

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of SOUTHERN STATES)	DOCKET NO. 890951-WS
UTILITIES, INC. for a rate increase)	ORDER NO. 22871
in Duval County)	ISSUED: 4-30-90
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER ESTABLISHING INCREASED RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

Southern States Utilities, Inc., (Southern States or utility) is a Class A utility with its main office located in Apopka, Florida. The utility is a subsidiary of The Topeka Group, Inc., a Minnesota corporation. The Topeka Group, Inc., is a wholly owned subsidiary of Minnesota Power & Light Company. Southern States operates two water and wastewater utility systems in Duval County, the Beacon Hills and Woodmere systems, which serve approximately 3,100 water and 3,000 wastewater customers in total.

On November 2, 1989, the utility completed the minimum filing requirements for a rate increase and that date was established as the official date of filing. The test year for this docket is the twelve-month period ended May 31, 1989. In accordance with Section 367.081(8), Florida Statutes, the utility has requested that this case be processed using the

DOCUMENT NUMBER-DATE
 03655 APR 30 1990
 RECORDS/REPORTING

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 2

Proposed Agency Action procedure. During the test year, Southern States realized actual operating revenues of \$594,089 and net operating income of \$134,404 for water and actual operating revenues of \$579,183 and net operating income of \$87,645 for wastewater.

Southern States has requested final wastewater rates designed to generate annual revenues of \$877,559, which exceed the annualized test year revenues by \$250,697 (39.90 percent). Southern States did not request any increase in water rates, however, it did request that we restructure its water rates in order to conform with our current practice of basing such rates on the size of the meter. In addition, Southern States has requested that we approve county-wide, uniform rates for the Duval County systems, based on a bi-monthly billing cycle. Currently, Beacon Hills customers are billed quarterly and Woodmere customers are billed monthly.

Pending our consideration of its rate application, Southern States also requested that we approve an increase in its wastewater rates on an interim basis. By Order No. 22393, issued January 10, 1990, we suspended Southern States' proposed final rate schedules, and granted an interim increase of \$66,047 (10.49 percent) in the utility's wastewater revenues, for a total of \$695,609, and placed \$100,000 of its water revenues subject to refund.

QUALITY OF SERVICE

In order to evaluate the quality of service provided by this utility, we must evaluate the quality of the utility's product (water and wastewater), the operational conditions of the utility's plant or facilities, and customer satisfaction. Our evaluation of the utility's product consists of a review of Southern States' compliance with the water and wastewater quality standards of the Department of Health and Rehabilitative Services (HRS) and the Duval County Department of Bio-Environmental Services (BES).

The ultimate concern of a water utility should be the quality of the water consumed by customers. The degree to which a utility is able to maintain satisfactory water quality may be reflected by its ability to meet Department of Environmental Regulation (DER) primary and secondary drinking water standards, as well as several unregulated standards. The

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 3

primary drinking water standards include maximum contaminant levels (MCLs) for harmful contaminants such as arsenic, lead, trihalomethanes, coliform bacteria and radium. Secondary drinking water standards generally contain MCLs which regulate the aesthetic qualities of the water such as color, corrosivity, odor and hardness. In addition, each utility must periodically test for several contaminants which the U. S. Environmental Protection Agency (EPA) considers potentially harmful; these contaminants are still under investigation.

The primary concern of a wastewater utility should be the quality of the effluent discharged from the plant. Plant effluent has specific limitations which are dependent on the point of discharge. For example, the limitations on surface water discharges (lakes, river) are more stringent than limitations on discharges to percolation ponds.

We have reviewed BES's files and have discovered that Southern States has no outstanding violations. However, we note that there were a number of violations for the Woodmere wastewater treatment plant between August 1, 1988 and July 31, 1989, including violations of effluent limits for five day biochemical oxygen demand, total suspended solids, total Kjeldahl nitrogen, and coliform bacteria. There were also violations during this time for the utility's failure to submit complete, timely Monthly Operating Reports, for its failure to report an abnormal event which resulted in excessive coliform bacteria, and for its failure to provide operator attendance as required. Due to these violations, Southern States was ordered to pay a penalty of \$3,600. No further enforcement action has been taken since then.

In addition, we note that the Beacon Hills wastewater facility was also cited in April and May of 1989 for its failure to meet effluent limitations for chlorine residual and for its failure to adequately complete its Discharge Monitoring Reports.

We also note that Southern States is currently expanding the Woodmere wastewater plant with construction scheduled to be completed in 1991. Another project, an outfall line for discharging effluent into the St. John River, is expected to be finished and operational by the end of March, 1990.

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 4

As for the operational conditions of the plants, our Staff also conducted an on-site inspection of the facilities on February 1, 1990. Our Staff engineers were accompanied by Mr. John Welsh, Southern States' North Region Manager. During the inspection, one of the two water plants in the Beacon Hills system, the Cobblestone water plant, was out of service due to a broken well pump; however, the water pressure provided by the Beacon Hills water plant appeared to be adequate. The inspection of the Cobblestone plant also revealed that the air vents on ground storage tank were not properly screened, all of the chlorine cylinders were empty, and no air packs were available.

At the time of the inspection of the Beacon Hills water treatment plant, the propane tank for the auxiliary well power was not connected, the ladder at the ground storage tank was not secured, one master flow meter was not operating, and the chlorine cylinders were not secured by chains. In addition, at the Beacon Hills lift station where hydrogen peroxide is used, there was no emergency eye wash and shower.

During the inspection of the Woodmere water treatment plant, our Staff engineers noted that there was algae growth on the aeration trays, one tray was missing from the aerator, and there was no venting fan in the chlorine room.

In addition to the above deficiencies, our Staff engineers noted inadequate free residual chlorine levels in both the Woodmere and Beacon Hills systems. The reports of HRS also show low chlorine levels at these two systems.

The final component of quality of service is the level of customer satisfaction. A customer meeting was held on January 31, 1990, and ten customers spoke about specific problems with the Southern States' Duval County systems. All these customers expressed their objections to the rate increase for water and wastewater service. Six of them spoke about quality of service problems.

One customer testified that the water was cloudy, tasted poorly, had a sulphuric odor, and that the water pressure was too low. This customer also complained about bad phone service from the utility main office at Orlando. One of the customers testified about lack of notice for water outages, and low pressure. Another customer complained about abnormally high

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 5

bills caused by a fast-reading meter and about inaccurate meter calibration using a big milk can. One of the customers complained about alarm noise from a nearby lift station. Another customer stated that chlorine levels are excessive and that he believed that these excessive chlorine levels affected his ten-year old son's health. Finally, one of the utility's customers complained that the water was of poor quality, about larvae in the water, and about high bills for water service.

At the time of the on-site inspection, our Staff engineers visited the home of the customer who complained of larvae in his water two years ago. They were not able to find any visual evidence of larvae, however. According to Southern States' response and the records of HRS, vermin proofing was a problem several years ago but has been corrected. In addition, while checking this customer's water, Staff detected a noticeable odor of hydrogen sulfide. In addition, when first drawn, the water was milky-white; however, it cleared up after the air bubbles dissolved. As for the customer who complained of high water bills, the utility had his meter bench tested by Precision Meters, Inc. The meter tested 15 percent fast, and Southern States agreed to give the customer an \$87.95 credit.

The complaints of insufficient pressure and outages were also investigated and it was found that most cases involved line breaks aggravated by a lack of isolation valves. As for the alarm for the lift station, the utility's response indicated that the alarm is mandated by DER. Finally, the excessive chlorine that was reported by one of the customers, who lives one and a half blocks away from the water plant, was apparently due to a brief malfunction between the high service pump and chlorinator.

In summary, we believe that the utility meets the minimal DER standards for drinking water. However, to achieve a better aesthetic quality, we believe that Southern States should flush the lines more regularly and frequently. In addition, we believe that the utility should monitor its operation and maintenance of the facilities more closely, in order to correct the low chlorine residual and inadequate spare chlorine cylinder problems.

As for the wastewater treatment facilities, we believe that the utility should make more effort to ensure that Monthly Operating Reports are completely recorded and incidents

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 6

reported. The utility needs to provide more operator attendance due to its new status as a regional wastewater facility. By order of BES, after the new outfall line is completed at the Woodmere Wastewater Plant, the utility will be required to provide a Class "C" or higher operator attendance for 16 hours per day, 7 days per week, under the supervision of a Class "B" or higher operator.

Finally, we note that the violations which occurred during the test year appear to have been corrected. Accordingly, we do not believe that a penalty is appropriate for the wastewater operations. However, we shall continue to monitor quality of service to ensure that the utility remains in compliance with the standards set forth by DER and BES.

Based upon the discussion above, we find that the quality of service provided by Southern States was unsatisfactory during the test year. However, we also find that the quality of service is satisfactory at this time. We, therefore, encourage Southern States to continue to make efforts to improve the quality of service in the future.

RATE BASE

Our calculations of the appropriate rate bases for the purpose of this proceeding are depicted on Schedules Nos. 1-A for water and 1-B for wastewater, with our adjustments itemized on Schedule No. 1-C. Those adjustments which are self-explanatory, or which are essentially mechanical in nature, are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Margin Reserve

According to the MFRs and the utility's annual reports, over the last five years, Southern States experienced growth of approximately 15 percent for the Beacon Hills area and 9 percent for the Woodmere area. Although the MFRs indicate that the area served by the Woodmere plant is approaching build-out, there are some lots available for future development. Accordingly, we find it appropriate to include a margin reserve in our calculations of rate base for all of the systems.

Using our standard methodologies, we find that, for the

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 7

Beacon Hills systems, the appropriate margin reserves are 841,126 gallons per day (gpd) for the water treatment plant, 330 equivalent residential connections (ERCs), or 14.48 percent, for the water distribution system, 183,505 gpd for the wastewater treatment plant, and 353 ERCs (15.65 percent) for the wastewater collection system.

For the Woodmere systems, we find that the appropriate margin reserves are 140,000 gpd for the water treatment plant, 122 ERCs (8.22 percent) for the water distribution system, 68,425 gpd for the wastewater treatment plant, and 143 ERCs (9.56 percent) for the wastewater collection.

Used and Useful

Southern States serves two distinct geographical areas of Duval County. Due to the distance between these systems, there is little possibility of interconnecting them in the near future. We have, therefore, determined used and useful percentages separately for each system.

We calculated the used and useful percentages for the water treatment plants by adding the peak flows, the required fire flows, and the margin reserves, less excessive unaccounted-for water. We then divided that amount by the respective plant capacities. The fireflow required by Duval County is 180,000 gpd. We would allow for one of the wells to be out of service in the Woodmere system when calculating water plant capacity; however, the required fire flow should not be included in calculating the used and useful percentage, because of the low possibility of having one well out of service and a fire at the same time.

We calculated the used and useful percentages of the wastewater treatment plants by adding the average flows of the peak month and the margin reserves, less excessive infiltration. We then divided the resulting amount by the respective plant capacities.

As for the used and useful percentages of the distribution and collection systems, we determined these amounts by reference to the MFRs, the utility's annual reports, and information gathered during the on-site inspection.

Based upon the discussion above, we find that the Beacon Hills water and wastewater treatment plants are 100 percent

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 8

used and useful and that the Woodmere water and wastewater treatment plants are 85 and 95 percent used and useful, respectively. We also find that the Beacon Hills distribution and collection systems are both 87 percent used and useful and that the Woodmere distribution system is 80 percent and the Woodmere collection system is 91 percent used and useful.

Plant-in-Service

In our processing of this case, we performed an audit, which revealed several problems with wastewater utility plant-in-service, as well as problems with water and wastewater accumulated depreciation and depreciation expense.

First, the utility's records reflect a 1983 beginning balance for wastewater plant that was \$33,843 greater than the prior year's ending balance. The utility was unable to explain the increase. Under the NARUC System of Accounts for Class A utility's, Accounting Instruction 2.A, requires that "[e]ach utility shall keep its books of account . . . so as to be able to furnish readily full information as to any item included in any account." Since the utility could not support the increased balance, we have reduced utility plant-in-service by \$33,843, with corresponding reductions of \$4,953 to accumulated depreciation and \$1,895 to depreciation expense.

Second, some of the accumulated depreciation and depreciation expense calculations were incorrect. There was a mathematical error in the utility's allocation of depreciation on certain plant items retired in 1981. Accordingly, we have increased wastewater accumulated depreciation by \$873. In addition, the utility used incorrect depreciation rates. We have, therefore, reduced accumulated depreciation by \$221 and \$414, and depreciation expense by \$443 and \$1,725, respectively, for water and wastewater.

Upon consideration of the above, we find it appropriate to make the following composite adjustments:

	<u>Plant-in Service</u>	<u>Acc. Depr.</u>	<u>Depr. Expense</u>
Water	0	\$ 221	(\$ 443)
Wastewater	(\$33,843)	4,494	(3,620)

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 9

Allowance For Funds Used During Costruction (AFUDC)

Under Rule 25-30.116(5), Florida Administrative Code,

No utility may charge or change its AFUDC rate without prior Commission approval. The new AFUDC rate shall be effective the month following the end of the 12-month period used to establish that rate and may not be retroactively applied to a previous fiscal year unless authorized by the Commission.

Rule 25-30.116(5), Florida Administrative Code, became effective on August 11, 1986.

Southern States accrued AFUDC on its books at the rate of 11.00 percent during 1986, and at 9.50 percent from January 1, 1987 through November 30, 1988. During that time, it did not have an approved AFUDC rate. The utility did not, in fact, have an approved AFUDC rate until, by Order No. 20916, issued March 20, 1989, we approved rates of 9.85 percent for the Beacon Hills water and wastewater systems, 8.24 percent for the Woodmere water system, and 9.40% for the Woodmere wastewater system. According to Order No. 20916, these rates were effective for projects commenced subsequent to December 1, 1988.

According to Staff Advisory Bulletin No. 31, issued January 27, 1989, "[i]f a utility has not received an approved AFUDC rate from this Commission, the utility may petition the Commission to establish a rate and for authority to apply the rate retroactively to previous years. If the Commission declines to grant the petition for retroactive application, any AFUDC charged between August 11, 1986, and the effective date of a utility's approved AFUDC rate established by order of this Commission would not be allowed in determining the appropriate rates and charges of the utility." Thus, SSU was put on further notice that unauthorized AFUDC would be disallowed.

While Southern States received approval to charge AFUDC effective December 1, 1988, it neither requested nor received permission for retroactive application. Since the AFUDC charged between August 11, 1986, and November 30, 1988, was not approved by this Commission, we find that it should be removed. Accordingly, we have reduced plant-in-service by \$41,858 for water and \$51,231 for wastewater. In addition, we

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 10

have made corresponding reductions of \$914 and \$2,705 to accumulated depreciation and \$1,302 and \$2,084 to depreciation expense for water and wastewater, respectively.

Nonused and Useful Adjustments

As discussed above, we have found that the Beacon Hills water and wastewater plants are 100 percent used and useful and that the Woodmere water and wastewater treatment plants are 85 percent and 95 percent used and useful, respectively. These numbers agree with the utility's calculations, making further adjustments unnecessary, with the exception that Southern States did not adjust property tax for the nonused and useful portion. Accordingly, we have decreased property tax expense by \$2,085 for water and \$2,823 for wastewater. We also found that the Beacon Hills distribution and collection systems are 87 percent used and useful and the Woodmere distribution and collection systems are 80 percent and 91 percent used and useful, respectively. However, since all lines are contributed, they are fully offset by CIAC. Accordingly, we find that no further adjustments to the distribution network and collection systems are necessary or appropriate.

Construction-work-in-progress (CWIP)

In its application, Southern States requested CWIP in the amount of \$393,766, less \$157,506 for the nonused and useful portion, for an outfall line required by DER. The utility also included accumulated depreciation of \$9,295 and depreciation expense of \$15,492.

In 1978 the Woodmere wastewater treatment facility was permitted for 2 million gallons per day of discharge into the Fairfield Branch, with certain restrictions on the amount of pollutants contained in the effluent. A recent evaluation showed that the plant is not capable of meeting its requirements. In 1988 DER required the Woodmere plant to meet regional plant requirements, which are much stricter. Subsequently, BES approved the Woodmere wastewater treatment plant as a regional facility, contingent upon its meeting certain conditions including diversion of all effluent flow from the Fairfield Branch to the St. Johns River. This is the outfall line in question.

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 11

Pursuant to Section 367.081(2), Florida Statutes, "[t]he commission shall also consider the investment of the utility in land acquired or facilities constructed or to be constructed in the public interest within a reasonable time in the future, not to exceed, unless extended, 24 months from the end of the historical test period used to set final rates." Since the outfall line was mandated by DER to meet current environmental standards, it is in the public interest for the utility to construct it. The outfall line does not increase the volume of discharge that is allowed, and therefore does not produce any additional revenue.

While the inclusion of CWIP in the rate base is not necessary to maintain the utility's financial integrity, its exclusion could have an effect on the cost of capital if investors perceive a higher risk due to the utility's construction of a large amount of plant for which the utility is not receiving compensation. Furthermore, if we do not include the CWIP, the utility may be forced to file for another rate increase or for a limited proceeding to recover its investment. Such a filing would increase the costs to the customer due to the expense associated with it.

Based upon the discussion above, we believe that Southern States' inclusion of the outfall line in CWIP, with an adjustment to nonused and useful plant, is appropriate. However, it is our practice to exclude AFUDC when CWIP is allowed. Furthermore, we note that the utility did not use a simple average to calculate the CWIP balance, and that it included accumulated depreciation and depreciation expense, which is inappropriate for CWIP. The removal of AFUDC and the conversion to simple average result in a CWIP balance of \$165,576 and a corresponding nonused and useful balance of \$66,230. In addition, according to generally accepted accounting principles, depreciation is only taken on property which is in service. Since this project was in CWIP during the test year, it was not in service and is not eligible for depreciation. Therefore, we have also removed \$9,295 in accumulated depreciation and \$15,492 in depreciation expense.

Imputation of CIAC on Margin Reserve

Our determination of used and useful plant includes a margin reserve. Our practice is to impute CIAC on the margin reserve, since, without this adjustment, the utility would be

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 12

allowed to earn a return on plant that will be contributed by future customers. The imputation of CIAC should not, however, reduce rate base further than if no margin reserve had been allowed.

Southern States also has a service installation charge; however, these are not included in used and useful because they are not installed until the customer actually connects. It is, therefore, inappropriate to impute the service installation charge. Southern States does not have a plant capacity charge or a system capacity charge. Southern States' present levels of contribution are 63.3 percent for water and 67.1 percent for wastewater. Pursuant to Rule 25-30.580, Florida Administrative Code, "[t]he minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems." Those percentages are 60 percent for water and 50 percent for wastewater, which are within acceptable standards.

Based upon the discussion above, we find that no imputation of CIAC on the margin reserve is necessary.

According to our audit, the CIAC schedules in the MFRs were incorrect due to operator errors made in their preparation. The resulting numbers did not reflect the information contained in the utility's books and records. Southern States subsequently corrected these schedules. Based upon the discussion above, we find that Southern States' CIAC accounts should be adjusted as follows:

	<u>CIAC</u>	<u>Acc. Amort.</u>	<u>Amort. Expense</u>
Water	\$73,364	(\$14,004)	\$17,686
Wastewater	(\$42,487)	7,167	(1,532)

Working Capital

In its application, Southern States used the formula method, which is based on one-eighth of operation and maintenance (O & M) expenses, to calculate working capital. In addition, Southern States requested a formal waiving of this Commission's long-standing requirement of using the balance

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 13

sheet method. By Order No. 21890, issued September 13, 1989, we approved its request.

Working capital is the amount of investor-supplied cash needed to operate a utility during the interval between providing service and receiving payment from the customers. By including it in rate base, a utility is allowed a return on this portion of its investment.

Southern States made a number of adjustments to the working capital allowance for changes in O & M expenses. We have also made adjustments for changes in O & M expenses, as discussed more fully hereunder. Using the formula method and the adjustments for changes in O & M expenses, we find that the appropriate working capital allowances for this proceeding are \$39,202 for water and \$51,101 for wastewater.

Rate Base

In its application, Southern States used the simple average method to calculate its test year rate base. As with working capital, Southern States requested a formal waiver of the thirteen-month average requirements. By Order No. 21890, issued September 13, 1989, we approved its request.

Using the simple average method and the adjustments discussed above, we find that the appropriate rate bases for the purpose of this proceeding are \$1,379,966 for water and \$1,672,161 for wastewater.

COST OF CAPITAL

Our calculation of the appropriate cost of capital is depicted on Schedule No. 2-A, with our adjustments itemized on Schedule No. 2-B. Those adjustments which are self-explanatory, or which are essentially mechanical in nature, are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Zero-Cost Preferred Stock

Three series of preferred stock were issued on December 2, 1988, to Punta Gorda Developers (PGD) in conjunction with Southern States' acquisition of three separate utility systems

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 14

then owned by PGD. Two of the three systems are regulated by this Commission and the third is regulated by Charlotte County.

The purchase agreement for these utility systems involved a cash down payment equivalent to the used and useful rate base, as well as amounts of preferred stock representing the estimated value of nonused and useful plant. The preferred stock has no dividend requirement, but Southern States agreed to make quarterly payments to redeem portions of the preferred stock depending on the number of new connections added during the prior three month period.

Southern States believes that this acquisition financing is franchise specific to the mutual benefit of Southern States and the customers of these particular systems. The outstanding preferred stock balances are booked on Southern States' consolidated balance sheet; however, the utility believes the zero-cost effect should not be flowed through to its other systems through a lowering of its composite, weighted, average cost of capital. Southern States does not believe that this preferred financing vehicle has any relationship to capital required to support plant in other unrelated systems.

From an economic perspective, the manner of the transaction is of no consequence. Southern States has additional assets and liabilities on its books as a result of its acquisition of the nonused and useful plant from PGD. Those liabilities, like all of its other liabilities, are supported by its general operations. Commission practice has been to recognize that, while the general sources of particular funds, i.e., common equity, debt, preferred stock, etc., are readily traceable, the use of those funds is not. Funds are fungible. As the nonused and useful assets are placed into service and the preferred stock is redeemed, the necessary funding will be provided by the overall operations of the utility. The general body of ratepayers will continue to support these assets when they come on line and are entitled to the benefit of the zero-cost financing in the interim.

Based upon the discussion above, we find it appropriate to include the zero-cost preferred stock in the capital structure of the Duval County systems for ratemaking purposes. Including the preferred stock in the capital structure of the Duval County systems decreases the overall weighted cost of capital by 63 basis points, or from 10.56 percent to 9.93 percent.

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 15

Return on Equity

In its application, Southern States requested an equity return of 13.95 percent. Based upon the components of its adjusted capital structure, the equity ratio for this utility is 29.55 percent. Using the current leverage graph, as embodied in Order No. 21775, issued August 23, 1989, and the equity ratio above, we find that the appropriate rate of return on equity 13.95 percent, with a range of reasonableness of 12.95 percent to 14.95 percent.

Overall Rate of Return

Southern States has used the simple average method to calculate its test year capital structure. As noted above, we approved the utility's request to use the simple average method by Order No. 21890.

Using the utility's adjusted capital structure, with each item reconciled on a pro rata basis, we find that the appropriate overall rate of return for this proceeding is 9.93 percent, with a range of reasonableness of 9.65 percent to 10.21 percent.

NET OPERATING INCOME (NOI)

Our calculations of net operating income are depicted on Schedules Nos. 3-A for water and 3-B for wastewater, with our adjustments itemized on Schedule No. 3-C. Those adjustments which are self-explanatory, or which are essentially mechanical in nature, are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

1988 Price Index

On November 12, 1988, Southern States implemented a price index adjustment. In its MFRs, Southern States annualized its revenues to account for this index; however, it failed to also adjust its test year O & M expenses. If O & M expenses are not adjusted, the effects of the price index are essentially negated. Accordingly, we find it appropriate to adjust expenses by the change in the Gross National Product Implicit Price Deflator Index. This results in an increase to test year O & M expenses of \$5,762 for water and \$5,041 for wastewater.

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 16

Unaccounted-for Water

In its MFRs, Southern States reported unaccounted-for water of less than 10 percent; however, it provided insufficient information to back up its calculations. Southern States subsequently provided a breakdown of unaccounted-for water for service breaks, main breaks, line flushing and in-plant use for 1989. Using this breakdown, we have recalculated unaccounted-for water and find that the actual amounts are 14.7 percent for the Beacon Hills system and 16.4 percent for the Woodmere system. We believe that 10 percent is a reasonable level of unaccounted-for water for these systems. Accordingly, we find that the levels of unaccounted-for water are excessive by 4.7 percent and 6.4 percent for the Beacon Hills and Woodmere water systems, respectively. We believe that Southern States should be encouraged to operate more conservatively and keep better records. We have, therefore, reduced chemical and purchased power expenses by a total of \$4,604.

Rate Case Expense

In its MFRs, Southern States requested \$95,044 in rate case expense. Subsequently, Southern States revised its request for rate case expense by providing a breakdown of actual rate case expense through February 28, 1990, and an estimate of the costs to complete this case.

Actual Costs

The actual costs include \$9,699 in legal expenses, \$23,355 for accounting consultant fees, \$12,276 for engineering fees, \$3,000 for filing fees, and \$7,049 for miscellaneous items such as printing, postage, federal express charges, temporary labor, and newspaper notification to customers.

Upon review, we find that for the most part, the actual costs appear reasonable. However, the accounting consultant fees include an invoice for a meeting with Staff to correct errors in the billing analysis. The consultant has already charged for the preparation of the MFRs. While a few errors are to be expected in any filing containing a large volume of material, the error in the billing analysis was of such magnitude that we do not believe that it is appropriate to charge the ratepayers for its correction. We have, therefore, removed \$844 in accounting consultant fees and travel costs related to this meeting.

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 17

Estimated Completion Costs

The estimate through completion includes \$6,525 for legal services, \$450 for rate case consultant fees, \$840 for engineering fees, and \$1,550 for customer mailings. Pursuant to Southern States' request, this case is being processed as a proposed agency action (PAA). We note that no one has intervened on behalf of the utility's customers.

Legal Fees - The duties remaining to be performed by the attorney after February 28, 1990, include reviewing response to customer comments, coordination of final details during recommendation phase of the proceeding, review of the recommendation, attendance at the Agenda Conference, review of the PAA order, and all follow-up necessary to finalize the case. The attorney estimates that it will take an additional 45 hours, at \$125 per hour, to complete the case. The remainder of the legal fees are for expenses. Upon review, the estimated legal fees do not appear unreasonable when compared to the remaining duties to be performed. Accordingly, we find that the estimate of \$6,525 is a reasonable and appropriate amount of legal fees.

Accounting Fees - The estimated amount for the accounting consultant is \$450, or ten hours at \$45 per hour, to respond to Staff's questions. These questions, however, pertained only to errors in the MFRs. As discussed above, we do not believe it is appropriate for the ratepayers to pay for the correction of errors. Furthermore, we do not believe that the amount of time spent by this consultant subsequent to February 28, 1990, should have been more than one hour. We have, therefore, reduced the estimated rate case consultant fees by \$405, or 9 hours at \$45 per hour.

Engineering Fees - The estimated amount for the utility's engineer is \$840, or 16 hours at \$52.50 per hour, to respond to questions and data requests from Staff. The engineering consultant did, in fact, provide assistance to Staff on a number of matters after February 28, 1990; however, we do not believe that this consultant should have spent more than 10 hours on these matters. We have, therefore, reduced the engineering fees \$315, or 6 hours at \$52.50 per hour.

Miscellaneous Expenses - In addition, Southern States estimates that it will cost \$1,550 to print and mail the final

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 18

notice of the rate increase to its customers. We believe that this amount is reasonable and have, accordingly, allowed it in its entirety.

Allowable Rate Case Expense

Based upon the discussion above, we find that the appropriate amount of actual and estimated rate case expense for this proceeding is \$62,730.

Allocation of Rate Case Expense

Southern States allocated its rate case expense evenly between the water and wastewater systems. It is Commission practice to allocate rate case expense based on the number of customers in the water and wastewater systems. In this case, the allocation would yield allocations of 50.7 percent for water and 49.3 percent for wastewater. We believe that this reallocation is immaterial and have, therefore, made no adjustment to the utility's allocation.

Amortization of Rate Case Expense

Finally, Southern States requested to amortize rate case expense over a four-year period. Under Section 367.0816, Florida Statutes, rate case expense should be "apportioned for recovery over a period of 4 years. At the conclusion of the recovery period, the rate of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates." Since the utility's request is in conformance with the governing law, we find that no adjustment to its requested amortization period is required.

Annual Rate Case Expense

Based upon the discussion above, we find that the appropriate amount of annual rate case expense is \$7,841 per system, which is a reduction of \$4,040 per system from the utility's requested amount.

Depreciation Rates

Southern States currently depreciates utility plant over a forty-year period. In its application, however, the utility requested to change its depreciation rates to conform with the

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 19

"guideline rates" as set forth in Rule 25-30.140, Florida Administrative Code. This rule attempts to match the recovery of invested capital as nearly as possible to the useful life of the depreciable asset. Further, the rule requires utilities to use the guideline rates in all rate proceedings before this Commission unless we expressly approve the use of depreciation rates other than the guideline rates. We, therefore, find it appropriate to allow the utility to employ the guideline depreciation rates embodied in Rule 25-30.140, Florida Administrative Code. Since the utility has already reflected this change in its application, no further adjustments are necessary.

Regulatory Assessment Fees

By Section 367.145, Florida Statutes, this Commission was granted the authority to increase regulatory assessment fees for water and wastewater utilities to 4.5 percent of gross revenues derived from intrastate business. Accordingly, we have amended Rule 25-30.120, Florida Administrative Code, to state that

For the year beginning January 1, 1990, each utility shall pay a regulatory assessment fee in the amount of two and one-half percent of its gross revenues derived from intrastate business for the first six months of that year and four and one-half percent for the second six months of that year. Thereafter, beginning January 1, 1991 each utility shall pay a regulatory assessment fee in the amount of four and one-half percent for the entire year.

In the instant case, Southern States will place its new rates into effect on or about June 15, 1990, or two weeks prior to the effective date of the increased regulatory assessment fee. The impact of including the increased regulatory assessment fee in rates for two weeks prior to the actual effective date of the increase is approximately \$.20 per customer in each system. We believe that this amount is too immaterial to have any impact on rates and have, therefore, declined to prorate the increase.

Based upon the discussion above, we find that regulatory assessment fees for the test year should be increased by

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 20

\$13,189 for water and \$12,592 for wastewater. We have also adjusted regulatory assessment fees for the change in revenues approved herein, which results in a decrease of \$409 for water and an increase of \$3,405 for wastewater. Accordingly, we find that regulatory assessment fees should be increased by a total of \$12,780 for water and \$15,997 for wastewater.

Income Tax Expense

Southern States' requested income tax expense of \$150,052, which consists of \$38,981 for water and \$111,071 for wastewater. Initially, we have removed \$91,979, the tax increase related to the proposed wastewater revenue increase, to arrive at the appropriate adjusted test year amount.

In addition, we decreased current income tax expense by \$4,639 for the tax effect of other adjustments to test year revenues and expenses. We have also increased this amount by \$7,044 to reflect the revenue increase approved hereunder, for a net decrease of \$89,574. Although a permanent difference of \$1,064 is reported on MFR Schedule C-4 for the 20 percent disallowance of meal and entertainment expenses required by Section 274(n), Internal Revenue Code, it is not reflected in the utility's income tax calculation on MFR Schedule B-3(c). We have, therefore, increased current tax expense by \$400 ($\$1,064 \times 37.63$ percent) to reflect this difference. We have made no adjustments to deferred income tax expense, either state or federal.

We have also deducted annual investment tax credit amortization of \$3,563, which was not reflected in the utility's tax calculation, from total tax expense. We further increased income tax expense by \$9,735 to reconcile the interest expense in the income tax calculation with the interest expense inherent in the approved capital structure.

Finally, as noted in the background section of this Order, Southern States is a subsidiary of The Topeka Group, Inc. which is itself a subsidiary of Minnesota Power & Light Company. Under Rule 25-14.004, Florida Administrative Code,

. . . the income tax expense of a regulated company shall be adjusted to reflect the income tax expense of the parent debt that may be

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 21

invested in the equity of the subsidiary where a parent-subsidiary relationship exists and the parties to the relationship join in the filing of a consolidated income tax return.

The rule also states that "[i]t shall be a rebuttable presumption that a parent's investment in any subsidiary or in its own operations shall be considered to have been made in the same ratios as exist in the parent's overall capital structure."

According to information provided by the utility, Rule 25-14.004, Florida Administrative Code, does not apply in this case because the parent company invests only equity in its subsidiaries. Accordingly, we find that a parent debt adjustment is inappropriate for this proceeding.

Based upon the discussion above, we find that the appropriate amount of income tax expense for this proceeding is \$69,757.

NOI

Based upon the utility's application and the adjustments discussed above, we find that the appropriate levels of test year NOI are \$137,031 for water and \$166,045 for wastewater.

REVENUE REQUIREMENT

Based upon the information filed and the adjustments made herein, we find that the following annual revenue requirements will give Southern States the opportunity to earn a 9.93 percent rate of return on its investment in property used and useful in providing service to its customers:

	<u>Total</u>	<u>Increase or (Decrease)</u>	<u>Percent</u>
Water	\$638,981	(\$20,464)	(3.10 percent)
Wastewater	\$799,820	\$170,232	27.04 percent

Removal of Rate Case Expense

As noted under our discussion of rate case expense, under Section 367.0816, Florida Statutes, rate case expense must be amortized over a four-year period. Further, pursuant to that section, "[a]t the conclusion of the recovery period, the rate

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 22

of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates." When rate case expense is removed, including the associated regulatory assessment fees, the annual revenue requirements are reduced to \$630,777 for water and \$791,610 for wastewater. These revenue requirements shall, therefore, be implemented four years after the effective date of the rates.

RATES AND CHARGES

Rate Structure

The Beacon Hills and Woodmere water systems both employ a conventional rate structure, which includes a minimum gallonage allowance within the frame of the minimum charge, and a one-step gallonage charge for gallons consumed above the minimum gallonage allowance. The gallonage charge over the minimum gallonage allowance is 25 percent higher for the general service customers of the Woodmere system than for residential customers.

The Beacon Hills and Woodmere wastewater systems both employ a flat rate structure for their residential customers. The general service customers of Woodmere are billed for wastewater at the rate of 150 percent of the water bill. The utility does not presently have a rate for the general service customers served by the Beacon Hills system.

In keeping with current Commission practice, we believe that the base facility/gallonage charge rate structure should be employed. The base facility/gallonage charge is the preferred rate structure due to its ability to track costs. In addition, this rate structure gives the customers some control over the amount of their water and wastewater bills. Each customer pays for his pro rata share of the costs necessary to provide service through the base facility charge and only his actual usage through the gallonage charge.

In analyzing the conventional water rate structure that includes a minimum gallonage allowance within the frame of the minimum charge, it does not appear that those water customers that use the minimum gallonage are paying their pro rata share of the costs. As an example, the minimum charge for a Woodmere customer with a 5/8 inch x 3/4 inch meter is \$5.53. This minimum charge includes a minimum gallonage allowance of 3,000

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 23

gallons. The charge for consumption above the minimum allowance is \$.91 per thousand gallons. If the 3,000 gallon minimum allowance is backed out of the minimum charge at \$.91 per thousand gallons, the resulting "base" charge would be \$2.80. Applying this same methodology to a Beacon Hills customer with a 5/8 inch x 3/4 inch meter results in a "base" charge of \$1.58 per month.

On the other hand, these minimal water consumers pay more than their fair share of the wastewater costs, as they are required to pay the same flat rate wastewater charge as a customer that uses several thousand gallons. We believe that the base facility/gallage charge rate structure will correct these inequities.

Uniform Rates

In its application, Southern States requested that uniform county-wide water and wastewater rates be established for the Woodmere and Beacon Hills systems. Based upon its request, we have performed an analysis of the impact of such uniform rates upon the customers of each system. Our analysis is attached to this Order as Schedule No. 5.

The largest increase for the Woodmere system is 34.2 percent, at the 8,000 gallon consumption level, where the combined water and wastewater bill will increase from \$23.04 under the present rates to \$30.91 under the rates approved hereunder, on a monthly basis. The largest increase for the Beacon Hills system is 29.3 percent, at the 8,000 gallon consumption level, where the combined water and wastewater bill will increase from \$23.90 under the present rates to \$30.91 under the rates approved hereunder, on a monthly basis.

Since the amounts of the increases or decreases for the two systems are very close, we find it appropriate to approve Southern States' request for uniform county-wide rates.

Billing Cycle

Currently, the Beacon Hills customers are billed on a quarterly basis and the Woodmere customers are billed on a monthly basis. Southern States bills the vast majority of its customers on a bi-monthly billing cycle and has requested that it be allowed to change to uniform county-wide bi-monthly billing.

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 24

We have not received correspondence from any customers objecting to the proposed change, nor were any objections raised at the customer meeting held on January 31, 1990. Accordingly, we find it appropriate to allow Southern States to implement uniform county-wide bi-monthly billing.

New Class of Service

Southern States does not have an approved wastewater rate for the general service customers served by the Beacon Hills system. It has been charging these customers, which number approximately 46, the residential flat rate charge of \$47.27 per month.

As a result of the utility not filing for a new class of service for these customers, the annual wastewater revenues for this classification will increase from a test year total of \$8,603 to \$23,016, or 167.5 percent, while the overall wastewater increase is only 27.0 percent.

This Commission does everything within its power to avoid customer "rate shock". If the utility had filed for a new class of service as it should, the "rate shock" for these customers could have been avoided. Accordingly, we find that the utility should draft a "special letter" to these customers explaining the reason for the large increase and submit the letter to this Commission for our approval prior to the time the letters are mailed to the customers.

In addition to the above, we find that Southern States failed to comply with the requirements of Section 367.091, Florida Statutes, which states that

If any request for service of a utility shall be for a new class of service not previously approved, the utility may furnish the new class of service and fix and charge just, reasonable, and compensatory rates or charges therefor. A schedule of rates or charges so fixed shall be filed with the commission within 10 days after the service is furnished. The commission may approve such rates or charges as filed or may approve such other rates or charges for the new class of service which it finds are just, reasonable, and compensatory. (Emphasis Added)

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 25

Since Southern States did not comply with the requirements of this section, we also find it appropriate to fine it \$250 since, by its inaction, it has placed itself, as well as this Commission, in an untenable position with these customers.

Rates

The rates which we find to be fair just and reasonable are depicted, along with a comparison of the utility's current and its requested final rates, on Schedules Nos. 4-A for water and 4-B for wastewater. These rates have been designed to produce annual revenues of \$638,981 for water and \$799,820 for wastewater. These revenues represent a decrease of 3.10 percent for water and an increase of 27.0 percent for wastewater.

The water rates approved herein are uniform for residential and general service customers. The rates for wastewater service include the same base charge for all residential customers regardless of meter size, with a cap of 16,000 gallons of bi-monthly usage on which the gallonage charge may be billed. There is no cap on usage for general service wastewater customers. The cap on residential usage is to recognize that a portion of a residential customer's water usage will not be returned to the wastewater system.

The rates approved herein will be effective for service rendered on or after the stamped approval date on the revised tariff pages, since the utility will bill bi-monthly. The revised tariff pages will be approved upon staff's verification that the tariffs are consistent with our decision, that the protest period has expired and that the proposed customer notice is adequate.

Reduction to Reflect Removal of Rate Case Expense

Under Section 367.0816, Florida Statutes, once rate case expense has been fully amortized, the rates of the utility must be reduced immediately by the amount of rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989.

Accordingly, at the end of the four-year amortization period, both water and wastewater rates should be reduced by annual revenue amounts of \$8,210. These revenue amounts

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 26

represent the annual rate case expense amounts, grossed-up for regulatory assessment fees.

No less than thirty days prior to the end of the amortization period, Southern States shall file revised tariff pages reflecting the removal of the rate case expense provision. In addition, Southern States shall also file at that time a proposed "customer letter" setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Miscellaneous Service Charges

Consistent with Staff Advisory Bulletin No. 13, Second Revised (SAB 13), Southern States has requested to increase its miscellaneous service charges. Other than the requested "after hours" charges, the requested charges are in accordance with those recommended by SAB 13 and are, therefore, approved.

As for the after hours charge, during the rate audit, the utility was advised that it had not adequately supported the after hours reconnection charges of \$19.00 and that it had merely confirmed the fact that overtime labor is one and one-half times the regular labor charge. Further, it was pointed out to the utility that if this higher charge had been in effect during the test year, it would have collected only \$8.00 more in revenues. As a result, at the time of our rate audit, Southern States orally withdrew its request for the after hours charge of \$19.00.

We have no doubt that the cost of connecting someone after business hours is greater than the cost of connecting someone during business hours. However, since the utility failed to adequately support the higher charge, and especially since it withdrew its request for the higher charge, we find it appropriate to disapprove the requested after hours charge.

The utility's current miscellaneous service charges and those approved herein are set forth below for the purpose of comparison. As noted, the only differences between the

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 27

requested charges and the approved charges were the requested \$19.00 after hours charges.

<u>Service</u>	<u>Current Charge</u>		<u>Approved Charge</u>	
	<u>During Business Hours</u>	<u>After Business Hours</u>	<u>During Business Hours</u>	<u>After Business Hours</u>
Initial Connection	\$10.00	\$15.00	\$15.00	\$15.00
Normal Reconnection	10.00	15.00	15.00	15.00
Violation Reconnection	10.00	15.00	15.00	15.00
Premises Visit	5.00	N/A	10.00	N/A

These charges will be effective for service provided on or after the stamped approval date on the revised tariff pages. The revised tariff pages will be approved upon Staff's verification that the tariffs are consistent with our decision as reflected herein and that the protest period has expired.

Service Availability Charges

When plant is reduced by accumulated depreciation and CIAC is reduced by accumulated amortization, the levels of contributed plant for this utility are 63.3 percent for water and 67.1 percent for wastewater. These levels are within the guidelines of Rule 25-30.580, Florida Administrative Code. Southern States neither requested nor do we find any reason to modify these charges at this time. The existing service availability charges are listed below for informational purposes.

WATER

Meter Installation Charges

<u>Meter Size</u>	<u>Installation Charge</u>
5/8" x 3/4"	\$ 75.00
3/4"	85.00
1"	100.00
1 1/2"	172.00
2" and larger	Actual Cost

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 28

Service (Lateral) Installation Charges

Short Service Line (1)	\$150.00
Long Service Line (2)	\$175.00
Long Service Line (3)	\$200.00

- (1) Short Service Line - Tapping into the main line located on the same side of the street as property to be served.
- (2) Long Service Line - Tapping into the main line located on the opposite side of an unpaved road of the property to be served.
- (3) Long Service Line - Tapping into the main line located on the opposite side of a paved road of the property to be served, requiring jacking or boring the service line under the street.

WASTEWATER

Service (Lateral) Installation Charges

Short Service Line (1)	\$350.00
Long Service Line (2)	\$450.00
Long Service Line (3)	\$650.00

- (1) Short Service Line - Tapping into the wastewater collection main located on the same side of the street as property to be served.
- (2) Long Service Line - Tapping into the wastewater collection main located on the opposite side of an unpaved road of the property to be served.
- (3) Long Service Line - Tapping into the wastewater collection main located on the opposite side of a paved road of the property to be served, requiring jacking or boring the service line under the street.

Refund of Water Revenues

According to the utility's application, the adjusted test year net operating income generated a rate of return of 11.12 percent for water. Southern States has requested a 10.56 percent rate of return for final rates, with a range of reasonableness of 10.27 percent to 10.86 percent. Southern

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 29

States contends that, based upon its requested rate of return, 11.12 percent should be considered to fall within the range of reasonableness even though it falls outside the requested range.

Section 367.082, Florida Statutes, requires that we make overearnings determinations based upon the last authorized rate of return, not the requested rate of return. As discussed more fully below, our analysis indicates that this utility is exceeding its last authorized rate of return for the water systems. However, the amount by which the wastewater systems are underearning more than offsets any overearnings. Where the water and wastewater customers are substantially the same, as they are in this case, it has been our practice to make no refund if the overearnings in one system are offset by underearnings in the other system.

Our calculation of the appropriate rate base for the purpose of determining whether the utility is overearning for water service is attached as Schedule No. 4-A, with our adjustments itemized on Schedule No. 4-C. We have made a number of adjustments to the utility's schedules. We have already addressed these adjustments and will not discuss them further here.

Our calculation of the appropriate cost of capital to determine whether this utility is overearning for water service is attached as Schedule No. 5. The utility has two previously authorized rates of return on equity for its Duval county water systems, 13.5 percent (+1.0 percent) for the Beacon Hills system, and 13.5 percent (+1.5 percent) for the Woodmere system. Section 367.082(2)(b), Florida Statutes, requires that we use the high end of the range of the last authorized rate of return on equity when making an overearnings determination. Accordingly, we used the capital structure discussed previously and a rate of return on equity of 14.5 percent, which is the high end of the lower of the two authorized ranges, to calculate an overall rate of return of 10.09 percent.

Our schedule of NOI, for the purpose of determining whether the utility is overearning for water service, is attached as Schedule No. 6-A, with our adjustments itemized on Schedule No. 6-C. We removed \$5,518 of revenues associated with proposed service charges from water. We also removed the utility's \$62,399 pro forma adjustment to wastewater O & M expenses for purchased sewage treatment. Further, we calculated regulatory assessment fees using the 2.5 percent rate which was in effect during the appropriate period.

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 30

The revenue requirements produced as a result of the above calculations are \$605,985 for water and \$721,352 for wastewater. While the water systems are overearning when taken alone, the revenues collected on an interim basis do not exceed the revenue requirement when water and wastewater are considered together. Thus, on an overall basis, the utility is not overearning.

Since the \$47,942 of water overearnings are more than offset by the \$91,764 of wastewater underearnings, we find that no refund is necessary.

Allowance for Funds Prudently Invested (AFPI)

The purpose of an AFPI charge is to allow the utility to recover a fair rate of return on the portion of the plant facilities which were prudently constructed, but exceed the amount necessary to serve current customers. The utility requested an AFPI charge for the nonused and useful portion of the Woodmere water and wastewater plants and for the nonused and useful portion of the wastewater outfall line which was in CWIP during the test year. No charges are needed for the Beacon Hills systems because all assets in which the utility has an investment are 100 percent used and useful. The AFPI charges requested by the utility for the water system begin at \$1.35 in June 1990 and accumulate to \$96.64 after five years. The AFPI charges requested for the wastewater system begin at \$4.60 in June 1990 and accumulate to \$321.99 after five years. The charges requested for the outfall line begin at \$2.43 in June 1990 and accumulate to \$167.54 over a five-year period.

The cost of the qualifying asset is the net plant cost removed from the rate base. The capacity of the qualifying asset is that portion left over after considering test year consumption, fire flow, and margin reserve. The number of future customers was calculated based on the remaining capacity and the average usage of the current customers. The remaining information was taken from Schedules Nos. 2 and 3.

Based upon the discussion above, we hereby approve AFPI charges for both the water and wastewater systems. The difference between the rates calculated by the utility and the rates approved herein is due to the differences in the overall rate of return, the weighted cost of equity, the inclusion of property tax associated with nonused and useful plant, and the change in regulatory assessment fees.

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 31

Although we agree that AFPI charges are appropriate for this utility, we do not believe it is appropriate to charge AFPI for plant which is not yet in service. Some of the carrying costs used to calculate AFPI, such as property tax and depreciation, do not begin to accumulate on incomplete construction. We have, therefore, disallowed any AFPI for the outfall line which was in CWIP during the test year.

The utility calculated the accrued charges for five years, which is consistent with Commission practice. While this does not prevent the utility from collecting the charge after five years, as long as it does not exceed the approved number of ERCs, the amount remains fixed at the five-year level.

Based upon the discussion above, we hereby approve the AFPI charges depicted on Schedules Nos. 5-A for water and 5-B for wastewater. The water charge begins at \$1.39 and accumulates to \$96.26 over a five-year period. After the utility collects these charges from 460 water ERCs, the charge shall be discontinued. The wastewater charge begins at \$4.77 and accumulates to \$320.97 over a five year period. After the utility collects these charges from 67 wastewater ERCs, the charge shall be discontinued.

Upon consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that this Order is issued as proposed agency action and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding with the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0850, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained herein, whether in the form of discourse or schedules attached hereto, are by reference, specifically incorporated herein. It is further

ORDERED that the request by Southern States Utilities, Inc. for increased rates and charges is hereby granted, in part, as set forth in the body of this Order. It is further

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 32

ORDERED that Southern States Utilities, Inc. be and is hereby assessed a penalty of \$250 for its failure to apply for a new class of service as required by Section 367.091, Florida Statutes. It is further

ORDERED that the rates and charges approved herein shall be effective for services rendered on or after the stamped approval date on the revised tariff pages. It is further

ORDERED that, prior to its implementation of the rates approved herein, Southern States Utilities, Inc. shall submit and have approved a proposed notice to its customers of the increased rates and the reasons therefor. It is further

ORDERED that, prior to its implementation of the rates approved herein, Southern States Utilities, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Staff's verification that they are consistent with our decision as reflected herein, that the protest period has expired and upon its approval of the proposed customer notice. It is further

ORDERED that this docket shall remain open until Staff has verified that the problems addressed under our discussion of quality of service have all been corrected.

By ORDER of the Florida Public Service Commission, this 30th day of APRIL, 1990.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

RJP

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 33

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 21, 1990.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 34

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 1-A
 DOCKET NO. 890951-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 3,953,543	\$ 0	\$ 3,953,543	(41,858)	\$ 3,911,685
2					
3 LAND	120,500	0	120,500	0	120,500
4					
5 NON-USED & USEFUL COMPONENTS	0	(45,045)	(45,045)	0	(45,045)
6					
7 C.W.I.P.	0	0	0	0	0
8					
9 C.I.A.C.	(2,295,631)	0	(2,295,631)	73,364	(2,222,267)
10					
11 ACCUMULATED DEPRECIATION	(716,342)	11,652	(704,690)	1,135	(703,555)
12					
13 AMORTIZATION OF C.I.A.C.	293,450	0	293,450	(14,004)	279,446
14					
15 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
16					
17 WORKING CAPITAL ALLOWANCE	37,573	1,989	39,562	(360)	39,202
18					
19 RATE BASE	\$ 1,393,093	\$ (31,404)	\$ 1,361,689	\$ 18,277	\$ 1,379,966
20					

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 35

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY
 SCHEDULE OF SEWER RATE BASE
 TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 1-B
 DOCKET NO. 890951-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 5,317,145	\$ (74,250)	\$ 5,242,895	\$ (85,074)	\$ 5,157,821
2					
3 LAND	64,014	0	64,014	0	64,014
4					
5 NON-USED & USEFUL COMPONENTS	0	(177,985)	(177,985)	91,276	(86,709)
6					
7 C.W.I.P.	0	393,766	393,766	(228,190)	165,576
8					
9 C.I.A.C.	(3,362,050)	0	(3,362,050)	(42,487)	(3,404,537)
10					
11 ACCUMULATED DEPRECIATION	(809,821)	42,959	(766,862)	16,494	(750,368)
12					
13 AMORTIZATION OF C.I.A.C.	468,096	0	468,096	7,167	475,263
14					
15 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
16					
17 WORKING CAPITAL ALLOWANCE	41,606	9,370	50,976	125	51,101
18					
19 RATE BASE	\$ 1,718,990	\$ 193,860	\$ 1,912,850	\$ (240,689)	\$ 1,672,161
20					

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 36

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 1-C
PAGE 1 OF 1
DOCKET NO. 890951-WS

EXPLANATION	ADJUSTMENTS	
	WATER	SEWER
1 UTILITY PLANT IN SERVICE		
2 A. To remove wastewater plant for unsupported		
3 increase in balance.	\$ 0	\$ (33,843)
4		
5 B. To remove AFUDC charged without an		
6 approved rate.	(41,858)	(51,231)
7		
8 NET ADJUSTMENT	\$ (41,858)	\$ (85,074)
9		
10		
11 NON-USED AND USEFUL COMPONENTS		
12 A. To correct for staff's adjustment to CWIP.	\$ 0	\$ 91,276
13		
14 CWIP		
15 A. To adjust CWIP to staff's calculation.	\$ 0	\$ (228,190)
16		
17 CIAC		
18 A. To adjust CIAC balances which are based on	\$ 73,364	\$ (42,487)
19 unsupportable data.		
20		
21 ACCUMULATED DEPRECIATION		
22 A. To remove accumulated depreciation associated		
23 with corrections of errors.	\$ 221	\$ 4,494
24		
25 B. To remove accumulated depreciation associated		
26 with AFUDC charged without an approved rate.	914	2,705
27		
28 C. To remove accumulated depreciation		
29 associated with CWIP.	0	9,295
30		
31 NET ADJUSTMENT	\$ 1,135	\$ 16,494
32		
33		
34 AMORTIZATION OF CIAC		
35 A. To adjust accumulated amortization of CIAC		
36 which is based on unsupportable data.	\$ (14,004)	\$ 7,167
37		
38		
39 WORKING CAPITAL ALLOWANCE		
40 A. To adjust the working capital allowance to		
41 staff calculation of 1/8 O&M.	\$ (360)	\$ 125
42		

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 37

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY
 CAPITAL STRUCTURE
 TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 2-A
 DOCKET NO. 890951-WS

DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	WEIGHTED COST	COMMISSION ADJUSTMENTS TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST
LONG TERM DEBT	\$ 20,085,985	61.96%	9.57%	5.93%	\$ (18,305,801)	\$ 1,780,184	58.33%	9.57%	5.58%
SHORT TERM DEBT	844,626	2.61%	7.13%	0.19%	(769,768)	74,858	2.45%	7.13%	0.17%
CUSTOMER DEPOSITS	507,006	1.56%	8.00%	0.13%	(462,071)	44,935	1.47%	8.00%	0.12%
PREFERRED STOCK	0	0.00%	0.00%	0.00%	179,100	179,100	5.87%	0.00%	0.00%
COMMON EQUITY	9,624,822	29.69%	13.95%	4.14%	(8,771,792)	853,030	27.95%	13.95%	3.90%
INVESTMENT TAX CREDITS	541,603	1.67%	10.88%	0.18%	(493,602)	48,001	1.57%	10.20%	0.16%
DEFERRED INCOME TAXES	812,595	2.51%	0.00%	0.00%	(740,576)	72,019	2.36%	0.00%	0.00%
OTHER CAPITAL	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
TOTAL CAPITAL	\$ 32,416,637	100.00%		10.56%	\$ (29,364,510)	\$ 3,052,127	100.00%		9.93%

RANGE OF REASONABLENESS

LOW HIGH

EQUITY

12.95% 14.95%

OVERALL RATE OF RETURN

9.65% 10.21%

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 38

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY
 ADJUSTMENTS TO CAPITAL STRUCTURE
 TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 2-B
 DOCKET NO. 890951-WS

DESCRIPTION	ADJUST OUT PARENT ITEMS	ADJUST FOR ERROR	PRO RATA RECONCILE	NET ADJUSTMENT
1 LONG TERM DEBT	\$ 0	\$ 0	\$ (18,305,801)	\$ (18,305,801)
2				
3 SHORT TERM DEBT	0		(769,768)	(769,768)
4				
5 CUSTOMER DEPOSITS	0		(462,071)	(462,071)
6				
7 PREFERRED STOCK	0	2,020,800	(1,841,700)	179,100
8				
9 COMMON EQUITY	0		(8,771,792)	(8,771,792)
10				
11 INVESTMENT TAX CREDITS	0		(493,602)	(493,602)
12				
13 DEFERRED INCOME TAXES	0		(740,576)	(740,576)
14				
15 OTHER CAPITAL	0		0	0
16				
17 TOTAL CAPITAL	\$ 0	\$ 2,020,800	\$ (31,385,310)	\$ (29,364,510)
18				

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 3-A
 DOCKET NO. 890951-WS

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 39

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE OR (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 594,089	\$ 42,921	\$ 637,010	\$ 22,435	\$ 659,445	(\$ 20,464)	\$ 638,981
2							
3 OPERATING EXPENSES							
4							
5 OPERATION AND MAINTENANCE	\$ 300,582	\$ 15,914	\$ 316,496	(\$ 2,882)	\$ 313,614		\$ 313,614
6							
7 DEPRECIATION	49,469	(1,406)	48,063	15,941	64,004		64,004
8							
9 AMORTIZATION	0	0	0	0	0		0
10							
11 TAXES OTHER THAN INCOME	80,978	1,073	82,051	11,665	93,716	(921)	92,795
12							
13 INCOME TAXES	28,656	10,326	38,981	(861)	38,120	(6,583)	31,537
14							
15							
16 TOTAL OPERATING EXPENSES	\$ 459,685	\$ 25,907	\$ 485,591	\$ 23,863	\$ 509,454	(\$ 7,504)	\$ 501,950
17							
18							
19 OPERATING INCOME	\$ 134,404	\$ 17,014	\$ 151,419	(\$ 1,428)	\$ 149,991	(\$ 12,960)	\$ 137,031
20							
21							
22 RATE BASE	\$ 1,393,093		\$ 1,361,689		\$ 1,379,966		\$ 1,379,966
23							
24							
25 RATE OF RETURN	9.65%		11.12%		10.87%		9.93%
26							

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY
 STATEMENT OF SEWER OPERATIONS
 TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 3-B
 DOCKET NO. 890951-WS

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 40

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE OR (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 579,183	\$ 298,376	\$ 877,559	\$(247,971)	\$ 629,588	\$ 170,232	\$ 799,820
2							
3 OPERATING EXPENSES							
4							
5 OPERATION AND MAINTENANCE	\$ 332,850	\$ 74,960	\$ 407,810	\$ 1,001	\$ 408,811		\$ 408,811
6							
7 DEPRECIATION	80,579	11,685	92,264	(22,728)	69,536		69,536
8							
9 AMORTIZATION	0	0	0		0		0
10							
11 TAXES OTHER THAN INCOME	98,520	7,459	105,979	3,570	109,549	7,660	117,209
12							
13 INCOME TAXES	(20,411)	131,483	111,071	(86,478)	24,593	13,627	38,220
14							
15							
16 TOTAL OPERATING EXPENSES	\$ 491,538	\$ 225,587	\$ 717,124	\$(104,635)	\$ 612,489	\$ 21,287	\$ 633,776
17							
18							
19 OPERATING INCOME	\$ 87,645	\$ 72,789	\$ 160,435	\$(143,336)	\$ 17,099	\$ 148,945	\$ 166,045
20							
21							
22 RATE BASE	\$ 1,718,990		\$ 1,912,850		\$ 1,672,161		\$ 1,672,161
23							
24							
25 RATE OF RETURN	5.10%		8.39%		1.02%		9.93%
26							

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 41

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY
ADJUSTMENTS TO OPERATING STATEMENT
TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 3-C
PAGE 1 OF 2
DOCKET NO. 890951-WS

EXPLANATION	ADJUSTMENT	
	WATER	SEWER
1 OPERATING REVENUES		
2 A. To remove utility's requested increase.	\$ 0	\$ (250,697)
3		
4 B. To adjust test year revenue to staff calculation		
5 per rate analyst.	22,435	2,726
6		
7 NET ADJUSTMENT	\$ 22,435	\$ (247,971)
8		
9		
10 OPERATION AND MAINTENANCE EXPENSE		
11 A. To adjust rate case expense to staff's		
12 calculation.	\$ (4,040)	\$ (4,040)
13		
14 B. To adjust chemical and purchased power		
15 expense for unaccounted for water.	(4,604)	0
16		
17 C. To reflect additional expense due to		
18 implementation of 1988 price index.	5,762	5,041
19		
20 NET ADJUSTMENT	\$ (2,882)	\$ 1,001
21		
22		
23 DEPRECIATION AND AMORTIZATION EXPENSE		
24 A. To adjust remove depreciation/amortization expense		
25 associated with errors and miscalculations.	\$ 17,243	\$ (5,152)
26		
27 B. To remove depreciation expense associated with		
28 AFUDC charged without an approved rate.	(1,302)	(2,084)
29		
30 C. To remove depreciation expense associated		
31 with CWIP.	0	(15,492)
32		
33 NET ADJUSTMENT	\$ 15,941	\$ (22,728)
34		

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 42

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY
ADJUSTMENTS TO OPERATING STATEMENT
TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 3-C
PAGE 2 OF 2
DOCKET NO. 890951-WS

EXPLANATION	ADJUSTMENT	
	WATER	SEWER
1 TAXES OTHER THAN INCOME		
2 A. To remove regulatory assessment fees		
3 associated with requested revenues.	\$ 0	\$ (\$6,267)
4		
5 B. To reflect regulatory assessment fees		
6 related to staff adjustment to revenues.	.561	68
7		
8 C. To increase regulatory assessment fees to 4.5%.	13,189	12,592
9		
10 D. To remove property tax associated with		
11 non-used and useful plant.	(2,085)	(2,823)
12		
13 NET ADJUSTMENT	\$ 11,665	\$ 3,570
14		
15		
16		
17 INCOME TAXES		
18 A. To adjust test year income taxes		
19 to staff calculation.	\$ (861)	\$ 5,501
20		
21 B. To remove income taxes associated		
22 with requested revenues.	0	(\$91,979)
23		
24 NET ADJUSTMENT	\$ (861)	\$ (86,478)
25		
26 OPERATING REVENUES		
27 A. To adjust revenues to reflect revenues		
28 which allow a fair rate of return.	\$ (20,464)	\$ 170,232
29		
30		
31 TAXES OTHER THAN INCOME		
32 A. To reflect regulatory assessment fees		
33 related to staff adjustment to revenues.	\$ (921)	\$ 7,660
34		
35		
36 INCOME TAXES		
37 A. To reflect income tax expense		
38 related to staff adjustment to revenues.	\$ (6,583)	\$ 13,627
39		

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 43

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY (OVEREARNINGS)
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 4-A
DOCKET NO. 890951-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 3,953,543	\$ 0	\$ 3,953,543	(41,858)	\$ 3,911,685
2					
3 LAND	120,500	0	120,500	0	120,500
4					
5 NON-USED & USEFUL COMPONENTS	0	(45,045)	(45,045)	0	(45,045)
6					
7 C.W.I.P.	0	0	0	0	0
8					
9 C.I.A.C.	(2,295,631)	0	(2,295,631)	73,364	(2,222,267)
10					
11 ACCUMULATED DEPRECIATION	(716,342)	11,652	(704,690)	1,135	(703,555)
12					
13 AMORTIZATION OF C.I.A.C.	293,450	0	293,450	(14,004)	279,446
14					
15 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
16					
17 WORKING CAPITAL ALLOWANCE	37,573	1,989	39,562	(360)	39,202
18					
19 RATE BASE	\$ 1,393,093	\$ (31,404)	\$ 1,361,689	\$ 18,277	\$ 1,165,904
20					

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 44

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY (OVEREARNINGS)
 SCHEDULE OF SEWER RATE BASE
 TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 4-B
 DOCKET NO. 890951-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 5,317,145	\$ (74,250)	\$ 5,242,895	\$ (85,074)	\$ 5,157,821
2					
3 LAND	64,014	0	64,014	0	64,014
4					
5 NON-USED & USEFUL COMPONENTS	0	(177,985)	(177,985)	91,276	(86,709)
6					
7 C.W.I.P.	0	393,766	393,766	(228,190)	165,576
8					
9 C.I.A.C.	(3,362,050)	0	(3,362,050)	(42,487)	(3,404,537)
10					
11 ACCUMULATED DEPRECIATION	(809,821)	42,959	(766,862)	16,494	(750,368)
12					
13 AMORTIZATION OF C.I.A.C.	468,096	0	468,096	7,167	475,263
14					
15 ADVANCES FOR CONSTRUCTION	0	0	0	0	0
16					
17 WORKING CAPITAL ALLOWANCE	41,606	9,370	50,976	(7,675)	43,302
18					
19 RATE BASE	\$ 1,718,990	\$ 193,860	\$ 1,912,850	\$ (248,489)	\$ 1,664,362
20					

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 45

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY (OVEREARNINGS)
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 4-C
PAGE 1 OF 1
DOCKET NO. 890951-WS

EXPLANATION	ADJUSTMENTS	
	WATER	SEWER
1 UTILITY PLANT IN SERVICE		
2 A. To remove wastewater plant for unsupported		
3 increase in balance.	\$ 0	\$ (33,843)
4		
5 B. To remove AFUDC charged without an		
6 approved rate.	(41,858)	(51,231)
7		
8 NET ADJUSTMENT	\$ (41,858)	\$ (85,074)
9		
10		
11 NON-USED AND USEFUL COMPONENTS		
12 A. To remove non-used and useful plant.	\$ 0	\$ 91,276
13		
14 CWIP		
15 A. To remove CWIP from rate base	\$ 0	\$ (228,190)
16		
17 CIAC		
18 A. To adjust CIAC balances which are based on		
19 unsupportable data.	\$ 73,364	\$ (42,487)
20		
21 ACCUMULATED DEPRECIATION		
22 A. To remove accumulated depreciation		
23 associated with corrections of errors.	\$ 221	\$ 4,494
24		
25 B. To remove accumulated depreciation associated		
26 with AFUDC charged without an approved rate.	914	2,705
27		
28 C. To remove acc. depr. associated with CWIP.		9,295
29		
30 NET ADJUSTMENT	\$ 1,135	\$ 16,494
31		
32		
33 AMORTIZATION OF CIAC		
34 A. To adjust accumulated amortization of CIAC		
35 which is based on unsupportable data.	\$ (6,239)	\$ 7,167
36		
37 B. To correct amortization due to inappropriate CIAC		
38 balance used in computing amortization.	(7,765)	0
39		
40 NET ADJUSTMENT	\$ (14,004)	\$ 7,167
41		
42		
43 WORKING CAPITAL ALLOWANCE		
44 A. To adjust the working capital allowance to		
45 staff calculation of 1/8 DM.	\$ (360)	\$ (7,675)

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY (OVEREARNINGS)
 CAPITAL STRUCTURE
 TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 5
 DOCKET NO. 890951-WS

DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	WEIGHTED COST	COMMISSION ADJUSTMENTS TO UTILITY EXHIBIT	BALANCE PER COMMISSION	WEIGHT	COST	WEIGHTED COST
LONG TERM DEBT	\$ 20,085,985	61.96%	9.57%	5.93%	\$ (18,435,204)	\$ 1,650,781	58.33%	9.57%	5.58%
SHORT TERM DEBT	844,626	2.61%	7.13%	0.19%	(775,210)	69,416	2.45%	7.13%	0.17%
CUSTOMER DEPOSITS	507,006	1.56%	8.00%	0.13%	(465,337)	41,669	1.47%	8.00%	0.12%
PREFERRED STOCK	0	0.00%	0.00%	0.00%	166,081	166,081	5.87%	0.00%	0.00%
COMMON EQUITY	9,624,822	29.69%	13.95%	4.14%	(8,833,799)	791,023	27.95%	14.50%	4.05%
INVESTMENT TAX CREDITS	541,603	1.67%	10.88%	0.18%	(497,091)	44,512	1.57%	10.36%	0.16%
DEFERRED INCOME TAXES	812,595	2.51%	0.00%	0.00%	(745,811)	66,784	2.36%	0.00%	0.00%
OTHER CAPITAL	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%
TOTAL CAPITAL	\$ 32,416,637	100.00%		10.56%	\$ (29,586,372)	\$ 2,830,265	100.00%		10.09%

RANGE OF REASONABLENESS

	LOW	HIGH
EQUITY	12.50%	14.50%
OVERALL RATE OF RETURN	9.53%	10.09%

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY (OVEREARNINGS)
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 6-A
 DOCKET NO. 890951-WS

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 47

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE OR (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 594,089	\$ 42,921	\$ 637,010	\$ 16,917	\$ 653,927	(\$ 47,942)	\$ 605,985
2							
3 OPERATING EXPENSES							
4							
5 OPERATION AND MAINTENANCE	\$ 300,582	\$ 15,914	\$ 316,496	(\$ 2,882)	\$ 313,614		\$ 313,614
6							
7 DEPRECIATION	49,469	(1,406)	48,063	15,941	64,004		64,004
8							
9 AMORTIZATION	0	0	0	0	0		0
10							
11 TAXES OTHER THAN INCOME	80,978	1,073	82,051	(1,662)	80,389	(1,199)	79,190
12							
13 INCOME TAXES	28,656	10,326	38,982	10,144	49,126	(17,589)	31,537
14							
15							
16 TOTAL OPERATING EXPENSES	\$ 459,685	\$ 25,907	\$ 485,592	\$ 21,541	\$ 507,133	(\$ 18,788)	\$ 488,345
17							
18							
19 OPERATING INCOME	\$ 134,404	\$ 17,014	\$ 151,418	(\$ 4,624)	\$ 146,794	(\$ 29,154)	\$ 117,640
20							
21							
22 RATE BASE	\$ 1,393,093		\$ 1,361,689		\$ 1,165,904		\$ 1,165,904
23							
24							
25 RATE OF RETURN	9.65%		11.12%		12.59%		10.09%
26							

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY (OVEREARNINGS)
 STATEMENT OF SEWER OPERATIONS
 TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 6-B
 DOCKET NO. 890951-WS

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 48

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE OR (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 579,183	\$ 298,376	\$ 877,559	\$ (247,971)	\$ 629,588	\$ 91,764	\$ 721,352
2							
3 OPERATING EXPENSES							
4							
5 OPERATION AND MAINTENANCE	\$ 332,850	\$ 74,960	\$ 407,810	\$ (61,398)	\$ 346,412		\$ 346,412
6							
7 DEPRECIATION	80,579	11,685	92,264	(22,728)	69,536		69,536
8							
9 AMORTIZATION	0	0	0		0		0
10							
11 TAXES OTHER THAN INCOME	98,520	7,459	105,979	(9,022)	96,957	2,294	99,251
12							
13 INCOME TAXES	(20,411)	131,483	111,072	(106,521)	4,551	33,668	38,219
14							
15							
16 TOTAL OPERATING EXPENSES	\$ 491,538	\$ 225,587	\$ 717,125	\$ (199,669)	\$ 517,456	\$ 35,962	\$ 553,418
17							
18							
19 OPERATING INCOME	\$ 87,645	\$ 72,789	\$ 160,434	\$ (48,302)	\$ 112,132	\$ 55,802	\$ 167,934
20							
21							
22 RATE BASE	\$ 1,718,990		\$ 1,912,850		\$ 1,664,362		\$ 1,664,362
23							
24							
25 RATE OF RETURN	5.10%		8.39%		6.74%		10.09%
26							

ORDER NO. 22871
DOCKET NO. 890951-WS
PAGE 49

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY (OVEREARNINGS)
ADJUSTMENTS TO OPERATING STATEMENT
TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 6-C
PAGE 1 OF 2
DOCKET NO. 890951-WS

EXPLANATION	ADJUSTMENT	
	WATER	SEWER
1 OPERATING REVENUES		
2 A. To remove utility's requested increase.	\$ 0	\$ (250,697)
3		
4 B. To adjust test year revenue to staff calculation		
5 per rate analyst.	22,435	2,726
6		
7 C. To remove revenues associated with proposed		
8 service charges.	(5,518)	0
9	-----	-----
10 NET ADJUSTMENT	\$ 16,917	\$ (247,971)
11	-----	-----
12		
13 OPERATION AND MAINTENANCE EXPENSE		
14 A. To adjust rate case expense to revised estimate.	\$ (4,040)	\$ (4,040)
15		
16 B. To remove pro forma adjustment for purchased		
17 sewage treatment.	0	(62,399)
18		
19 C. To adjust chemical and purchased power		
20 expense for unaccounted for water.	(4,604)	0
21		
22 D. To reflect additional expense for 1989 due to		
23 implementation of 1988 price index.	5,762	5,041
24	-----	-----
25 NET ADJUSTMENT	\$ (2,882)	\$ (61,398)
26	-----	-----
27		
28 DEPRECIATION AND AMORTIZATION EXPENSE		
29 A. To remove depreciation/amortization expense		
30 associated with errors and miscalculations.	\$ 17,243	\$ (5,152)
31		
32 B. To remove depreciation expense associated with		
33 AFUDC charged without an approved rate.	(1,302)	(2,084)
34		
35 C. To remove depreciation expense		
36 associated with CWIP.	0	(15,492)
37	-----	-----
38 NET ADJUSTMENT	\$ 15,941	\$ (22,728)
39	-----	-----
40		

ORDER NO. 22871
 DOCKET NO. 890951-WS
 PAGE 50

SOUTHERN STATES UTILITIES, INC. - DUVAL COUNTY (OVEREARNINGS)
 ADJUSTMENTS TO OPERATING STATEMENT
 TEST YEAR ENDED MAY 31, 1989

SCHEDULE NO. 6-C
 PAGE 2 OF 2
 DOCKET NO. 890951-WS

EXPLANATION	ADJUSTMENT	
	WATER	SEWER
1 TAXES OTHER THAN INCOME		
2 A. To remove regulatory assessment fees		
3 associated with requested revenues.	\$ 0	\$ (\$6,267)
4		
5 B. To reflect regulatory assessment fees		
6 related to staff adjustment to revenues.	423	68
7		
8 C. To remove property tax associated with		
9 non-used and useful plant.	(2,085)	(2,623)
10		
11 NET ADJUSTMENT	\$ (1,662)	\$ (9,022)
12		
13		
14 INCOME TAXES		
15 A. To adjust test year income taxes		
16 to staff calculation.	\$ 10,144	\$ (14,542)
17		
18 B. To remove income taxes associated		
19 with requested revenues.	0	(\$91,979)
20		
21 NET ADJUSTMENT	\$ 10,144	\$ (106,521)
22		
23 OPERATING REVENUES		
24 A. To adjust revenues to reflect revenues		
25 which allow a fair rate of return.	\$ (47,942)	\$ 91,764
26		