill:

Enclosed is a copy of the referenced Agreement. This Agreement is being submitted for filing in accordance with the rules of the Florida Public Service Commission.

Pursuant to the requirements of Rule 25-30.550(3), Florida Administrative Code, the following information is being submitted in regard to the referenced Agreement:

Water

Current treatment plant connected load:	3,300,000 GPD
Current treatment plant capacity:	3,600,000 GPD
Amount of capacity reserved under the Agreement:	8,400 GPD

Wastewater

Current treatment plant connected load:	970,000 GPD
Current treatment plant capacity:	1,780,000 GPD
Amount of capacity reserved under the Agreement:	4,800 GPD

If you need any additional information or other assistance, please feel free to call me at (407) 880-0058 ext. 260. Thank you for your cooperation.

Very truly yours,

Matt Feil  
Staff Counsel

MF/ada

enclosures

**SOUTHERN STATES UTILITIES, INC.  
&  
JOHN WIELAND HOMES OF JACKSONVILLE, INC.  
WATER AND SEWER SERVICE AGREEMENT**

**for the  
Hidden Hills Development, Unit 10A  
in the  
Beacon Hills System  
located in Duval County, Florida**

**FPSC Certificate Numbers 177-W & 124-S**

**RECEIVED**

APR 26 1996

Florida Public Service Commission  
Division of Water and Wastewater

This instrument was prepared  
under the supervision of:  
Karia Olson Teasley  
Vice President, Customer Services  
Southern States Utilities, Inc.  
1000 Color Place  
Apopka, Florida 32703

This AGREEMENT is made this 16 day of April 19 96, by and between SOUTHERN STATES UTILITIES, INC., a Florida corporation (hereafter "UTILITY"), and JOHN WIELAND HOMES OF JACKSONVILLE, INC., a Georgia corporation authorized to transact business in Florida (hereafter "DEVELOPER").

### RECITALS

1. The DEVELOPER owns certain properties located in Duval County, Florida, more particularly described in Exhibit "A", attached to and incorporated in this Agreement and hereinafter referred to as the "Developer's Property".
2. The DEVELOPER intends to construct a 24 lot single-family subdivision as improvements to the Developer's Property (which improvements shall hereinafter be referred to as the "Improvements") in accordance with the Development Plan attached hereto as Exhibit "B" which will require Water and Sewer Service Capacity.
3. The DEVELOPER has completed and executed an Application for Water and Sewer Service, a true copy of which is attached to and incorporated in this Agreement as Exhibit "C".
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5. The UTILITY is willing to provide Water and Sewer Service Capacity to the DEVELOPER in accordance with and subject to the terms and conditions of this Agreement and applicable rules, regulations, laws and requirements.

ACCORDINGLY, in consideration of the Recitals hereof for and in consideration of the mutual undertakings and agreements herein contained and assumed, and other good and valuable consideration received by each party from the other, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree to as follows:

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- 2.1 "Allowance for Funds Prudently Invested" (AFPI) means an FPSC approved fee designed to cover the carrying costs of actual company investment in plant prudently constructed for future customer use.

**EXHIBIT B**  
TO  
**WATER AND SEWER SERVICE AGREEMENT**

**DEVELOPMENT PLAN**

GENERAL DESCRIPTION: The Hidden Hills Unit 10A project is a single-phase development for the construction of a 24 lot single-family subdivision, located on 15.4 acres, presently zoned Planned Urban Development (PUD), with a density cap of 1.6 lots per acre. The entire development will be serviced for water and wastewater by SSU's Beacon Hills system. Average water demand and wastewater flow is estimated at 8,400 GPD and 4,800 GPD respectively per the developer's completed *Application for Service Extension*.

SCHEDULE & ESTIMATES:

<u>PHASE ID</u>	<u>SPECIFIC CONSTRUCTION (TYPE &amp; SCOPE)</u>	<u>ASSOC. ERCs (WTR/WSTW)</u>	<u>PROJECTED CONNECT'N DATE</u>	<u>WATER CONTRIB'D PROPERTY</u>	<u>WASTEWTR CONTRIB'D PROPERTY</u>
	24 single family homes	24 / 24	June 1996	\$27,605.60	\$38,700.00

DOCKET 950495-WS  
EXHIBIT NO. 240  
CASE NO. 96-04227

EXHIBIT NO. 240  
~~240~~

**WITNESS: KARLA OLSON TEASLEY**

**DOCKET NO. 950495-WS**

**Application for rate increase by**

**SOUTHERN STATES UTILITIES, INC.**

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**DESCRIPTION:**

**RESPONSE TO PSC INTERROGATORY 435**

**DESCRIPTION OF ELECTRONIC METER READING**

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 950495 EXHIBIT NO. 240  
COMPANY/  
WITNESS:  
DATE: 7/29/96

SOUTHERN STATES UTILITIES, INC.  
DOCKET NO.: 950495-WS  
RESPONSE TO INTERROGATORIES

REQUESTED BY: FPSC  
SET NO: 12  
INTERROGATORY NO: 435  
ISSUE DATE: 02/26/96  
WITNESS: Undetermined  
RESPONDENT: Karla Olson Teasley

INTERROGATORY NO: 435

Are the Sunny Hills customers' meters read electronically?

- a) If not, does SSU intend to have electronic meter reading at the Sunny Hills location? When?
- b) Is all meter information, whether read electronically or not, sent to the Apopka office for billing?

RESPONSE: 435

a) No. Considering the number of customer's in Sunny Hills, we do not anticipate installing electronic meter reading for Sunny Hills. This is due to the expense of installing and maintaining this equipment on a monthly basis. Based on the geographical locations of some of our small service areas we were able to combine totals and come up with a larger total customer count to justify the expense and installation of the equipment.

b) Yes. A meter reading schedule and meter read sheets are prepared by billing personnel and mailed to the Sunny Hills service personnel on a monthly basis. The meters are read and mailed, or faxed, back to the billing department in Apopka. Approximately one hour per month is spent by billing personnel to manually key the meter readings into the computer system. A meter reading edit is printed and reviewed for high/low usage, or any meters that were not read. If applicable, any rechecks are dispatched back to the service personnel in Sunny Hills. After all billing information has been entered, a final exception report is run before the bills are printed. This report is reviewed and if everything is correct a lock is put on the accounts for billing. The customer payments for Sunny Hills are processed and then the billing is updated and bills are printed. A final verification is made on the bills by billing personnel and the bills are taken to our mailroom and mailed by office service personnel. With the exception of printing meter sheets and keying meter reads, this entire procedure is followed for all our service areas.

**DOCKET** 950495-WS  
**EXHIBIT NO.** 241  
**CASE NO.** 96-04227

**EXHIBIT NO.** 241

**WITNESS: KARLA OLSON TEASLEY**

**DOCKET NO. 950495-WS**

**Application for rate increase by**

**SOUTHERN STATES UTILITIES, INC.**

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**DESCRIPTION:**

**RESPONSE TO PSC INTERROGATORY 433**

**DESCRIPTION OF CUSTOMER SERVICE RESPONSES BY  
APOPKA OFFICE**

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. 950495 EXHIBIT NO. 241  
COMPANY/  
WITNESS:  
DATE: 9/29/96

SOUTHERN STATES UTILITIES, INC.  
DOCKET NO.: 950495-WS  
RESPONSE TO INTERROGATORIES

REQUESTED BY: FPSC  
SET NO: 12  
INTERROGATORY NO: 433  
ISSUE DATE: 02/26/96  
WITNESS: Undetermined  
RESPONDENT: Karla Olson Teasley

INTERROGATORY NO: 433

Do the customers of Sunny Hills receive any customer service from the Apopka office?

- a) If so, please provide a comparison which shows how often Sunny Hills customers contact the Apopka customer service office compared to how often these same customers contact the facility in Sunny Hills.
- b) Compared to the customers of the other SSU owned facilities, do the Sunny Hills customers contact the Apopka office for customer service as frequently or less frequently than the other customers.

RESPONSE: 433

a) Yes, service requests and emergency calls are received in Apopka office from 7:00 AM -8:00 PM, Monday through Friday. After hour calls are taken by our answering service in Orlando. All calls are entered into central service order system and dispatched to service personnel. With the exception of emergencies, any customer's requesting service to our field personnel are referred to the toll free number. If an emergency situation is reported to service personnel, the request is completed and then reported to the office for documentation in the service order system. This procedure is consistent throughout all of our service area's.

b) There is a total of 439 customers in Sunny Hills, see attached Appendix 433-A as compared to 484 customers in our Zephyr Shores service area see attached Appendix 433-B that is located in Pasco County. Both service areas are provided service by the Apopka office. The following requests were received in the Apopka office from 1/1/94 to 12/31/95:

SYSTEM	MISCELLANEOUS	TURN ON	TURN OFF	TOTAL
Sunny Hills	85	99	81	265
Zephyr Shores	182	100	95	377

**DOCKET** 950495-WS  
**EXHIBIT NO.** 242  
**CASE NO.** 96-04227

EXHIBIT 242 (11K-2)

PAGE 1 OF 1

**BREAKDOWN OF FUTURE USE PLANT PER 12/31/94 GENERAL LEDGER**

DOCKET NO: 950495-WS  
 PREPARED BY: JUDY KIMBALL  
 LATE FILED EXHIBIT NO: 1

<u>Plant Name</u>	<u>Water</u>	<u>Sewer</u>	<u>General Plant</u>	<u>Total</u>
<b>Deltona Systems:</b>				
Citrus Springs	3,037,000	53,402	19,306	3,109,707
Deltona Lakes	1,120,656	44,015	148,600	1,313,270
Marco Island	300,992	386,336		687,327
Marco Shores	42,916			42,916
Marion Oaks	3,506,951	466,367	136,200	4,109,518
Pine Ridge	1,394,324		35,000	1,429,324
Seaboard			58,000	58,000
Spring Hill	1,032,632	296,960		1,329,592
Sunny Hills	1,235,492	4,183	18,380	1,258,055
Subtotal	11,670,962	1,251,263	415,486	13,337,710
<b>PGI Systems:</b>				
Burnt Store	1,908,742	3,575,408		5,484,150
Deep Creek	2,326,980	4,480,793		6,807,774
Sugar Mill Woods	3,216,182	5,980,885		9,197,067
Subtotal	7,451,905	14,037,086	0	21,488,991
Other Systems	21,704	43,687	16,234	81,625
<b>Total Future Use</b>	<b>19,144,570</b>	<b>15,332,036</b>	<b>431,721</b>	<b>34,908,326</b>

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**FLORIDA PUBLIC SERVICE COMMISSION**  
 DOCKET NO. 950495-WS 11/9/95 8:59 AM JAM  
 EXHIBIT NO. 242  
 COMPANY: Kimball  
 WITNESS: \_\_\_\_\_  
 DATE: 4.29.97

*LHE*

RUTLEDGE, ECENIA, UNDERWOOD, PURNELL & HOFFMAN  
PROFESSIONAL ASSOCIATION  
ATTORNEYS AND COUNSELORS AT LAW

EXHIBIT \_\_\_\_\_ (*WJK-3*)

PAGE 1 OF 1

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

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

TELEPHONE (904) 681-5788  
TELECOPIER (904) 681-5515

GOVERNMENTAL CONSULTANTS  
PATRICK R. MALOY  
AMY J. YOUNG

MEMORANDUM

TO: Counsel of Record in Docket No. 950495-WS  
FROM: Kenneth A. Hoffman, Esq. *KAH*  
DATE: November 13, 1995  
RE: Judy Kimball - Late-Filed Deposition Exhibit Nos. 1 and 2

Enclosed are copies of the above-referenced late-filed deposition exhibits of Judy Kimball.





























# Southern States Utilities

## Summary of 1995 FPSC Filed and Actual Plant In Service Additions As of December 31, 1995

	1995 Plant In Service									
	Number of Projects		Additions				13 Month Average Additions			
	Filed	Actual	Filed	Actual	Actual vs Filed		Filed	Actual	Actual vs Filed	
					\$	%			\$	%
12/31/95 Water & Sewer PIS	242	203	27,015,827	21,722,668	(5,293,159)	*	8,622,459	7,481,545	(1,140,914)	
New Projects Added and Completed	0	8	0	1,770,284	1,770,284			313,870	313,870	
1995 Plant In Service	<u>242</u>	<u>211</u>	<u>27,015,827</u>	<u>23,492,953</u>	<u>(3,522,874)</u>	<u>(13.04)</u>	<u>8,622,459</u>	<u>7,795,415</u>	<u>(827,044)</u>	<u>(9.59)</u>
Refundable Advances - Lehigh Lines (1)	(2)	(2)	(2,507,000)	(559,404)	1,947,596		(1,060,654)	(43,031)	1,017,623	
<b>Total 1995 Plant In Service</b>	<u>240</u>	<u>209</u>	<u>24,508,827</u>	<u>22,933,549</u>	<u>(1,575,278)</u>	<u>(6.43)</u>	<u>7,561,805</u>	<u>7,752,384</u>	<u>190,579</u>	<u>2.52</u>

(1) The Lehigh lines are funded by refundable advances which are deducted from rate base, and therefore have zero rate base impact.

\* Note: Variance between the 242 projects filed and the 203 actual projects

	Adjustment Amount
1) 11 Projects were completed but expensed rather than capitalized -	(30,914)
2) 14 Projects were not completed in 1995 and are projected to be in service in 1996 -	(3,993,383)
3) 14 Projects, including 3 general plant projects projected at \$17,560 were cancelled -	(706,362)
	<u>(4,730,659)</u>

# Southern States Utilities

## Summary of Monthly 1995 FPSC Filed and Actual Plant In Service Additions

As of December 31, 1995 and 13 Month Average

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL ADDITIONS	13 Mo Average
Plant In Service (Excl. General Plant)	108,264	38,601	121,777	262,588	196,835	8,497,320	1,023,229	167,483	285,905	114,769	3,859,343	4,166,893	18,843,006	6,670,081
General Plant	488	7,616	32,361	4,071	11,527	4,674	361,233	1,323,290	0	27,520	918	1,105,962	2,879,661	811,484
New Projects Added and Completed	0	0	166,803	0	0	0	0	49,219	26,829	265,718	0	1,261,718	1,770,284	319,870
<b>ACTUAL PIS ADDITIONS</b>	<b>108,752</b>	<b>46,218</b>	<b>320,941</b>	<b>266,659</b>	<b>208,363</b>	<b>8,501,994</b>	<b>1,384,462</b>	<b>1,539,991</b>	<b>312,734</b>	<b>408,007</b>	<b>3,860,261</b>	<b>6,534,571</b>	<b>23,482,952</b>	<b>7,785,415</b>
MFR PIS ADDITIONS (w/Lehigh Lines)	155,133	471,204	894,749	851,966	1,962,301	3,221,231	2,548,525	254,599	4,131,475	1,621,933	1,326,369	9,576,341	27,015,825	8,622,459
<b>ACTUAL VS FILED</b>														
AMOUNT VARIANCE	(46,381)	(424,986)	(573,808)	(585,307)	(1,753,939)	5,280,763	(1,164,063)	1,285,392	(3,818,740)	(1,213,926)	2,533,891	(3,041,770)	(3,522,874)	(827,044)
% VARIANCE	(29.90%)	(90.19%)	(64.13%)	(68.70%)	(89.38%)	163.94%	(45.68%)	504.87%	(92.43%)	(74.84%)	191.04%	(31.76%)	(13.04%)	(9.59%)
<b>Excluding Lehigh Refundable Advances</b>														
ACTUAL PIS ADDITIONS	108,752	46,218	320,941	266,659	208,363	8,501,994	1,384,462	1,539,991	312,734	408,007	3,860,261	6,976,167	22,933,548	7,782,384
MFR PIS ADDITIONS	155,133	471,204	267,999	851,966	1,962,301	2,594,481	2,548,525	254,599	3,504,725	1,621,933	1,326,369	8,949,691	24,508,825	7,561,605
<b>ACTUAL VS FILED</b>														
AMOUNT VARIANCE	(46,381)	(424,986)	52,942	(585,307)	(1,753,939)	5,907,513	(1,164,063)	1,285,392	(3,191,990)	(1,213,926)	2,533,891	(2,974,424)	(1,575,278)	199,579
% VARIANCE	(29.90%)	(90.19%)	19.75%	(68.70%)	(89.38%)	227.70%	(45.68%)	504.87%	(91.08%)	(74.84%)	191.04%	(33.24%)	(6.43%)	2.52%

EXHIBIT \_\_\_\_\_  
 (J)K-5  
 PAGE 2 OF 2

**SCHEDULE OF NON-USED AND USEFUL CIAC AMOUNTS  
REFERENCED IN LARKIN'S SCHEDULE 10  
BY PLANT AND CATEGORY  
AT DECEMBER 1996**

PLANT	WATER		WASTEWATER	
	PLANT CAPACITY	LINE/MAIN EXTENSIONS	PLANT CAPACITY	LINE/MAIN EXTENSIONS
BURNT STORE	20,686	607	382,560	367,093
DEEP CREEK	-	10,775	1,815	2,431
SUGARMILL WOODS	47,487	255,363	1,041,719	959,412
<b>TOTALS</b>	<b>68,173</b>	<b>266,745</b>	<b>1,426,094</b>	<b>1,328,936</b>

SOUTHERN STATES UTILITIES, INC.  
DOCKET NO.: 950495-WS  
RESPONSE TO INTERROGATORIES

REQUESTED BY: OPC  
SET NO: 8  
INTERROGATORY NO: 252R  
ISSUE DATE: 10/02/95  
WITNESS: Undetermined  
RESPONDENT: Judith J. Kimball/Hilton/Lock

INTERROGATORY NO: 252R

Prepaid Insurance. Please refer to the 1995 operating budget, documentation by Responsibility Center 565, page 1. For each of the separate insurance items listed under Account 001.00001.565.991620.2000.999, please provide the following:

- a. The actual 1995 premiums if now known.
- b. The actual premiums for each year, 1992, through 1994.

RESPONSE: 252R

The amount presented in the original Appendix 252-A for 1995 actual Worker's Compensation was \$136,023. It is now known that the amount represented only fixed premium costs for 1995.

The attached Appendix 252R-A has been compiled to reflect actual cash disbursements (premiums) for Worker's Compensation for the years 1992 through 1995 and 1995 budget. The amount originally included in Appendix 252-A did not reflect paid losses or the cash impact of premiums related to prior periods. The new appendix corrects this discrepancy and indicates the Company has paid out \$474,156 in 1995 related to Worker's Compensation. Several true-up premiums were received in November and December of 1995 which were also not recognized in the earlier appendix. In addition, a \$40,000 claim settlement is included in Appendix 252R-A for 1993 which was omitted in the original appendix.



**SOUTHERN STATES UTILITIES  
COMPARISON OF ATTRITION ADJUSTMENT AT 1.95% VERSUS 2.49%  
DOCKET NO. 950495-WS**

Line No.	(1) Account No. and Name	(2) (3) BASED ON 1995 FPSC FILED EXPENSES (INCLUDING BUENAVENTURA)		(4) DIFFERENCE
		1996 ATTRITION ADJUSTMENT (1)		
		Filed 1.95%	Staff Recommended 2.49% (2)	
1	6/703 Salaries & Wages - Employees	0	0	0
2	6/703 Salaries & Wages - Officers, Etc.	0	0	0
3	6/704 Employee Pensions & Benefits	0	0	0
4	6/710 Purchased Water	0	0	0
5	711 Sludge Removal Expense	15,214	19,427	4,213
6	6/715 Purchased Power	0	0	0
7	6/716 Fuel for Power Production	848	1,082	235
8	6/718 Chemicals	25,819	32,969	7,150
9	6/720 Materials & Supplies	37,257	47,575	10,317
10	6/731 Contractual Services - Eng.	1,081	1,380	299
11	6/732 Contractual Services - Acct.	2,636	3,366	730
12	6/733 Contractual Services - Legal	1,588	2,028	440
13	6/734 Contractual Services - Mgmt Fees	0	0	0
14	6/735 Contractual Services - Other	19,840	25,335	5,494
15	6/741 Rental of Real Building/Real Property	2,835	3,621	785
16	6/742 Rental of Equipment	857	1,094	237
17	6/750 Transportation Expense	9,111	11,635	2,523
18	6/756 Insurance - Vehicle	1,807	2,307	500
19	6/757 Insurance - General Liability	4,485	5,727	1,242
20	6/758 Insurance - Workman's Comp	0	0	0
21	6/759 Insurance - Other	369	471	102
22	6/760 Advertising Expense	402	514	111
23	6/766 Reg. Comm. Exp. - Rate Case Amort.	0	0	0
24	6/767 Reg. Comm. Exp. - Other	0	0	0
25	6/770 Bad Debt Expense	3,576	4,566	990
26	6/775 Miscellaneous Expenses	35,161	44,898	9,737
27	<b>TOTAL WATER &amp; SEWER O &amp; M EXPENSES</b>	<b>162,886</b>	<b>207,993</b>	<b>45,107</b>

## Notes:

- (1) Sum of attrition adjustment on 1995 FPSC Filed direct and common expenses, see attached pages 2 and 3 for support.  
(2) Docket No. 960005-WS recommended 1996 Price Index for water and wastewater utilities.

**SOUTHERN STATES UTILITIES  
COMPARISON OF ATTRITION ADJUSTMENT AT 1.95% VERSUS 2.49%  
FPSC FILED DIRECT COSTS SUBJECT TO ATTRITION  
DOCKET NO. 950495-WS**

Line No.	(1) Account No. and Name	(2) 1996 FPSC FILED DIRECT COSTS (INCLUDING BUENAVENTURA)				(6) TOTAL	(7) Attrition Adjustment of 1.95%	(8) Staff Recommend Attrition Adjustment of 2.49% (1)	(9) Difference Col (8) - Col (7)
		SSU		Buenaventura					
		Direct Water (Vol. II Book 3 of 4 (page 123))	Direct Sewer (Vol. II Book 3 of 4 (page 183))	Direct Water (Vol. II Book 3 of 4 (page 314))	Direct Sewer (Vol. II Book 3 of 4 (page 315))				
1	6/703 Salaries & Wages - Employees	2,375,013	2,121,134	79,210	333,210	4,908,567	0	0	0
2	6/703 Salaries & Wages - Officers, Etc.	0	0	0	0	0	0	0	0
3	6/704 Employee Pensions & Benefits	589,804	526,756	19,670	82,746	1,218,976	0	0	0
4	6/710 Purchased Water	1,601,340 (2)	1,741,365	0	0	3,342,705	0	0	0
5	711 Sludge Removal Expense	0	702,898	0	77,293	780,191	15,214	19,427	4,213
6	6/715 Purchased Power	1,924,137	1,099,887	69,551	257,704	3,351,279	0	0	0
7	6/716 Fuel for Power Production	24,264	17,116	909	1,179	43,468	848	1,082	235
8	6/718 Chemicals	731,306	531,574	13,728	47,430	1,324,038	25,819	32,069	7,150
9	6/720 Materials & Supplies	866,338	750,150	29,682	31,542	1,677,712	32,716	41,775	9,060
10	6/731 Contractual Services - Eng.	2,920	27,057	0	0	29,977	585	748	162
11	6/732 Contractual Services - Accl.	0	0	0	0	0	0	0	0
12	6/733 Contractual Services - Legal	0	0	0	0	0	0	0	0
13	6/734 Contractual Services - Mgmt Fees	0	0	0	0	0	0	0	0
14	6/735 Contractual Services - Other	389,468	212,118	40,169	130,870	772,625	15,068	19,238	4,172
15	6/741 Rental of Real Building/Real Property	5,570	60	0	0	5,630	110	140	30
16	6/742 Rental of Equipment	10,148	20,634	184	4,644	35,609	694	887	192
17	6/750 Transportation Expense	223,291	99,763	12,183	16,486	351,723	6,859	8,758	1,899
18	6/756 Insurance - Vehicle	0	0	0	0	0	0	0	0
19	6/757 Insurance - General Liability	0	0	0	0	0	0	0	0
20	6/758 Insurance - Workman's Comp	42,490	37,945	1,417	5,961	87,813	0	0	0
21	6/759 Insurance - Other	0	0	0	0	0	0	0	0
22	6/760 Advertising Expense	0	0	0	0	0	0	0	0
23	6/766 Reg. Comm. Exp. - Rate Case Amort.	0	0	0	0	0	0	0	0
24	6/767 Reg. Comm. Exp. - Other	0	0	0	0	0	0	0	0
25	6/770 Bad Debt Expense	0	0	0	0	0	0	0	0
26	6/775 Miscellaneous Expenses	213,399	172,366	328	2,020	388,113	7,568	9,684	2,086
27	<b>TOTAL WATER &amp; SEWER O &amp; M EXPENSES</b>	<b>8,999,488</b>	<b>8,060,823</b>	<b>267,031</b>	<b>991,085</b>	<b>18,318,427</b>	<b>105,477</b>	<b>134,686</b>	<b>29,209</b>

**Note:**

(1) Docket No. 960005-WS recommended 1996 Price Index for water and wastewater utilities.

(2) Excludes Marco Shores Purchased water adjustment of \$24,387 included in filing. This adjustment was for ratemaking purposes only it is not actually booked to expense.

PAGE 2 OF 3

EXHIBIT

(JJK-8)

**SOUTHERN STATES UTILITIES  
 COMPARISON OF ATTRITION ADJUSTMENT AT 1.95% VERSUS 2.49%  
 FPSC FILED COMMON COSTS SUBJECT TO ATTRITION  
 DOCKET NO. 950495-WS**

Line No.	(1) Account No. and Name	(2) 1995 FILED COMMON COSTS SUBJECT (INCLUDING BUENAVENTURA)				(6) TOTAL	(7) FPSC		(8) Attrition Adjustment of 1.95%	(9) Staff Recommend Attrition Adjustment of 2.49% (1)	(10) Difference Col (9) - Col (8)
		SSU		Buenaventura			Allocated Portion (75.94%) (Allocation % found) (in Volume II Book 2 of 4) (Page 19)	Attrition Adjustment of 1.95%			
		Customer Accounts (Vol. II Book 3 of 4) (page 229)	A&G (Vol. II Book 3 of 4) (page 235)	Customer Accounts (Vol. II Book 3 of 4) (page 316)	A&G (Vol. II Book 3 of 4) (page 317)						
1	6/703 Salaries & Wages - Employees	1,803,243	4,208,394	89,508	52,206	5,953,351	4,521,051	0	0	0	
2	6/703 Salaries & Wages - Officers, Etc.	0	0	0	0	0	0	0	0	0	
3	6/704 Employee Pensions & Benefits	398,133	1,045,070	22,227	12,964	1,478,395	1,122,712	0	0	0	
4	6/710 Purchased Water	0	0	0	0	0	0	0	0	0	
5	711 Sludge Removal Expense	0	0	0	0	0	0	0	0	0	
6	6/715 Purchased Power	5,565	74,927	0	10,139	90,631	68,826	0	0	0	
7	6/716 Fuel for Power Production	0	0	0	0	0	0	0	0	0	
8	6/718 Chemicals	0	0	0	0	0	0	0	0	0	
9	6/720 Materials & Supplies	88,540	200,251	9,202	8,729	306,722	232,929	4,542	5,800	1,258	
10	6/731 Contractual Services - Eng.	0	33,523	0	0	33,523	25,458	406	634	137	
11	6/732 Contractual Services - Acct.	0	177,985	0	0	177,985	135,164	2,636	3,366	730	
12	6/733 Contractual Services - Legal	0	107,248	0	0	107,248	81,448	1,588	2,028	440	
13	6/734 Contractual Services - Mgmt Fees	0	0	0	0	0	0	0	0	0	
14	6/735 Contractual Services - Other	0	276,594	0	45,805	322,399	244,834	4,774	6,008	1,322	
15	6/741 Rental of Real Building/Real Property	0	159,134	0	24,926	184,060	139,777	2,728	3,480	755	
16	6/742 Rental of Equipment	0	7,283	0	3,697	10,980	8,338	163	208	45	
17	6/750 Transportation Expense	62,637	77,824	7,835	3,834	152,130	115,530	2,253	2,877	624	
18	6/756 Insurance - Vehicle	0	122,006	0	0	122,006	92,654	1,807	2,307	500	
19	6/757 Insurance - General Liability	0	250,798	0	52,050	302,848	229,988	4,485	5,727	1,242	
20	6/758 Insurance - Workman's Comp	28,682	75,288	1,601	934	106,505	80,862	0	0	0	
21	6/759 Insurance - Other	0	24,899	0	0	24,899	18,909	389	471	102	
22	6/760 Advertising Expense	0	27,165	0	0	27,165	20,629	402	514	111	
23	6/766 Reg. Comm. Exp. - Rate Case Amort.	0	469,893	0	0	469,893	373,256	0	0	0	
24	6/767 Reg. Comm. Exp. - Other	0	59,415	0	0	59,415	44,362	0	0	0	
25	6/770 Bad Debt Expense	217,899	0	23,558	0	241,457	183,365	3,578	4,588	990	
26	6/775 Miscellaneous Expenses	546,534	1,234,725	31,560	50,494	1,863,312	1,415,023	27,583	35,234	7,641	
27	<b>TOTAL WATER &amp; SEWER O &amp; M EXPENSES</b>	<b>2,951,233</b>	<b>8,632,425</b>	<b>185,490</b>	<b>265,777</b>	<b>12,034,926</b>	<b>9,155,132</b>	<b>87,400</b>	<b>73,307</b>	<b>15,096</b>	

Note:  
 (1) Docket No. 960005-WS recommended 1996 Price Index for water and wastewater utilities.

PAGE 3 OF 3

EXHIBIT (11)(K-8)

SOUTHERN STATES UTILITIES, INC.  
 DOCKET NO.: 950495-WS\*  
 RESPONSE TO INTERROGATORIES

REQUESTED BY: OPC  
 SET NO: 18  
 INTERROGATORY NO: 343  
 ISSUE DATE: 01/05/96  
 WITNESS: Judith J. Kimball  
 RESPONDENT: Judith J. Kimball

INTERROGATORY NO: 343

Please explain why the non-used and useful adjustment for Lehigh is a positive number as opposed to a negative number. In other words, the non-used and useful adjustment for Lehigh actually increases rate base, when normally non-used and useful adjustments decrease rate base.

RESPONSE: 343

There are three instances where the Lehigh non-used and useful adjustment is a debit to rate base rather than the typical credit. This occurs in both water and wastewater rate base in the 1996 test year and in the wastewater rate base in the 1995 test year. The debits can be seen on Schedule A-2(S), page 1 of 1, and A-7(S), page 1 of 1 as they relate to wastewater rate base and schedule A-1(W), page 1 of 1, and A-7(W), page 1 of 1 as they relate to the water rate base. Schedule A-16(W) (S) is also important in this discussion as it portrays water and wastewater advances for construction. Schedule A-7 summarizes the component parts of the Utility's non-used and useful adjustment to rate base. The positive non-used and useful adjustment is a fallout from the various non-used and useful calculations as they relate to plant in service, accumulated depreciation and advances for construction as well as CIAC amortization.

It is important to realize that all amounts included in advances are 100% non-used and useful. In the case of Lehigh, the utility assets constructed with advances for construction are all included in utility plant in service in the rate proceeding. A calculated non-used and useful percentage is applied to the plant in service balance and the resulting non-used and useful plant is carried over to Schedule A-7. The same holds true for the non-used and useful impact on accumulated depreciation. In the case of advances for construction, the entire advance has been included on Schedule A-16 even though the Utility did not receive any cash related to these advances for construction. The dollars included on Schedule A-16 are the other side of the entry which records plant in service. The only way these advances are reduced is when Southern States reimburses Lehigh Corporation for the construction as new customers come on line. In the rate filing, the entire advance is deducted from rate base on Schedules A-1(W) and A-2(S) but is added back as non-used and useful on Schedule A-7 because the customers have not yet come on line. Once they do connect, the advance is reduced as a result of the repayment to Lehigh Corporation and Contributions in Aid of Construction is increased due to the payment of the tariffed rates by the new water and sewer customer.

If advances for construction were deducted from rate base with no consideration as to non-used and useful, the Utility's rate base would be unduly eroded because of the non-used and useful calculation applied to the assets that the advances are related to. If one excludes the assets from rate base, the related advance must also be excluded or the Utility faces the potential of a negative rate base. To illustrate, consider the following example. Plant in service (lines) is constructed in the amount of \$2 million and is deeded to the utility under a refundable advance agreement. There are no customers on the lines. Impacts to rate base as presented in a rate filing are as follows:

Rate Base

Plant in service	\$2,000,000 (a)
Non-used and useful	
Plant in Service	<2,000,000> (b)
Advances for Construction	2,000,000 (c)
Advances for Construction	<2,000,000> (d)
Total Rate Base	-0-

Under this scenario, one can see the impact of the transaction on rate base is zero due to removing all of the plant and Advances as 100% non-used and useful [(b) and (c)]. If non-useful plant (b) was removed and the Advances (d) were removed with no consideration of (c), the utility would have a negative \$2 million rate base.

The above example may raise the concern that plant in service (b) has not been reduced by 100% in the current filing; however, advances for construction (c) have been added back to non-used and useful by 100%. In the filing, the non-used and useful percentage for plant in service is much smaller than 100%; however, it is being applied against a much larger pot of dollars (total plant in service--not just plant in service constructed through advances). As an example, if one refers to OPC Interrogatory No. 317, the Company's response shows the average dollars included in the rate case for plant in service and reflects the average dollars of useful plant in service after non-used and useful percentages are applied. Using the 1996 sewer plant numbers as an example from that interrogatory, it would appear that \$191,019 of average plant was included in rate base with a non-used and useful percentage of 11.69% applied to it which resulted in a net average useful plant in service of \$168,689. Logic would follow that the Utility is removing 100% of the Advance, or \$191,019, but only \$22,330 of the average plant in service. However, when one looks at the total account information for NARUC Account 361, they will see that non-used and useful for that account is \$829,000. Therefore, it is easy to see that the entire amount of plant funded by advances for construction has been removed as a non-used and useful adjustment which necessitates the add back of the 100% of non-used and useful advances for construction. To do otherwise will result in the negative rate base situation as described in the example.

The fact that in these three instances the non-used and useful turned into a positive number relates to a combination of the factors discussed above as well as the impact of the accumulated depreciation calculation. In two of the three instances, it was the reduction to accumulated depreciation due to non-used and useful that drove the overall non-used and useful to a positive adjustment.



October 23, 1995

EXHIBIT                      (WK-11)

PAGE   1   OF   2  

TO:           Robert Dodrill  
              FPSC Auditor

FROM:         Judy Kimball

RE:           FPSC Audit Document Request 113

Attached is the reconciliation of accumulated depreciation at 12/31/93 of the general ledger to the MFR balances as requested in part B of Audit Request 113.



**SSU****Rate Department**

**DATE:** August 22, 1995  
**TO:** Ron Mayes, FPSC Auditor  
**FROM:** Judy Kimball  
**RE:** FPSC Audit Document Request No. 22, CIAC Amortization

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In your audit request, you cite MFR Schedules A-14, page 1, column 4, line 6 which is represented as "balance per books" as of 12/31/94. You indicate these balances for CIAC amortization do not agree with the general ledger balances as of the same date. "Balance per books" is a generic column heading that is used on a multitude of schedules. It does not always necessarily mean the general ledger specifically. In the case of CIAC amortization as well as accumulated depreciation, these balances will not agree with the books. They are calculated numbers constructed for the purpose of putting together the MFRs. The amortization is calculated in the MFRs to insure correct additions based on Commission ordered CIAC balances from the last test year. Commission orders reflecting these CIAC balances may not be issued for many months or even years after the books have been closed. In addition, sometimes there are adjustments that may take some time to get booked and the independent calculation in the MFRs corrects these timing problems. Calculated MFR amortization activity also ensures consistent and up-to-date amortization rates and facilitates the presentation of 13-month average balances.

A general information response explaining how the books calculate amortization versus how the MFRs calculate amortization will undoubtedly suffice as an explanation for most of the differences. The most important factor is that the MFRs calculate CIAC amortization in a process independent from Company books. Unlike plant additions and CIAC additions in which the MFRs pull numbers directly from the general ledgers, depreciation and amortization are calculated off MFR balances, both actual and projected. During 1994, SSU booked adjustments to accumulated amortization of CIAC based on Commission ordered balances as of December 31, 1991. For all plants which had rate base established at that time plus Marco Island and Lehigh, the books and the MFRs should have been in agreement as of December 1991. Therefore, any differences would have had to occur during 1992-1994. One cause for the differences is related to amortization rates. In this intervening three year period, which runs through the historic test year ended December 31, 1994, the books used the following methodologies for calculating the rates to be used for amortization of CIAC:

1992 Plant asset balances in accounts 304-339 (water) and 354-389 (wastewater) were divided by accumulated depreciation to arrive at composite rates to be used for all CIAC amortization.

1993 & 1994      Composite rates for cash CIAC accounts were arrived at by taking balances in plant assets accounts 304-339 (water) and 354-389 (wastewater) divided by accumulated depreciation.

CIAC accounts related to property contributions were amortized at a rate equivalent to the depreciation rate used on the associated asset account.

On the MFR side, we have provided an example of the steps taken to arrive at the amortization rates using Amelia Island water plant and CIAC. That example and the trail of calculations is provided in Appendix FPSC 22-A. As can be seen from a comparison of the rates used in the specific plant explanations, a majority of the differences are attributable to rate differentials.

A significant difference between the books and the MFRs exists in the case of the Punta Gorda plants (Sugarmill Woods, Burnt Store, and Deep Creek). In the case of these plants, there is a large amount of "prepaid CIAC" on the books which the Company has not amortized and does not amortize until the connection materializes. However, on the MFR side, all prepaid CIAC is included in the CIAC calculation as well as the amortization calculation before non-used and useful adjustments are applied to the offsetting expense. This is explained in more detail in the reconciliations contained in Appendix FPSC 22-B.

Specific responses to the underlined plants are as follows. Refer to Appendix FPSC 22-B in all cases for calculations. In the calculations included in Appendix FPSC 22-B, in some cases composite rates are portrayed in the "per books" presentation for ease in calculations even though line item rates were actually used in the books.

1. Pine Ridge water--ledger \$16,097 greater than MFR balance. This difference is created by the difference in rates used on the books versus rates used in the MFRs.
2. Sugarmill Woods water--MFR amortization greater than general ledger by \$150,159. Amortization on prepaid CIAC which is done in the MFRS and not in the books accounted for a difference of \$162,365. The remaining difference of \$12,206 (going the opposite direction) is a result of rate differentials due to methodology of calculating the amortization rate.
3. Burnt Store water--MFR balance greater than general ledger balance by \$6,581. This difference is created by the difference in rates used on the books versus rates used in the MFRs.
4. Lehigh water--MFR balance greater than general ledger by \$152,280. The majority of this difference relates to a journal entry which was posted twice in error when the books were adjusted to agree with the Commission order in December 1994. The amount of that adjustment is \$137,607. The books had also taken amortization on an incorrect amount of CIAC totaling \$136,213 which went back to December 1991. Amortization on that amount for the three year period totaled \$12,055. The MFRs correctly reflected this adjustment and the related amortization impact. Finally, the difference in amortization rates in the MFRs versus the books accounted for increased amortization of \$26,722 in the MFRs over the books.

5. Fox Run water--MFR balance greater than general ledger balance by \$5,186. In 1993, the Company established separate CIAC accounts for each related plant asset account. They took the booked accumulated amortization which existed as a pool of dollars and reassigned the pool to the various amortization accounts that had related CIAC balances. In the process, there was a misclassification between the water amortization balances and the wastewater amortization balances which caused water amortization to be \$8,100 less than it should have been and wastewater amortization to be \$4,502 more than it should have been. Adding \$8,100 to the general ledger water amortization balance brings the booked water to \$35,896 or \$2,914 greater than the MFR balance. Although the wastewater side was not included in those plants requiring analysis, the book accumulated amortization dollars are \$8,657 greater than the MFR balances. Deducting the \$4,502 overstatement brings the difference down to \$4,155. As a result, the net difference for the Fox Run plant is that the books have \$7,069 more CIAC amortization than what is reflected in the MFRs. This difference is attributable to the fact that the MFRs utilized different amortization rates than did the books for 1992 through 1994.

Prior to the last rate case (Docket No. 920199-WS), Fox Run should have used a 2.5% amortization rate until asset lives were changed in accordance with Florida Administrative Code Rule 25-30.140. Those rates were changed in Docket No. 920199-WS. However, the MFRs restated the amortization for 1991 (the last test year) plus 1992 and eight months of 1993 (the time final rates went into effect from Docket No. 920199-WS). The rationale for this change is that the new rates should not actually be implemented until the receipt of final revenues, at which point there is a proper matching of revenues and accelerated expense for depreciation. The books utilized an amortization rate nearly double what the MFRs used during this three year period.

6. Deltona Lakes wastewater--MFR balance greater than ledger balance by \$77,819.  
Deltona Lakes water--MFR balance less than general ledger balance by \$345,272.

Please refer to the narrative for Fox Run as the part related to the activity in 1993 which misclassified amortization balances applies in the case of Deltona Lakes as well. This misclassification resulted in \$117,885 being over allocated to water and \$99,868 being under allocated to sewer. Adding the under allocation for sewer of \$99,868 to the book amortization balance brings the book balance to \$235,517 compared to an MFR balance of \$213,468 or a \$22,049 difference. Subtracting the over allocation in water of \$117,885 from the book amortization balance brings the book balance to \$1,852,123 compared to an MFR balance of \$1,624,736 or a \$227,387 difference.

As can be seen in Appendix FPSC 22-B, the most significant differences between the books and the MFRs occurs in 1992 where book amortization for the year is \$194,776 greater than the MFR amortization balance. As in the case of Fox Run, the MFRs reflect a 2.5% amortization rate for 1991, 1992 and eight months of 1993 while the books reflect a much higher amortization rate (almost double that used in the MFRs). The same holds true for 1993, although it is not quite as significant because the MFRs have picked up four months at the accelerated rates. 1994 is pretty consistent between the book rate and the MFR rate. There was a retirement of CIAC amortization which occurred in 1992 on the books with a correcting entry in 1993 related to a sale to Volusia County of part of the Deltona Lakes service area. 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.

7. Enterprise wastewater--MFR balance greater than general ledger by \$15,370. The last test year for the Enterprise plant was a March 1985 test year. Since that time, the MFRs calculated amortization on CIAC utilizing related depreciation rates for a Class C utility. The books, however, utilized an amortization rate since 1986 that had been established by Deltona which was much lower than the Class C rate.

8. Burnt Store wastewater--MFR balance greater than general ledger balance by \$308,651. The large difference in this plant relates to amortization taken on prepaid CIAC in the MFR's, but not in the books. Built into the 1991 beginning points of accumulated amortization is \$90,109 of expense for the years 1989 through 1991 that was not amortized on the books as well as an additional \$198,046 of amortization for the years 1992 through 1994. The remaining difference of \$14,320 is attributable to rate differentials between the books and the MFR's.

9. Deep Creek wastewater--MFR balance \$627,459 greater than general ledger balance. The difference at this plant relates to amortization taken on prepaid CIAC in the MFR's, but not in the books. For the years 1989 through 1990 (12/31/90 was the last Deep Creek test year) amortization on prepaid CIAC totaled \$260,984. For the years 1991 through 1994, amortization on prepaid CIAC totaled \$466,948. The remaining difference of \$100,472 is attributable to rate differentials between the books and the MRF's.

It is the Company's position that CIAC amortization as reflected in the MFRs is correct with the exception of the retirement at the Deltona Lakes water plant in the amount of \$10,451 which was not picked up in the MFRs.

To calculate the Accumulated Amortization Expense, the following steps are taken:

1a

From schedule A-5(W) page 1 of 7, the Average Adjusted UPIS balance is calculated. This balance is carried to schedules:

1b

B-13(W) page 1 of 3 and  
B-13(W) page 3 of 3 (less land, intangible and general plant  
balances)

2a

From schedule B-13(W) page 1 of 3, the Adjusted Depreciation expense is calculated based on FPSC guideline rates. This balance is carried to schedule:

2b

B-13(W) page 3 of 3

3a

From schedule A-12(W) page 1 of 6, the Average Adjusted CIAC Balance is calculated. This balance is carried to schedule:

3b

B-13(W) page 2 of 3

4a

The composite CIAC Amortization Rate is calculated on schedule B-13(W) page 3 of 3 by taking the average adjusted depreciation expense (2b) divided by the average adjusted UPIS (1b). This rate is then carried to schedule:

4b

B-13(W) page 2 of 3

The Average Adjusted CIAC Balance (3b) is then multiplied by the calculated rate (4b) to determine the CIAC Amortization Expense.



**SCHEDULE OF WATER CONTRIBUTIONS IN AID OF CONSTRUCTION BY CLASSIFICATION - 1994  
TEST YEAR AVERAGE BALANCE / SUMMARY**

Company: SSU / Nassau / Amelia Island  
 Docket No.: 950495-WS  
 Schedule Year Ended: 12/31/94  
 Interim  Final   
 Historical  Projected   
 Simple Ave.  13 Month Ave.   
 FPSC Uniform  FPSC Non-uniform  Non FPSC

Explanation: Provide the beginning, ending and average balances of CIAC by classification for the prior year and the test year and show the non-used and useful percent and amount.

FPSC  
 Schedule: A-12 (W)  
 Page 1 of 8  
 Preparer: Kimball  
 Recap schedules: A-1(W), A-7(W)

(1) Line No.	(2) Classification	(3) 1994 CONTRIBUTIONS IN AID OF CONSTRUCTION				(7) 1994 AVERAGE BALANCE			(9)	(10) 1994 NON-USED & USEFUL	(11)
		Balance Per Books 12/31/93	Net Additions	Balance Per Books 12/31/94	Utility Adjustments	Adjusted Balance 12/31/94	Balance Per Books	Utility Adjustments	Adjusted Utility Balance	Percentage	Amount
1	Plant Capacity Fees	5,207	0	5,207	0	5,207	5,207	0	5,207	0.00%	0
2	Line/Main Extensions	1,670,892	0	1,670,892	0	1,670,892	1,670,892	0	1,670,892	0.00%	0
3	Meter Installation Fees	307,427	18,228	325,655	0	325,655	316,541	0	316,541	0.00%	0
4	Contributed Lines	103,941	60,359	164,300	0	164,300	134,120	0	134,120	0.00%	0
5	Cont. Prpty Other than Lines	23,828	16,348	40,174	0	40,174	32,000	0	32,000	5.53%	1,770
6	Service Installation Fees	23,187	18,277	41,464	0	41,464	32,326	0	32,326	0.00%	
7	<b>TOTAL WATER CIAC</b>	<b>2,134,480</b>	<b>113,212</b>	<b>2,247,692</b>	<b>0</b>	<b>2,247,692</b>	<b>2,191,086</b>	<b>0</b>	<b>2,191,086</b>	<b>0.08%</b>	
8	<b>FPSC MARGIN RESERVE - CIAC</b>				<b>78,240</b>	<b>78,240</b>	<b>0</b>	<b>39,120</b>	<b>39,120</b>		

3a

Column:  
 (10) from Schedule A-5 (page 7 of 7)





**SCHEDULE OF NET WATER DEPRECIATION EXPENSE - 1994  
COMPOSITE CIAC AMORTIZATION RATES**

Company: SSU / Nassau / Amelia Island  
 Docket No.: 950495-WS      Explanation: Provide a schedule that shows the development  
 Schedule Year Ended: 12/31/94      of composite CIAC amortization rates for the test year.  
 Interim  Final   
 Historical  Projected   
 Simple Ave.  13 Month Ave.   
 FPSC Uniform  FPSC Non-uniform  Non FPSC

FPSC  
 Schedule: B-13(W)  
 Page 3 of 3  
 Preparer: Kimball  
 Recap Schedules: B-13(W)1/3,2/3  
 Supporting Schedules: A-5(W)

Line No.	(1) WATER CIAC Classifications and Associated Plant Accounts	(4) 1994 COMPOSITE CIAC AMORTIZATION RATE		
		(2) Average Adjusted UPIS	(3) Average Adjusted Dep. Exp.	(4) Composite CIAC Amort. Rate (3) / (2)
1	<b>PLANT CAPACITY FEES:</b>			
2	304.2 Structures & Improvements	5,645	171	3.03%
3	305.2 Collecting & Impounding reservoirs	0	0	0.00%
4	306.2 Lake, River & Other Intakes	0	0	0.00%
5	307.2 Wells & Springs	85,186	2,837	3.33%
6	308.2 Infiltration Galleries & Tunnels	0	0	0.00%
7	309.2 Supply Mains	5,265	151	2.87%
8	310.2 Power Generation Equipment	(1,297)	(65)	5.01%
9	311.2 Pumping Equipment	21,098	1,055	5.00%
10	339.2 Other Plant & Miscellaneous	102	4	3.92%
11	304.3 Structures & Improvements	35,274	1,069	3.03%
12	320.3 Water Treatment Equipment	11,635	529	4.55%
13	321.3 Permeators	0	0	0.00%
14	339.3 Other Plant & Miscellaneous	0	0	0.00%
15	330.4 Distribution Reservoirs	63,423	1,712	2.70%
16	<b>COMPOSITE RATE</b>	<b>226,331</b>	<b>7,463</b>	<b>3.30%</b>
17	<b>LINE/MAIN EXTENSION FEES &amp; CONTRIBUTED LINES:</b>			
18	304.4 Structures & Improvements	0	0	0.00%
19	331.4 Transmission & Distribution	2,643,524	61,594	2.33%
20	335.4 Hydrants	146,188	3,245	2.22%
21	339.4 Other Plant & Miscellaneous	8,089	324	4.01%
22	<b>COMPOSITE RATE</b>	<b>2,797,801</b>	<b>65,163</b>	<b>2.33%</b>
23	<b>METER INSTALLATION FEES:</b>			
24	334.4 Meters & Meter Installation	146,946	7,347	5.00%
25	<b>COMPOSITE RATE</b>	<b>146,946</b>	<b>7,347</b>	<b>5.00%</b>
26	<b>SERVICE INSTALLATION FEES:</b>			
27	333.4 Services	218,603	5,465	2.50%
28	<b>COMPOSITE RATE</b>	<b>218,603</b>	<b>5,465</b>	<b>2.50%</b>
29	<b>OTHERS: (Weighted Average of Above Rates):</b>			
30	Plant Capacity Fees (Line 16)	226,331	7,463	3.30%
31	Line/Main Extension Fees & Contributed Lines (Line 22)	2,797,801	65,163	2.33%
32	Meter Installation Fees (Line 25)	146,946	7,347	5.00%
33	Service Installation Fees (Line 28)	218,603	5,465	2.50%
34	<b>COMPOSITE RATE</b>	<b>3,389,681</b>	<b>85,438</b>	<b>2.52%</b>

Column:  
 (2) is From Schedule B-13(W), page 1, column 2.  
 (3) is From Schedule B-13(W), page 1, column 7.

RECONCILIATION OF MFR'S TO BOOKS FOR ACCUMULATED AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION - WATER

Company: SBU / Glens / Pine Ridge

WATER CIAC ACCOUNTS

No.	MFR BALANCES	Adjusted 12/31/91	1992	1992	1992	1993	1993	1993	1994	1994	1994
			Average Balance	Rate	Amort. Expense	Average Balance	Rate	Amort. Expense	Average Balance	Rate	Amort. Expense
1	Plant Capacity Fees		63,857	2.50%	1,591	71,868	2.50%	1,798	82,488	2.72%	2,217
2	Line/Main Extension Fees		217,088	2.50%	5,427	271,824	2.50%	6,798	341,588	2.52%	7,825
3	Meter Installation Fees		34,848	2.50%	871	44,230	2.50%	1,106	35,504	3.00%	2,775
4	Contributed Lines		0	2.50%	0	73,713	2.50%	1,843	167,188	2.52%	3,879
5	Cost Property Other than Lines		0	2.50%	0	16,725	2.50%	418	28,167	2.51%	657
6	Service Installation Fees		94,188	2.50%	2,354	124,527	2.50%	3,113	163,788	2.50%	4,085
7	TOTAL WATER CIAC		468,761		10,244	386,374	0	14,825	606,706	0	22,444
8	ACCUM. AMORT. OF CIAC BALANCE	22,725			32,970			47,885			70,243
No.	BOOK BALANCES	Adjusted 12/31/91	1992	1992	1992	1993	1993	1993	1994	1994	1994
			Average Balance	Rate	Amort. Expense	Average Balance	Rate	Amort. Expense	Average Balance	Rate	Amort. Expense
9	Plant Capacity Fees		63,857	8.10%	5,203	71,868	2.72%	1,957	82,488	2.88%	2,210
10	Line/Main Extension Fees		217,088	8.10%	13,251	271,824	2.72%	7,384	341,588	2.88%	9,155
11	Meter Installation Fees		34,848	8.10%	2,128	44,230	2.72%	1,203	35,504	2.88%	1,488
12	Contributed Lines		0	8.10%	0	73,713	2.72%	2,005	167,188	2.62%	4,441
13	Cost Property Other than Lines		0	8.10%	0	16,725	2.72%	452	28,167	2.88%	791
14	Service Installation Fees		94,188	8.10%	7,148	124,527	2.72%	3,387	163,788	2.68%	4,380
15	TOTAL WATER CIAC		468,761	0	25,508	386,374	0	18,238	606,706	0	22,425
16	ACCUM. AMORT. OF CIAC BALANCE	22,884			47,922			64,140			86,565
17	DIFFERENCE BETWEEN MFR'S AND BOOKS				14,832			16,245			-18,222

Explanation

The difference between the MFR balance for Accumulated Amortization of CIAC and the book balance as of the historic last period 12/31/94 is \$18,087. This is a result of different rates being used to amortize the CIAC Balances since the last rate order. The MFR's used a composite amortization rate based on the plant assets associated with each CIAC classification. Please see above for the rates used on the books.

RECONCILIATION OF MFR'S TO BOOKS FOR ACCUMULATED AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION - WATER

Company: SSU / Clarks / Sugar Mill Woods

WATER CIAC ACCOUNTS

No.	MFR BALANCES	Adjusted 12/31/91	1992			1993			1994		
			Average Balance	Rate	Amort. Expense	Average Balance	Rate	Amort. Expense	Average Balance	Rate	Amort. Expense
1	Plant Capacity Fees		103,237	2.50%	2,581	103,237	2.50%	2,581	103,517	2.81%	2,727
2	Line/Main Extension Fees		229,851	2.50%	13,228	229,451	2.50%	13,281	243,811	2.34%	12,733
3	Meter Installation Fees		214,379	2.50%	5,400	203,835	2.50%	7,096	228,200	1.80%	14,820
4	Contributed Lines		2,384,815	2.50%	57,265	2,391,891	2.50%	59,282	2,392,439	2.34%	54,579
5	Cont Property Other than Lines		3,282	2.50%	132	8,848	2.50%	216	8,285	2.84%	238
6	Service Installation Fees		16,725	2.50%	268	14,887	2.50%	417	14,800	2.50%	423
7	<b>TOTAL WATER CIAC</b>		<b>3,138,290</b>		<b>78,662</b>	<b>3,274,550</b>	<b>0</b>	<b>81,803</b>	<b>3,242,573</b>	<b>0</b>	<b>88,544</b>
8	<b>ACCUM. AMORT. OF CIAC BALANCE</b>	214,451			<b>283,433</b>			<b>375,296</b>			<b>483,844</b>

No.	BOOK BALANCES	1992			1993			1994			
		Average Balance	Rate	Amort. Expense	Average Balance	Rate	Amort. Expense	Average Balance	Rate	Amort. Expense	
9	Plant Capacity Fees		1,019,214	2.80%	30,190	1,008,811	2.81%	32,011	1,180,877	2.80%	34,867
10	Line/Main Extension Fees		0	0.00%	0	0	0.00%	0	0	0.00%	0
11	Meter Installation Fees		0	0.00%	0	0	0.00%	0	0	0.00%	0
12	Contributed Lines		0	0.00%	0	0	0.00%	0	0	0.00%	0
13	Cont Property Other than Lines		0	0.00%	0	0	0.00%	0	0	0.00%	0
14	Service Installation Fees										
15	<b>TOTAL WATER CIAC</b>		<b>1,019,214</b>	<b>0</b>	<b>30,190</b>	<b>1,008,811</b>	<b>0</b>	<b>32,011</b>	<b>1,180,877</b>	<b>0</b>	<b>34,867</b>

16	ACCUM. AMORT. OF CIAC BALANCE	172,187			202,577			234,368			313,891
17	DIFFERENCE BETWEEN MFR'S AND BOOKS										150,153

Book  
Adjustments

18	1989-1991 AMORT. EXPENSE RELATED TO PREPAIDS										
19	RATE ORDER ADJUSTMENT NOT BOOKED IN 1994										
20	1992 EXPENSE RELATED TO PREPAIDS							2,222,704	2.50%		55,568
21	1993 EXPENSE RELATED TO PREPAIDS							2,216,148	2.50%		55,404
22	1994 EXPENSE RELATED TO PREPAIDS							2,196,288	2.50%		51,280
23	<b>TOTAL RECONCILING ITEMS</b>										<b>162,252</b>
24	<b>AMORTIZATION RATE DIFFERENCES</b>										<b>12,212</b>

Explanation

The difference between the MFR Balance for Accumulated Amortization of CIAC and the book balance as of the historic test period 12/31/94 is \$150,150. The majority of the difference is a result of the MFR's amortizing the prepaid CIAC before making a non-usable and useful adjustment for resampling purposes. The books do not amortize prepaid CIAC. The remaining variance is a result of different rates being used to amortize the CIAC Balance as per the last rate order.  
 Note: This adjustment represents amortization on Prepaid CIAC at the time of Acquisition as ordered by the PPSC in order #32284-B.



RECONCILIATION OF MFR'S TO BOOKS FOR ACCUMULATED AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION - WATER

Company: SBU / Lee / Lehigh

WATER CIAC ACCOUNTS														
No.	MFR BALANCES	Adjusted 9/30/91	1991 Average Balance	1991 Rate	1991 Amort. Expense	1992 Average Balance	1992 Rate	1992 Amort. Expense	1993 Average Balance	1993 Rate	1993 Amort. Expense	1994 Average Balance	1994 Rate	1994 Amort. Expense
1	Plant Capacity Fees		3,002,140	0.62%	4,854	3,141,950	2.50%	78,510	3,102,442	3.42%	100,100	3,242,400	0.29%	121,431
2	Line/Main Extension Fees		0	0.00%	0	0,500	2.50%	105	52,422	2.30%	1,240	120,000	0.20%	3,400
3	Meter Installation Fees		0	0.00%	0	9,900	2.50%	225	71,172	4.20%	3,017	100,700	0.00%	0,300
4	Contributed Lines		0	0.00%	0	0	2.50%	0	57,957	2.30%	1,300	227,544	2.32%	5,302
5	Cont Property Other than Lines		1,011	0.62%	2	2,922	2.50%	51	9,607	2.77%	260	17,251	2.05%	405
6	Service Installation Fees		0	0.00%	0	0	2.50%	0	9,750	2.50%	244	25,350	2.50%	620
7	TOTAL WATER CIAC		3,003,151		4,856	3,150,872		78,967	3,202,400	0	115,415	3,333,301	0	140,405
8	ACCUM. AMORT. OF CIAC BALANCE	840,870			845,820			924,793			1,040,200			1,109,700
No.	BOOK BALANCES		1991 Average Balance	1991 Rate	1991 Amort. Expense	1992 Average Balance	1992 Rate	1992 Amort. Expense	1993 Average Balance	1993 Rate	1993 Amort. Expense	1994 Average Balance	1994 Rate	1994 Amort. Expense
9	Plant Capacity Fees		3,002,140	0.62%	4,854	3,277,272	3.12%	102,251	3,220,416	2.05%	64,700	3,211,301	2.00%	65,274
10	Line/Main Extension Fees		0	0.00%	0	0,500	3.12%	200	52,422	2.05%	1,400	120,500	2.00%	3,310
11	Meter Installation Fees		0	0.00%	0	9,900	3.12%	261	71,172	2.05%	2,027	100,700	2.00%	5,370
12	Contributed Lines		0	0.00%	0	0	3.12%	0	57,957	2.05%	1,025	227,544	2.00%	4,653
13	Cont Property Other than Lines		1,011	0.62%	2	2,922	3.12%	63	9,607	2.05%	270	17,251	2.00%	500
14	Service Installation Fees		0	0.00%	0	0	3.12%	0	9,750	2.05%	270	25,350	2.00%	720
15	TOTAL WATER CIAC		3,003,151	0	4,856	3,294,694	0	102,801	3,520,711	0	100,400	3,001,007	0	112,200
16	ACCUM. AMORT. OF CIAC BALANCE	801,845			21,570			1,004,840			1,105,111		<u>Adjustment</u> -270,075	1,029,420
17	DIFFERENCE BETWEEN MFR'S AND BOOKS													102,274
RECONCILIATION														
18	1994 JE 10000 Posted in Error													137,007
19	1992 Amort. Related to Booking Error											100,213	0.12%	-1,250
20	1993 Amort. Related to Booking Error											130,213	2.00%	-3,002
21	1994 Amort. Related to Booking Error											130,213	2.00%	-3,023
22	TOTAL RECONCILING ITEMS													125,062
23	Amortization Rate Differences													30,720
Explanation														
The difference between the MFR balance for Accumulated Amortization of CIAC and the book balance as of the historic test period 12/31/94 is \$152,200. This is a result of the books amortizing 130,213 more than the MFR's for 1992, 1993, and 1994. The books also double counted a rate case adjustment in the amount of \$137,007. The remainder of the variance is a result of different rates being used to amortize the CIAC Balances since the test rate order. The MFR's used a composite amortization rate based on the plant assets associated with each CIAC classification. Please see above for the rates used on the books.														





**Deltona Lakes - 1806**  
**Reconciliation of Accumulated Amortization of CIAC**

	Per GL			Per MFR's			Difference GL to MFR's		
	water	sewer	net	water	sewer	net	water	sewer	net
<b>1991</b>									
<b>Beg Balance</b>									
12/31/91 CIAC Ending Balance	7,285,564	543,494	7,829,058	7,285,563	543,493	7,829,056	1	1	2
12/31/91 Beg Bal Accum Amort plus rx entry	1,023,240	154,883	1,178,123	986,121	153,982	1,140,103	37,119	901	38,020
	(37,121)	(901)	(38,022)	0	0	0	(37,121)	(901)	(38,022)
Adjusted BB	986,119	153,982	1,140,101	986,121	153,982	1,140,103	(2)	0	(2)
<b>1992</b>									
12/31/92 CIAC Ending Balance	7,636,912	629,925	8,266,837	7,637,192	629,643	8,266,835	(280)	282	2
92 CIAC Average Balance	7,461,238	586,710	8,047,948	7,461,378	586,568	8,047,946	(140)	142	2
92 Accum Amort Exp	364,828	31,146	395,974	186,534	14,664	201,198	178,294	16,482	194,776
12/31/92 Accum Amort Bal	1,388,068	186,029	1,574,097	1,172,655	168,646	1,341,301	178,292	16,482	194,774
92 Accum Amort Exp Rate	4.890%	5.309%	4.920%	2.500%	2.500%	2.500%			
<b>1993</b>									
12/31/93 CIAC Ending Balance	7,974,352	661,558	8,635,910	7,974,351	661,557	8,635,908	1	1	2
93 CIAC Average Balance	7,805,632	645,742	8,451,374	7,805,772	645,600	8,451,372	(140)	142	2
93 Accum Amort Exp	364,906	(76,073)	288,833	208,337	18,807	227,144	156,569	(94,880)	61,689
12/31/93 Accum Amort Bal	1,752,974	109,956	1,862,930	1,380,992	187,453	1,568,445	334,861	(78,398)	256,463
93 Accum Amort Exp Rate	4.675%	-11.781%	3.418%	2.669%	2.913%	2.688%			
<b>1994</b>									
12/31/94 CIAC Ending Balance	8,243,881	683,839	8,927,720	8,243,882	683,838	8,927,720	(1)	1	0
94 CIAC Average Balance	8,109,117	672,699	8,781,815	8,109,117	672,698	8,781,814	0	1	1
94 Accum Amort Exp	254,154	26,594	280,748	243,744	26,015	269,759	10,410	579	10,989
12/31/94 Accum Amort Bal	1,970,007	135,649	2,105,656	1,624,736	213,468	1,838,204	345,271	(77,819)	267,452
94 Accum Amort Exp Rate	3.134%	3.953%	3.197%	3.006%	3.867%	3.072%			

RECONCILIATION OF MFR'S TO BOOKS FOR ACCUMULATED AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION - SEWER

Company: SBU / Vehicle / Enterprise

SEWER CIAC ACCOUNTS

No.	MFR BALANCES	1986 Amort. Expense	1987 Amort. Expense	1988 Amort. Expense	1989 Amort. Expense	1990 Amort. Expense	1991 Amort. Expense	1992 Amort. Expense	1993 Amort. Expense	1994 Amort. Expense
1	Plant Capacity Fees	5,505 *	3,985	3,250	3,242	3,210	3,310	3,310	3,277	3,261
2	Line/Main Extension Fees	1	1	1	1	1	1	1	0	0
3	Contributed Lines	0	0	0	0	0	0	0	0	0
4	Cont. Property Other than Lines	0	0	0	0	0	0	0	0	0
5	Service Installation Fees	360	242	245	244	243	243	243	243	244
	<b>TOTAL SEWER CIAC *</b>	<b>5,864</b>	<b>3,928</b>	<b>3,494</b>	<b>3,487</b>	<b>3,550</b>	<b>3,550</b>	<b>3,560</b>	<b>3,570</b>	<b>3,605</b>
	<b>ACCUMULATED AMORTIZATION OF CIAC BALANCE</b>	<b>23,595</b>	<b>27,523</b>	<b>31,127</b>	<b>34,816</b>	<b>38,168</b>	<b>41,721</b>	<b>45,275</b>	<b>48,845</b>	<b>52,454</b>

\* The 7 months of amortization expense in 1985 is included in 1986 expense.

No.	BOOK BALANCES	1986 Amort. Expense	1987 Amort. Expense	1988 Amort. Expense	1989 Amort. Expense	1990 Amort. Expense	1991 Amort. Expense	1992 Amort. Expense	1993 Amort. Expense	1994 Amort. Expense
1	Plant Capacity Fees	1,804 *	2,944	2,944	2,950	2,951	2,951	2,951	1,280	1,280
2	Line/Main Extension Fees	1	0	0	0	0	0	0	0	0
3	Contributed Lines	0	0	0	0	0	0	0	0	0
4	Cont. Property Other than Lines	0	0	0	0	0	0	0	0	0
5	Service Installation Fees	0	0	0	425	425	425	467	213	213
	<b>TOTAL SEWER CIAC</b>	<b>1,805</b>	<b>2,944</b>	<b>2,944</b>	<b>2,950</b>	<b>2,976</b>	<b>2,976</b>	<b>2,710</b>	<b>1,500</b>	<b>1,500</b>
	<b>ACCUMULATED AMORTIZATION OF CIAC BALANCE</b>	<b>10,816</b>	<b>21,560</b>	<b>23,775</b>	<b>26,290</b>	<b>29,485</b>	<b>31,161</b>	<b>33,000</b>	<b>35,470</b>	<b>37,070</b>
	<b>DIFFERENCE BETWEEN MFR'S AND BOOKS</b>	<b>3,979</b>	<b>6,963</b>	<b>7,403</b>	<b>8,406</b>	<b>9,483</b>	<b>10,560</b>	<b>11,295</b>	<b>12,360</b>	<b>15,372</b>

Explanation:

The difference between the MFR balance for Accumulated Amortization of CIAC and the book balance as of the historic cost period 12/31/94 is \$15,372. This is a result of different rates being used to amortize the CIAC Balances since the last rate order. The MFR's used a composite amortization rate based on the plant assets associated with each CIAC classification (as reflected for a Class "C" Utility). The books continued to use rates established by Dakota before the merger. Please see above for the rates used on the books. Also, the books did not start to amortize Service Installation fees until 1989.

Note: \* 1 and 1/2 years of amortization.

CONTRIBUTIONS IN AID OF CONSTRUCTION - SEWER  
 - Amortization Expense Additions Subsequent to Last Established Rate Base -

Company: SSU / Vehicle / Enterprise

SEWER CIAC ACCOUNTS

No.	MFR BALANCES	1986	1986	1986	1987	1987	1987	1988	1988	1988	1988	1988	1988	1988	1988	
		Average Balance	Rate	Amort. Expense	Average Balance	Rate	Amort. Expense									
1	Plant Capacity Fees	53,625	6.67%	3,565 *	55,250	6.67%	3,685	55,792	6.67%	3,758	55,616	6.67%	3,742	55,446	6.67%	3,716
2	Line/Main Extension Fees	15	4.21%	1	15	4.21%	1	15	4.21%	1	15	4.21%	1	15	4.21%	1
3	Contributed Lines	0	4.21%	0	0	4.21%	0	0	4.21%	0	0	4.21%	0	0	4.21%	0
4	Cont Property Other than Lines	0	4.25%	0	0	4.27%	0	0	4.26%	0	0	4.26%	0	0	4.31%	0
5	Service Installation Fees	8,222	2.86%	236	8,471	2.86%	242	8,554	2.86%	245	8,527	2.86%	244	8,500	2.86%	243
<b>TOTAL SEWER CIAC</b>		<b>61,861</b>	<b>0</b>	<b>3,801</b>	<b>63,736</b>	<b>0</b>	<b>3,926</b>	<b>64,361</b>	<b>0</b>	<b>3,994</b>	<b>64,156</b>	<b>0</b>	<b>3,987</b>	<b>63,956</b>	<b>21.56%</b>	<b>3,530</b>
<b>ACCUMULATED AMORTIZATION OF CIAC</b>		<b>17,631</b>		<b>23,585</b>			<b>27,523</b>			<b>31,127</b>			<b>34,814</b>			<b>38,146</b>

\* The 7 months of amortization expense in 1985 is included in 1986 expense.

No.	BOOK BALANCES	1986	1986	1986	1987	1987	1987	1988	1988	1988	1988	1988	1988	1988	1988	
		Average Balance	Rate	Amort. Expense												
1	Plant Capacity Fees	53,625	3.70%	1,984 *	55,250	3.70%	2,044	55,792	3.70%	2,064	55,616	3.70%	2,056	55,446	3.70%	2,051
2	Line/Main Extension Fees	15	0.00%	1	15	0.00%	0	15	0.00%	0	15	0.00%	0	15	0.00%	0
3	Contributed Lines	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0
4	Cont Property Other than Lines	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0
5	Service Installation Fees	8,222	0.00%	0	8,471	0.00%	0	8,554	0.00%	0	8,527	0.00%	0	8,500	0.00%	0
<b>TOTAL SEWER CIAC</b>		<b>61,861</b>	<b>0</b>	<b>1,985</b>	<b>63,736</b>	<b>0</b>	<b>2,044</b>	<b>64,361</b>	<b>0</b>	<b>2,064</b>	<b>64,156</b>	<b>0</b>	<b>2,064</b>	<b>63,956</b>	<b>0</b>	<b>2,478</b>
<b>ACCUMULATED AMORTIZATION OF CIAC</b>		<b>17,631</b>		<b>19,616</b>			<b>21,660</b>			<b>23,725</b>			<b>25,799</b>			<b>28,463</b>
<b>DIFFERENCE BETWEEN MFR'S AND BOOKS</b>				<b>1,816</b>			<b>1,863</b>			<b>1,400</b>			<b>1,406</b>			<b>1,463</b>

CONTRIBUTIONS IN AID OF CONSTRUCTION - SEWER  
- Amortization Expense Additions Subsequent to LES

Company: SNU / Vehicle / Enterprise

SEWER CIAC ACCOUNTS

No.	MFR BALANCES	1991	1991	1991	1992	1992	1992	1993	1993	1993	1994	1994	1994
		Average Balance	Rate	Amort. Expense									
1	Plant Capacity Fees	55,440	5.87%	3,210	55,440	5.87%	3,210	55,440	8.00%	3,207	55,455	8.00%	3,261
2	Line/Main Extension Fees	15	4.21%	1	15	4.21%	1	6	4.21%	0	0	4.27%	0
3	Contributed Lines	0	4.21%	0	0	4.21%	0	0	4.21%	0	0	4.27%	0
4	Cont Property Other than Lines	0	4.21%	0	0	4.21%	0	0	4.21%	0	0	4.27%	0
5	Service Installation Fees	8,500	2.86%	243	8,500	2.86%	243	8,500	2.86%	243	8,500	2.87%	244
<b>TOTAL SEWER CIAC</b>		<b>83,955</b>	<b>0</b>	<b>2,553</b>	<b>83,955</b>	<b>0</b>	<b>2,553</b>	<b>83,955</b>	<b>0</b>	<b>3,570</b>	<b>83,955</b>	<b>0</b>	<b>3,809</b>
<b>ACCUMULATED AMORTIZATION OF CIAC</b>				<b>41,721</b>			<b>45,273</b>			<b>48,845</b>			<b>52,458</b>

\* The 7 months of amortization expense in 1993 is included

No.	BOOK BALANCES	1991	1991	1991	1992	1992	1992	1993	1993	1993	1994	1994	1994
		Average Balance	Rate	Amort. Expense									
1	Plant Capacity Fees	55,440	3.70%	2,051	55,440	3.70%	2,051	55,440	2.50%	1,200	55,455	2.50%	1,200
2	Line/Main Extension Fees	15	0.00%	0	15	0.00%	0	6	0.00%	0	0	0.00%	0
3	Contributed Lines	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0
4	Cont Property Other than Lines	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0
5	Service Installation Fees	8,500	5.00%	425	8,500	5.00%	425	8,500	2.50%	213	8,500	2.50%	213
<b>TOTAL SEWER CIAC</b>		<b>83,955</b>	<b>0</b>	<b>2,476</b>	<b>83,955</b>	<b>0</b>	<b>2,476</b>	<b>83,955</b>	<b>0</b>	<b>1,900</b>	<b>83,955</b>	<b>0</b>	<b>1,500</b>
<b>ACCUMULATED AMORTIZATION OF CIAC</b>				<b>31,161</b>			<b>33,680</b>			<b>35,479</b>			<b>37,874</b>
<b>DIFFERENCE BETWEEN MFR'S AND BOOKS</b>				<b>10,560</b>			<b>11,300</b>			<b>12,366</b>			<b>15,272</b>





# SSU

## Rate Department Intra-Company Correspondence

DATE: September 26, 1995  
TO: Ron Mayes, FPSC Auditor  
FROM: Judy Kimball  
RE: FPSC Audit Document Request No. 71

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In response to this audit request, the following information is provided:

1. You requested an official SSU definition as to what "balance per books" represents in any and all of your financial data. I assume you are referring to the financial data contained in the MFRs. If that is not the case, I can only speculate as to what other financial data you are referring to. Obviously, when one is dealing with audited financial statements, those numbers are in agreement with the General Ledger and represent the "balance per books". However, there may be various financial analyses conducted throughout the Company that may not represent data that is on the books. Typically, one would expect that "balance per books" to represent general ledger balances.

In an effort to accommodate your request, and assuming you are referring to MFR data, we have delineated all of the water and wastewater A and B Schedules for 1994 in the attached Appendix FPSC 71-A. This Appendix gives the file name and indicates those instances in which "balance per books" was utilized as a column heading. An N/A in that column indicates that nomenclature was not used on that MFR schedule. The last column provides a brief explanation of what the dollars in the "balance per books" column represent and the reason why they may not exactly agree with the General Ledger.

We have not replicated the 1994 schedules for the 1995 and 1996 projected periods. Obviously the explanations given in 1994 are also appropriate for 1995 and 1996. In addition, however, these years are both projected test periods; therefore, none of the 1995 rate base additions or expenses are "per the books" but rather reflect SSU's projections. In 1995, the "per books" balances reflect the Company's 1995 operating and capital budgets with some additions included for the Lake and Lake Utilities 1995 acquisitions.

In 1996, the "balance per books" is again a projection and represents, in the case of Operating Expenses, an attrition factor of 1.95% applied to 1995 expenses for most expense accounts. It also includes the addition of Buenaventura Lakes rate base and expenses. Not all accounts were escalated by 1.95%. The details of which accounts received this attrition factor and which accounts received other applications is contained in Schedules B5W, pages 6-9 and B6S, pages 6-9 in Volume III, Books 1 and 2, and amended Volume III-A, Book 1.

2. You request the authority that allows Southern States to use different definitions for different MFR schedules. It is the Company's opinion that the nomenclature in question is utilized to reflect what is "per books" in the Florida ratemaking environment and is consistent with prior Florida Public Service Commission orders. The Commission requires building rate base since the last established test year, utilizing as a beginning point those balances established by the Commission in the last test year. Because it would be a rare circumstance whereby a company could record Commission adjustments from a rate case in the same year as the test year being utilized, there will always be timing differences between what activity can be reflected on the books as adjustments from Commission orders and when that activity is reflected in the MFRs in the next rate case. As explained in my response to your Document Request No. 22, the Utility attempts to make the adjustments in the proper periods for ratemaking purposes but in reality they are not made on the books sometimes until well into the future.

Consistent with prior presentations before the Florida Public Service Commission, the Utility continues to bring forward plant balances that contain dollars that, on the books, are in Account 103, Future Use Plant. Non-used and useful percentages are then calculated for ratemaking purposes and applied to the MFR plant balances. Non-useful plant balances on the books have remained fairly constant over the years and reflect mainly balances brought over as non-used and useful from the Deltona and PGI acquisitions. The Utility is in the course of making a decision to bring all such balances into plant in service and only calculating a non-used and useful application in the rate case arena. However, we are not yet to that point.

The MFR formats as developed by the Florida Public Service Commission often times contain column headings labeled "balance per books" when in reality the Commission is asking for average balances. Even in the case of the Commission's MFRs, the nomenclature "balance per books" could in no way be a book balance because they are requesting information based on averages.

As an example, see FPSC's format for Schedule A-1 attached. Although it says "Balance per books," it requests information on average balances and is, in fact, a roll-up of data from other schedules. Schedule A-7 attached requests "Average Amount Per Books." Yet, non-used and useful is a calculation made for establishing rates, not an item typically reflected on the books for the various components. Southern States has gone out of its way to present more detail behind its MFR schedules than what the Commission requires in an attempt to be as forthright and open as possible regarding information contained therein. To put together a filing such as that before the Commission in this docket involves standardizing some terminology in order to expedite preparation and present consistent schedules from schedule to schedule and year to year. It would be very confusing if column headings were attempted that would define precisely what the column represents and the nuances to the "per book" nomenclature.

To summarize the Company's response to this request,

1. The Company has used the term "balance per books" in the MFR schedules consistent with FPSC model forms.
2. The FPSC model forms use "balance per books" titles for items which do not appear on our books such as beginning/ending or 13 month-end average balances, non-used and useful (theoretically non-used and useful is a ratemaking concept), and working capital. Therefore, the term is being used somewhat subjectively recognizing that book and rate treatments are not always the same.
3. The Company interprets "per books" to represent amounts allowed and required for ratemaking such as average balances, working capital amounts, adjustments from prior rate orders, and non-used and useful amounts.

4. The Company has filed this case consistent with the filings in Docket 911188-WS (Lehigh), 920199-WS and 920655 (Marco) which were approved by the Commission.

5. The Company has provided detailed reconciliations or calculations of balances included in this filing and the source of the balances. In many cases these amounts cannot be directly found on our books because ratemaking treatment is not always the same as book treatment.

JK/pss



Per Books\* Explanations for  
1994 WATER A SCHEDULES - RATE BASE

FILE NAME	FILE TITLE	Column Name	Explanation
24 A11W2	ANNUAL ADDITIONS AND BALANCES TO WATER CIAC (CONT.)	N/A	
25 A12W1	WATER CIAC BY CLASSIFICATION - SUMMARY	Balance per Books 12/31/93	Built up from ending balances in prior rate case. Rate case adjustments made to beginning balances on MFR's not booked until end of 1994. In addition to the rate order entries, this contains some reclassifications between sub-accounts
		Balance per Books 12/31/94	Book balances for CIAC account 2710, with some reclassifications between subaccounts.
		Average Balance per Books	This is an average balances - averages not maintained on books.
26 A12W2	WATER CIAC BY CLASSIFICATION - MONTHLY BALANCES	Balance per Books 12/31/93	Same as A12W1
		Balance per Books 12/31/94	Same as A12W1
27 A12W3	WATER CIAC BY CLASSIFICATION - NET ADDITIONS	N/A	
28 A12W4	WATER CIAC BY CLASSIFICATION - GROSS ADDITIONS	N/A	
29 A12W5	WATER CIAC BY CLASSIFICATION - RETIREMENTS	N/A	
30 A12W6	WATER CIAC BY CLASSIFICATION - ADJUSTMENTS	N/A	
31 A13W1	ANNUAL ADD. AND BAL. TO ACCUM. AMORT. OF WATER CIAC	N/A	
32 A13W2	ANNUAL ADD. AND BAL. TO ACCUM. AMORT. OF WATER CIAC (CONT.)	N/A	
33 A14W1	ACCUM. AMORT. OF WATER CIAC BY CLASS - SUMMARY	Balance per Books 12/31/93	Built up from ending balances in prior rate case. Book balances not used. Composite Amortization rates linked to MFR depreciation calculations.
		Balance per Books 12/31/94	Amortization calculated in MFR schedules. Book balances not used
		Average Balance per Books	This is an average balances - averages not maintained on books.
34 A14W2	ACCUM. AMORT. OF WATER CIAC BY CLASS - MONTHLY BALANCES	Balance per Books 12/31/93	Same as A14W1
		Balance per Books 12/31/94	Same as A14W1
35 A14W3	ACCUM. AMORT. OF WATER CIAC BY CLASS - NET ADDITIONS	N/A	
36 A14W4	ACCUM. AMORT. OF WATER CIAC BY CLASS - GROSS ADDITIONS	N/A	
37 A14W5	ACCUM. AMORT. OF WATER CIAC BY CLASS - RETIREMENTS	N/A	
38 A14W6	ACCUM. AMORT. OF WATER CIAC BY CLASS - ADJUSTMENTS	N/A	
39 A15W1	PRESENT AND PROPOSED AFUDC RATES	Per Book Balance	Actual Per Book Balances.
40 A15W2	PRESENT AND PROPOSED AFUDC RATES (CONT.)	N/A	
41 A16W	ANNUAL ADD, BAL AND 13 MONTH AVE. OF ADV. FOR CONST.	N/A	
42 A17W	SCHEDULE OF WORKING CAPITAL ALLOWANCE	N/A	
43 A18W	WATER BALANCE SHEET - ASSETS	N/A	
44 A19W	WATER BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES	N/A	
45 A20W	WATER ACQUISITION ADJUSTMENTS	N/A	
46 A21W	OTHER	N/A	

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EXHIBIT

Callk-13

Per Books' Explanations for  
1994 SEWER A SCHEDULES - RATE BASE

FILE NAME	FILE TITLE	Column Name	Explanation
1 A02S	SEWER RATE BASE	Balance per Books	This is an average balance - see individual schedules for detail.
2 A03S1	ADJUSTMENTS TO SEWER RATE BASE	N/A	
3 A03S2	ADJUSTMENTS TO SEWER RATE BASE (CONT.)	N/A	
4 A04S1	ANNUAL PLANT ADDITIONS AND BALANCES	N/A	
5 A04S2	ANNUAL PLANT ADDITIONS AND BALANCES (CONT.)	N/A	
6 A06S1	SEWER PLANT IN SERVICE BY PRIMARY ACCOUNT - SUMMARY	Balance per Books 12/31/93	Built up from ending balances in prior rate case. Rate case adjustments made to beginning balances on MFR's, not booked until end of 1994. In addition to the rate order entries, this contains the books balances for plant account 1010 and some 1030 account balances. Some reclassifications between sub-accounts. The GP accounts are rolled to total company then allocated back to plants.
		Balance per Books 12/31/94	Books balances for plant account 1010 and some 1030 account balances. Some reclassifications between sub-accounts. The GP accounts are rolled to total company then allocated back to plants.
		Average Balance per Books	This is an average balances - averages not maintained on books
7 A06S2	SEWER PIS BY PRIMARY ACCT - MONTHLY BALANCES	Balance per Books 12/31/93	Same as A06S1
		Balance per Books 12/31/94	Same as A06S1
8 A06S3	SEWER PIS BY PRIMARY ACCT - NET ADDITIONS	N/A	
9 A06S4	SEWER PIS BY PRIMARY ACCT - GROSS ADDITIONS	N/A	
10 A06S5	SEWER PIS BY PRIMARY ACCT - RETIREMENTS	N/A	
11 A06S6	SEWER PIS BY PRIMARY ACCT - ADJUSTMENTS	N/A	
12 A06S7	SEWER PIS BY PRIMARY ACCT - NON-USED & USEFUL	N/A	
13 A07S	SUMMARY OF NON-USED & USEFUL	Balance per Books	This is an average balance - see individual schedules for detail.
14 A08S1	ANNUAL ACCUM. DEPR. ADDITIONS AND BALANCES	N/A	
15 A08S2	ANNUAL ACCUM. DEPR. ADDITIONS AND BALANCES (CONT.)	N/A	
16 A10S1	SEWER ACCUM. DEPR. BY PRIMARY ACCT - SUMMARY	Balance per Books 12/31/93	Built up from ending balances in prior rate case. Book balances not used. Independent MFR calculations.
		Balance per Books 12/31/94	Depreciation calculated in MFR schedules. Book balances not used.
		Average Balance per Books	This is an average balances - averages not maintained on books.
17 A10S2	SEWER ACCUM. DEPR. BY PRIMARY ACCT - MONTHLY BALANCES	Balance per Books 12/31/93	Same as A10S1
		Balance per Books 12/31/94	Same as A10S1
18 A10S3	SEWER ACCUM. DEPR. BY PRIMARY ACCT - NET ADDITIONS	N/A	
19 A10S4	SEWER ACCUM. DEPR. BY PRIMARY ACCT - GROSS ADDITIONS	N/A	
20 A10S5	SEWER ACCUM. DEPR. BY PRIMARY ACCT - RETIREMENTS	N/A	
21 A10S6	SEWER ACCUM. DEPR. BY PRIMARY ACCT - ADJUSTMENTS	N/A	
22 A10S7	SEWER ACCUM. DEPR. BY PRIMARY ACCT - NON-USED & USEFUL	N/A	
23 A11S1	ANNUAL ADDITIONS AND BALANCES TO SEWER CIAC	N/A	

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EXHIBIT (J)K-13

Per Books' Explanations for  
1994 SEWER A SCHEDULES - RATE BASE

FILE NAME	FILE TITLE	Column Name	Explanation
24 A11S2	ANNUAL ADDITIONS AND BALANCES TO SEWER CIAC (CONT.)	N/A	
25 A12S1	WATER CIAC BY CLASSIFICATION - SUMMARY	Balance per Books 12/31/93	Built up from ending balances in prior rate case. Rate case adjustments made to beginning balances on MFR's not booked until end of 1994. In addition to the rate order entries, this contains some reclassifications between sub-accounts
		Balance per Books 12/31/94	Book balances for CIAC account 2710, with some reclassifications between subaccounts.
		Average Balance per Books	This is an average balances - averages not maintained on books.
26 A12S2	SEWER CIAC BY CLASSIFICATION - MONTHLY BALANCES	Balance per Books 12/31/93	Same as A12S1
		Balance per Books 12/31/94	Same as A12S1
27 A12W3	SEWER CIAC BY CLASSIFICATION - NET ADDITIONS	N/A	
28 A12S4	SEWER CIAC BY CLASSIFICATION - GROSS ADDITIONS	N/A	
29 A12S5	SEWER CIAC BY CLASSIFICATION - RETIREMENTS	N/A	
30 A12S6	SEWER CIAC BY CLASSIFICATION - ADJUSTMENTS	N/A	
31 A13S1	ANNUAL ADD. AND BAL. TO ACCUM. AMORT. OF SEWER CIAC	N/A	
32 A13S2	ANNUAL ADD. AND BAL. TO ACCUM. AMORT. OF SEWER CIAC (CONT.)	N/A	
33 A14S1	ACCUM. AMORT. OF SEWER CIAC BY CLASS - SUMMARY	Balance per Books 12/31/93	Built up from ending balances in prior rate case. Book balances not used. Composite Amortization rates linked to MFR depreciation calculations.
		Balance per Books 12/31/94	Amortization calculated in MFR schedules. Book balances not used
		Average Balance per Books	This is an average balances - averages not maintained on books.
34 A14S2	ACCUM. AMORT. OF SEWER CIAC BY CLASS - MONTHLY BALANCES	Balance per Books 12/31/93	Same as A14W1
		Balance per Books 12/31/94	Same as A14W1
35 A14S3	ACCUM. AMORT. OF SEWER CIAC BY CLASS - NET ADDITIONS	N/A	
36 A14S4	ACCUM. AMORT. OF SEWER CIAC BY CLASS - GROSS ADDITIONS	N/A	
37 A14S5	ACCUM. AMORT. OF SEWER CIAC BY CLASS - RETIREMENTS	N/A	
38 A14S6	ACCUM. AMORT. OF SEWER CIAC BY CLASS - ADJUSTMENTS	N/A	
39 A15S1	PRESENT AND PROPOSED AFUDC RATES	Per Book Balance	Actual Per Book Balances.
40 A15S2	PRESENT AND PROPOSED AFUDC RATES (CONT.)	N/A	
41 A16S	ANNUAL ADD. BAL. AND 13 MONTH AVE. OF ADV. FOR CONST.	N/A	
42 A17S	SCHEDULE OF WORKING CAPITAL ALLOWANCE	N/A	
43 A18S	SEWER BALANCE SHEET - ASSETS	N/A	
44 A18S	SEWER BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES	N/A	
45 A20S	SEWER ACQUISITION ADJUSTMENTS	N/A	
46 A21S	OTHER	N/A	

**"PER BOOKS EXPLANATION" FOR  
1994 WATER B SCHEDULES - INCOME STATEMENT**

FILE NAME	FILE TITLE	Column Name	Explanation
1 B01W1	PRESENT & REQUESTED NET OPERATING INCOME	Income Per Books - Sales Revenues	Per Book numbers
		Income Per Books - Other Revenues	Per Book numbers
		Income Per Books - Operation and Maintenance Expense	Started with Per Book numbers, adjusted for certain items (See Volume II-A, Book 3 of 4, pages 385-390 for details). Common Costs are booked at the company level not at the plant level. These costs were allocated to the plant level based on Average Number of Customers. Therefore, any common costs in the MFR's at the plant level cannot be per book numbers because they are only found on the books at the company level.
		Income Per Books - Depreciation Expense Net of CIAC	Not Per Books. Calculated in MFR's Schedule B-13(W) (See below Schedules B13W1 and B13W2 for explanation.
		Income Per Books - Taxes Other Than Income	Not Per Books. RAF, and Payroll Tax are calculated as a percentage of Revenues and Salaries and Wages, respectively. Property Tax was allocated to the plant level based on Net Taxable Value
		Income Per Books - Income Taxes	Not Per Books. Calculated in MFR's Schedule B-16(W)
2 B01W2	PRESENT & REQUIRED NET OPERATING INCOME	Income Per Books - Sales Revenues	Same As Above
		Income Per Books - Other Revenues	Same As Above
		Income Per Books - Operation and Maintenance Expense	Same As Above
		Income Per Books - Depreciation Expense Net of CIAC	Same As Above
		Income Per Books - Taxes Other Than Income	Same As Above
		Income Per Books - Income Taxes	Same As Above
3 B01W3	REQUIRED & REQUESTED REVENUE INCREASE CALCULATION	N/A	N/A
4 B03W	ADJUSTMENTS TO WATER OPERATING INCOME	N/A	N/A
5 B04W	WATER OPERATING REVENUES	1994 Revenues (Present) Per Books	Per Book numbers
6 B05W1	TOTAL WATER O & M EXPENSES	Per Books - O&M	Started with Per Book numbers, adjusted for certain items (See Volume II-A, Book 3 of 4, pages 385-390 for details). Common Costs are booked at the company level not at the plant level. These costs were allocated to the plant level based on Average Number of Customers. Therefore, any common costs in the MFR's at the plant level cannot be per book numbers because they are only found on the books at the company level.
7 B05W2	TOTAL DIRECT & ALLOCATED EXPENSE (.1 - .8)	Per Books - O&M	Same as B05W1
8 B05W3	TOTAL DIRECT EXPENSE (.1 - .8)	Per Books - O&M	Same as B05W1
9 B05W4	TOTAL ALLOCATED CUSTOMER ACCOUNTS EXPENSE (.7)	Per Books - O&M	Same as B05W1
10 B05W5	TOTAL ALLOCATED A & G EXPENSE (.8)	Per Books - O&M	Same as B05W1
11 B05W6	ADJUSTMENTS TO DIRECT & ALLOCATED EXPENSE (.1 - .8)	Per Books - O&M	Same as B05W1

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EXHIBIT (2)(1)(12)

**"PER BOOKS EXPLANATION" FOR  
1994 WATER B SCHEDULES - INCOME STATEMENT**

FILE NAME	FILE TITLE	Column Name	Explanation
12 B05W7	ADJUSTMENTS TO DIRECT EXPENSE (.1 - .6)	Per Books - O&M	Same as B05W1
13 B05W8	ADJUSTMENTS TO ALLOCATED CUSTOMER ACCOUNTS EXP (.7)	Per Books - O&M	Same as B05W1
14 B05W9	ADJUSTMENTS TO ALLOCATED A & G EXPENSE (.8)	Per Books - O&M	Same as B05W1
15 B07W1	COMP. OF O & M EXP. TO BENCHMARK - TOTAL DIR. & ALLOC.	N/A	N/A
16 B07W2	COMP. OF O & M EXP. TO BENCHMARK - TOTAL DIRECT	N/A	N/A
17 B07W3	COMP. OF O & M EXP. TO BENCHMARK - ALLOC CUST ACCTS EXP	N/A	N/A
18 B07W4	COMP. OF O & M EXP. TO BENCHMARK - ALLOC A&G	N/A	N/A
19 B07W5	COMP. OF O & M EXP. TO BENCHMARK - EXPLANATION OF DEVIATIONS	N/A	N/A
20 B09W	CONTRACTUAL SERVICES OVER 2%	N/A	N/A
21 B10W	ANALYSIS OF RATE CASE EXPENSES	N/A	N/A
22 B11W	MAJOR MAINTENANCE PROJECTS OVER 2%	N/A	N/A
23 B12W	ALLOCATION OF EXPENSES	N/A	N/A
24 B13W1	NET WATER DEPRECIATION EXPENSE	1994 Depreciation Expense - Per Books	Not Per Books. Calculated in the MFR's based on average adjusted Plant in Service balances - averages not maintained on the books.
25 B13W2	CIAC AMORT EXPENSE	1994 CIAC Amortization Expense - Per Books	Not Per Books. Calculated in the MFR's based on average adjusted CIAC balances - averages not maintained on the books.
26 B13W3	COMPOSITE CIAC AMORT RATE	N/A	N/A
27 B15W	TAXES OTHER THAN INCOME	1994 Taxes Other Than Income - Per Books	Not Per Books. R&F and Payroll Tax are calculated as a percentage of Revenues and Salaries and Wages, respectively. Property Tax was allocated to the plant level based on Net Taxable Value.
28 B16W	INCOME TAXES UNDER PRESENT INCOME	1994 Income Taxes - Per Books	Not Per Books. Calculated based on all income components listed above.
29 B18W	ACQUISITION ADJUSTMENT AMORTIZATION EXPENSE	Acquisition Adj. Amort. Expense - Per Books	Not Per Books. Calculated in the MFR's based on average adjusted Acquisition Adjustment balances - averages not maintained on the books.
		1994 Non-Used and Useful Acq. Adj. Amort. Exp. - Per Books	Same As Above

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EXHIBIT (11K-1)

**"PER BOOKS EXPLANATION" FOR  
1994 SEWER B SCHEDULES - INCOME STATEMENT**

FILE NAME	FILE TITLE	Column Name	Explanation
1 B02S1	PRESENT & REQUESTED NET OPERATING INCOME	Income Per Books - Sales Revenues	Per Book numbers
		Income Per Books - Other Revenues	Per Book numbers
		Income Per Books - Operation and Maintenance Expense	Started with Per Book numbers, adjusted for certain items (See Volume II-A, Book 3 of 4, pages 385-390 for details). Common Costs are booked at the company level not at the plant level. These costs were allocated to the plant level based on Average Number of Customers. Therefore, any common costs in the MFR's at the plant level cannot be per book numbers because they are only found on the books at the company level.
		Income Per Books - Depreciation Expense Net of CIAC	Not Per Books. Calculated in MFR's Schedule B-14(S) (See below Schedules B14S1 and B14S2 for explanation.
		Income Per Books - Taxes Other Than Income	Not Per Books. RAF and Payroll Tax are calculated as a percentage of Revenues and Salaries and Wages, respectively. Property Tax was allocated to the plant level based on Net Taxable Value
2 B02S2	PRESENT & REQUIRED NET OPERATING INCOME	Income Per Books - Sales Revenues	Same As Above
		Income Per Books - Other Revenues	Same As Above
		Income Per Books - Operation and Maintenance Expense	Same As Above
		Income Per Books - Depreciation Expense Net of CIAC	Same As Above
		Income Per Books - Taxes Other Than Income	Same As Above
3 B02S3	REQUIRED & REQUESTED REVENUE INCREASE CALCULATION	Income Per Books - Income Taxes	Not Per Books. Calculated in MFR's Schedule B-17(S)
		Income Per Books - Sales Revenues	Same As Above
		Income Per Books - Other Revenues	Same As Above
		Income Per Books - Operation and Maintenance Expense	Same As Above
		Income Per Books - Depreciation Expense Net of CIAC	Same As Above
4 B03S	ADJUSTMENTS TO SEWER OPERATING INCOME	N/A	N/A
5 B04S	SEWER OPERATING REVENUES	1994 Revenues (Present) Per Books	Per Book numbers
6 B06S1	TOTAL SEWER O & M EXPENSES	Per Books - O&M	Started with Per Book numbers, adjusted for certain items (See Volume II-A, Book 3 of 4, pages 385-390 for details). Common Costs are booked at the company level not at the plant level. These costs were allocated to the plant level based on Average Number of Customers. Therefore, any common costs in the MFR's at the plant level cannot be per book numbers because they are only found on the books at the company level.
7 B06S2	TOTAL DIRECT & ALLOCATED EXPENSE (1 - 8)	Per Books - O&M	Same as B-06S1
8 B06S3	TOTAL DIRECT EXPENSE (1 - 8)	Per Books - O&M	Same as B-06S1
9 B06S4	TOTAL ALLOCATED CUSTOMER ACCOUNTS EXPENSE (7)	Per Books - O&M	Same as B-06S1
10 B06S5	TOTAL ALLOCATED A & G EXPENSE (8)	Per Books - O&M	Same as B-06S1
11 B06S6	ADJUSTMENTS TO DIRECT & ALLOCATED EXPENSE (1 - 8)	Per Books - O&M	Same as B-06S1
12 B06S7	ADJUSTMENTS TO DIRECT EXPENSE (1 - 8)	Per Books - O&M	Same as B-06S1

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EXHIBIT (C) 13

**"PER BOOKS EXPLANATION" FOR  
1994 SEWER B SCHEDULES - INCOME STATEMENT**

FILE NAME	FILE TITLE	Column Name	Explanation
13 B06S0	ADJUSTMENTS TO ALLOCATED CUSTOMER ACCOUNTS EXP (.7)	Per Books - O&M	Same as B-06S1
14 B06S0	ADJUSTMENTS TO ALLOCATED A & G EXPENSE (.8)	Per Books - O&M	Same as B-06S1
15 B08S1	COMP. OF O & M EXP. TO BENCHMARK - TOTAL DIR. & ALLOC.	N/A	N/A
16 B08S2	COMP. OF O & M EXP. TO BENCHMARK - TOTAL DIRECT	N/A	N/A
17 B08S3	COMP. OF O & M EXP. TO BENCHMARK - ALLOC CUST ACCTS EXP	N/A	N/A
18 B08S4	COMP. OF O & M EXP. TO BENCHMARK - ALLOC A&G	N/A	N/A
19 B08S5	COMP. OF O & M EXP. TO BENCHMARK - EXPLANATION OF DEVIATIONS	N/A	N/A
20 B09S	CONTRACTUAL SERVICES OVER 2%	N/A	N/A
21 B10S	ANALYSIS OF RATE CASE EXPENSES	N/A	N/A
22 B11S	MAJOR MAINTENANCE PROJECTS OVER 2%	N/A	N/A
23 B12S	ALLOCATION OF EXPENSES	N/A	N/A
24 B14S1	NET SEWER DEPRECIATION EXPENSE	1994 Depreciation Expense - Per Books	Not Per Books. Calculated in the MFR's based on average adjusted Plant In Service balances - averages not maintained on the books.
25 B14S2	CIAC AMORT EXPENSE	1994 CIAC Amortization Expense - Per Books	Not Per Books. Calculated in the MFR's based on average adjusted CIAC balances - averages not maintained on the books.
26 B14S3	COMPOSITE CIAC AMORT RATE	N/A	N/A
27 B15S	TAXES OTHER THAN INCOME	1994 Taxes Other Than Income - Per Books	Not Per Books. PAF and Payroll Tax are calculated as a percentage of Revenues and Salaries and Wages, respectively. Property Tax was allocated to the plant level based on Net Taxable Value.
28 B17S	INCOME TAXES UNDER PRESENT INCOME	1994 Income Taxes - Per Books	Not Per Books. Calculated based on all income components listed above.
29 B18S	ACQUISITION ADJUSTMENT AMORTIZATION EXPENSE	Acquisition Adj. Amort. Expense - Per Books	Not Per Books. Calculated in the MFR's based on average adjusted Acquisition Adjustment balances - averages not maintained on the books.
		1994 Non-Used and Useful Acq. Adj. Amort. Exp. - Per Books	Same As Above

EXHIBIT \_\_\_\_\_  
PAGE 11 OF 13  
CJJE-13

Schedule of Water Rate Base

Florida Public Service Commission

Company:  
 Docket No.:  
 Schedule Year Ended:  
 Interim [ ] final [ ]  
 Historical [ ] Projected [ ]

Schedule: A-1  
 Page 1 of 1  
 Preparer:

EXHIBIT                      (JJK-13)  
 PAGE 12 OF 13

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use. If method other than formula approach (1/8 D&K) is used to determine working capital, provide additional schedule showing detail calculation.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service				A-5
2	Utility Land & Land Rights				A-5
3	Less: Non-Used & Useful Plant				A-7
4	Construction Work in Progress				-
5	Less: Accumulated Depreciation				A-9
6	Less: CIAC				A-12
7	Accumulated Amortization of CIAC				A-14
8	Acquisition Adjustments				-
9	Accu. Amort. of Acq. Adjustments				-
10	Advances for Construction				A-16
11	Working Capital Allowance				A-17
12	Total Rate Base	-----	-----	-----	
		-----	-----	-----	

Company:  
 Docket No.:  
 Schedule Year Ended:

Explanation: Provide a summary of the items included in non-used and useful plant for the test year. Provide additional support schedules, if necessary.

Schedule: A-7  
 Page    of     
 Preparer:           

Line No.	(1) Description	(2) Average Amount Per Books	(3) Utility Adjustments	(4) Balance Per Utility
WATER				
1	Plant in Service			
2	Land			
3	Accumulated Depreciation			
4	Other (Explain)			
5	Total	-----	-----	-----
SEWER				
6	Plant in Service			
7	Land			
8	Accumulated Depreciation			
9	Other (Explain)			
10	Total	-----	-----	-----

Supporting Schedules: A-5,A-6,A-9,A-10  
 Recap Schedules: A-1,A-2

## FPSC AUDIT DOCUMENT REQUEST 95

The Tallahassee analysts are concerned about the organization costs relating to purchase of any additional plants or systems. In the withdrawn rate case (900329) similar costs were included in rate base.

1) What is the status of these old amounts?

Organization costs which were included in Docket Number 900329 were subsequently removed from that account and expensed, transferred to Topeka Group, transferred to Franchise and Consents, Accounts 3021 (water) and 3521 (wastewater), or charged to Unauthorized Acquisition Adjustments. These transfers occurred in 1990 and 1991. Organization costs were not included in the Company's rate case including 127 of the plants owned by SSU (Docket 920199-WS). This was done to avoid any controversial issues in that rate case.

2) Are any similar costs included in 950495-WS?

The only organization costs included in the current docket are those that had been approved by the Florida Public Service Commission prior to SSU ownership of those plants. In addition, a few plants that had been regulated by counties had organization costs approved in prior rate cases. The organization cost dollars involved are immaterial as they relate to Docket 950495-WS (\$112,788 in water account 3011 and \$115,567 in wastewater account 3511).

In addition to the standard procedures followed in a rate case audit, please perform the following procedures.

HIGH PRIORITY - STANDARD REQUIREMENTS

1. The utility's filing is based on the budgeted 1995 amounts and 1996 is forecasted from the budget year 1995. There is a benchmark analysis comparing 1995 budgeted amounts to the actual 1994 balances (Vol II, Book 3). We will review this comparison and if we deem any additional audit work performed we will inform the auditors as soon as possible.

2. In Morris Bencini's testimony on page 12, he states how the projected year 1995 was determined based on the capital and revenue and expense budgets. He states that the budget is in the company's general ledger system (Software 2000). It appears that this information can be sampled through the computer. The 1996 test year was projected based on the 1995 budget and escalated as described in Bencini's testimony on page 13.

3. On page 12-14 of Judy Kimball's testimony, she discusses adjustments made to rate base for retirements of plant in various years. Please review the supporting detail for each of these retirements and attach copies of the documentation in the workpapers.

4. On page 22-26 of Judy Kimball's testimony, she discusses a major study she undertook to analyze the rate base amounts from prior cases. She has attached Exhibit JJK-1 which details this analysis. It deals with plant, accumulated depreciation, CIAC and amortization. The CIAC adjustment is very large. Please audit this study to determine if this analysis is correct. If the auditor perceives any time constraints regarding this request, please let us know as early as possible so that we can make other arrangements to review this information.

5. Obtain copies of all costs incurred related to the \$8 million Marco Island Barron Collier land condemnation. We will cover through discovery the deferred costs mentioned in Bencini's testimony regarding the failed attempts to purchase land for Marco Island.

6. Determine whether the utility is including any organization costs in rate base related to any purchase or sale of any plants or facilities. These costs were not included in rate base for the last case and the Commission has not addressed the removal of these costs previously. In the 900329-WS docket, the company included them, staff recommended removal but the case was

withdrawn. No mention through testimony in this case has been made regarding organization costs.

7. Do not determine the mechanical accuracy of the MFRs. This should be done by the accounting analyst and reported to the auditors.

8. Review the outside auditors report or workpapers.

9. Sample the 1994 base year amounts for O&M expenses and taxes other than income. If any major adjustments are found compare the adjusted amounts to the budget 95 amounts.

10. Compare the actual 95 amounts to budget for most recent timeframe. Note any major differences.

11. If any of the above procedures are deemed necessary by the auditor to be deleted for scope limitations, first contact the accounting analyst during the planning stage to make other arrangements so that the required work will be completed.

**DOCKET** 950495-WS  
**EXHIBIT NO.** 243  
**PRICE NO.** 96-04227

**EXHIBIT NO.** 243

**WITNESS: KIMBALL**

**DOCKET NO. 950495-WS**

**APPLICATION FOR RATE INCREASE BY  
SOUTHERN STATES UTILITIES, INC.**

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**DESCRIPTION:**

**KIMBALL'S LATE FILED DEPOSITION EXHIBIT  
NO. 3 PERTAINING TO DOUBLE  
BOOKINGS OF PLANT IN SERVICE**

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. 950495 EXHIBIT NO 243  
COMPANY/  
WITNESS:  
DATE: 4/25/66

REVISED SCHEDULE TO KIMBALL  
LATE FILED DEPOSITION EXHIBIT NO. 3

MIR Adjustments to Plant In Service

Plant	Service	Project No.	Description	MIR Amount				Actual Amount			Difference	
				1991	1994	1995	Total Filed	1991	1994	1995		Total Actual
				0	34,449	48,915	83,364	0	34,449	14,715	49,164	(34,200) (2)
Anacle Island	Sewer	94CN088	LS Rehab & Manhole Repl								707	707 (1)
Aquatic Shores	Sewer	91CW013	WWTP Upgrade	(1,413)	0	0	(1,414)	(1,414)	0	707	(707)	(79,287) (1)
Beacon Hills	Water	91CN059	Cobblestone WTP Generator	0	158,575	0	158,575	0	158,575	(79,287)	79,288	(12,510) (1)
Beaches Point	Water	90CN378	Pool Street Main Extensions	0	25,019	0	25,019	0	25,019	(12,510)	12,509	(919) (1)
Deltona Lakes	Water	91CN154	Rebuild 25 HP Motor	0	1,838	0	1,838	0	1,838	(919)	919	(919) (1)
Dund Hills	Water	94CX116	Chlorine Building	0	10,833	0	10,833	0	10,833	(4,070)	6,763	(4,070) (1)
Fern Park	Water	94CX457	Hydro Tank	0	18,266	24,830	43,096	0	18,266	5,841	24,107	(18,989) (2)
Poa Roux	Water	92CX352	Modify Electric Controls #2 Well	0	1,430	0	1,430	0	1,430	(715)	715	(715) (1)
Harmony Homes	Water	91CX323	Install 2" Pressure Reducer	0	2,157	0	2,157	0	2,157	(1,068)	1,069	(1,068) (1)
Keystone Heights	Water	93CN075	Clay County Roadway Improvements	0	33,612	50,816	84,448	0	33,612	9,062	42,694	(41,754) (2)
Lakehurst Estates	Water	93CX657	68" x 2" PVC Main Line Extension	0	2,465	0	2,465	0	2,465	(1,232)	1,233	(1,232) (1)
Lisiani Heights	Sewer	92CS300	Rebuild 2 HP Lift Station Pumps	0	1,318	0	1,318	0	1,318	(659)	659	(659) (1)
Marco Island	Sewer	93CS234	Auto Switchover Vacuum Regulators	1,228	1,600	0	2,828	1,228	1,600	(1,228)	1,600	(79,049) (1)
Marco Shores	Water	94CS121	Utilities Improvements for Fairways I & II	0	160,066	0	160,066	0	160,066	(79,049)	81,017	(79,049) (1)
Marco Shores	Sewer	93CS234	Auto Switchover Vacuum Regulators	0	1,296	0	1,296	0	1,296	(995)	1,296	(995) (1)
Pasco Island	Water	92CX276	500 Gallon Hydro Tank	0	0	0	0	0	0	37,408	37,408	37,408 (3)
Shyrest	Water	93CS314	WTP Improvements	0	288,403	0	288,403	0	288,403	(140,315)	148,088	(140,315) (1)
University Shores	Sewer	94CX083	Chapel Hill Cemetery Upgrade	0	29,223	29,997	59,220	0	29,223	557	29,780	(29,440) (2)
General Plant	CI	Various	Miscellaneous Projects	0	234,669	0	234,669	0	234,669	(111,764)	122,905	(111,764) (1)
				819	1,005,219	154,558	1,160,586	809	1,005,219	(765,521)	640,507	(520,079)