

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for rate) DOCKET NO. 950495-WS
increase and increase in service) ORDER NO. PSC-96-0549-PHO-WS
availability charges by Southern) ISSUED: April 23, 1996
States Utilities, Inc. for)
Orange-Osceola Utilities, Inc.)
in Osceola County, and in)
Bradford, Brevard, Charlotte,)
Citrus, Clay, Collier, Duval,)
Highlands, Lake, Lee, Marion,)
Martin, Nassau, Orange, Osceola,)
Pasco, Putnam, Seminole, St.)
Johns, St. Lucie, Volusia, and)
Washington Counties.)

Pursuant to Notice, a Prehearing Conference was held on April 19, 1996, in Tallahassee, Florida, before Commissioner Diane K. Kiesling, as Prehearing Officer.

APPEARANCES:

Kenneth A. Hoffman, Esquire, William B. Willingham, Esquire, Rutledge, Ecenia, Underwood, Purnell & Hoffman, P.A., P. O. Box 551, Tallahassee, Florida 32302-0551, and Brian P. Armstrong, Esquire, Matthew Feil, Esquire, Southern States Utilities, Inc., 1000 Color Place, Apopka, Florida 32703
On behalf of Southern States Utilities, Inc.

Michael B. Twomey, Esquire, P. O. Box 5256, Tallahassee, Florida 32314-5256
On behalf of Marco Island Civic Association, Sugarmill Woods Civic Association, Inc., Spring Hill Civic Association, Concerned Citizens of Lehigh Acres, East County Water Control District and The Harbour Woods Civic Association.

Arthur I. Jacobs, Esquire, P. O. Box 1110, Fernandina Beach, Florida 32035-1110
On behalf of Amelia Island Community Association, Residence Condominium, Residence Property Owners Association, Amelia Retreat Condominium Association, Amelia Surf and Racquet Property Owners Association and Sandpiper Association.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

*Larry M. Haag, Esquire, Citrus County Attorney's Office,
111 W. Main Street, Second Floor, Suite B, Inverness,
Florida, 34450
On behalf of Citrus County.

Jack Shreve, Esquire, Charles J. Beck, Esquire, Harold C.
McLean, Esquire, Stephen C. Reilly, Esquire, Office of
Public Counsel, c/o The Florida Legislature, 111 W.
Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of Florida.

Lila A. Jaber, Esquire, Margaret E. O'Sullivan, Esquire,
Florida Public Service Commission, Gerald L. Gunter
Building, 2540 Shumard Oak Boulevard, Tallahassee,
Florida 32399-0850
On behalf of the Commission Staff.

* Mr. Haag did not appear but filed a document indicating
Citrus County's adoption of other parties' issues.

PREHEARING ORDER

I. CASE BACKGROUND

Southern States Utilities, Inc. (SSU or utility) is a Class A utility, which provides water and wastewater service to 152 service areas in 25 counties. On June 28, 1995, SSU filed an application for approval of interim and final water and wastewater rate increases for 141 service areas in 22 counties, pursuant to Sections 367.081 and 367.082, Florida Statutes. The utility also requested an increase in service availability charges, approval of an allowance for funds used during construction (AFUDC), and an allowance for funds prudently invested (AFPI).

The utility's most recent rate proceedings were processed in Dockets No. 920199-WS, 920655-WS (Marco Island), and 911188-WS (Lehigh Utilities, Inc). By Order No. PSC-93-0423-FOF-WS, issued March 22, 1993, in Docket No. 920199-WS, the Commission approved a uniform rate for 127 of SSU's facilities. That order was appealed by Citrus County and Cypress and Oaks Village Associates. The First District Court of Appeal reversed in part the Commission's decision in Order No. PSC-93-0423-FOF-WS finding that the implementation of a uniform rate required the Commission to make a finding that SSU's facilities and land were functionally related. Accordingly, on October 19, 1995, the Commission issued Order No. PSC-95-1292-FOF-WS, requiring SSU to implement a modified stand alone rate structure and make refunds to its customers. The Commission denied SSU's motion for reconsideration of that order,

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 3

but has, on its own motion, determined that further consideration of the matter is necessary in light of GTE Florida, Inc. v. Clark, No. 85,776 (Fla Sct. Feb. 29, 1996).

The Commission's final determination in Dockets Nos. 930880-WS and 930945-WS, relating to SSU's rate structure and jurisdictional status, respectively, are currently on appeal before the First District Court of Appeal.

The Office of the Public Counsel (OPC), the Marco Island Civic Association, Inc. (Marco Island), Harbour Woods Civic Association (Harbour Woods) East County Water Control District (East County), the Concerned Citizens of Lehigh Acres (Lehigh Acres) the Sugarmill Woods Civic Association, Inc. (Sugarmill Woods), the Spring Hill Civic Association, Inc. (Spring Hill), Amelia Island Community Association, Residence Condominium, Residence Property Owners Association, Amelia Retreat Condominium Association, Amelia Surf and Racquet Property Owners Association and Sandpiper Association the Amelia Island Community Association, et al., (Nassau Associations) and Citrus County have all intervened in this docket.

On August 1, 1995, the Commission determined that SSU's application was deficient because it did not include information for Hernando, Hillsborough and Polk Counties in its filing. On August 2, 1995, the utility filed an amended application which included facilities in those counties. That date has been established as the official date of filing. On November 7, 1995, the Commission issued Order No. PSC-95-1383-FOF-WS, which memorialized a decision made at an October 13, 1995 service hearing. This Commission decision determined that the rates of the facilities of SSU located in the counties of Hernando, Hillsborough, and Polk were not subject to change in this rate proceeding.

The utility's initial interim request was based on a projected test year ending December 31, 1995. The utility requested interim rates which would produce additional revenues of \$7,428,460 for water operations and \$4,920,387 for wastewater operations. On November 1, 1995, the Commission issued Order No. PSC-95-1327-FOF-WS which denied SSU's original request for interim rate relief, suspended the proposed final rates, and allowed the utility to file another petition for interim rates. SSU filed its supplemental petition for interim revenue relief on November 13, 1995. By Order No. PSC-96-0125-FOF-WS, issued January 25, 1996, the Commission approved interim rates for SSU based upon a historic test year, designed to generate annual water and wastewater revenues of \$28,093,125 and \$20,235,652 respectively, subject to refund with interest. This represents a \$3,111,384 (12.66 percent) increase

over water test year revenues, and a \$2,780,553 (15.93 percent) increase over wastewater test year revenues.

SSU's request for final water and wastewater rates is based on a projected twelve month period ending December 31, 1996. The utility has requested a rate of return of 10.32 percent, resulting in additional combined operating revenues of \$18,137,502. The utility is requesting total jurisdictional revenues based on a test year of \$65,302,524.

II. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 367.156, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 367.156, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- 1) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 367.156, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.

- 2) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- 3) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- 4) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- 5) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Records and Reporting's confidential files.

III. POST-HEARING PROCEDURES

Rule 25-22.056(3), Florida Administrative Code, requires each party to file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. The rule also provides that if a party fails to file a post-hearing statement in conformance with the rule, that party shall have waived all issues and may be dismissed from the proceeding.

A party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 150 pages, and shall be filed at the same time. Please see Rule 25-22.056, Florida Administrative Code, for other requirements pertaining to post-hearing filings.

IV. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing. Several witnesses who have not prefiled testimony have been subpoenaed to provide testimony at the technical hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

V. ORDER OF WITNESSES

Witnesses who have not prefiled testimony will present live direct testimony pursuant to subpoena. Those witnesses who have prefiled testimony and have also been subpoenaed to present live testimony shall provide live testimony following presentation of prefiled direct testimony, cross examination and redirect examination. Where indicated, witnesses will provide direct and rebuttal testimony at the same time, but will be subject to recall upon request if further examination is appropriate.

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
<u>Direct</u>		
Arend J. Sandbulte (Direct and OPC subpoena)	SSU	53, 65, 105, 106
Scott W. Vierima	SSU	4, 5, 7, 49, 53, 59-61, 64, 70, 84, 90, 117
Roger A. Morin (stipulated)	SSU	66
William (Dave) Denny	SSU	2, 3, 13, 20-23, 63, 87-89, 91, 117
Rafael A. Terrero, P.E.	SSU	2, 3, 7-10, 14, 17, 18, 22- 35, 37, 38, 41, 45, 117
Gerald C. Hartman, P.E. (direct and rebuttal) (not available 5/8)	SSU	7-9, 17, 18, 24, 27, 30-39, 41, 44, 45, 48, 62
James P. Elliott (direct and rebuttal)	SSU	24, 30, 41
Robert C. Edmunds, P.E. (direct and rebuttal)	SSU	24, 30, 41
Charles M. Bliss (direct and rebuttal) (not available after 5/10)	SSU	16, 19, 24, 26-28, 30-32, 35, 37-39, 40, 41, 45
J. Dennis Westrick, P.E.	SSU	2, 3, 13, 14, 63
Morris A. Bencini	SSU	1, 7, 46, 54, 58-60, 62, 71, 75, 76, 86, 86(a), 89, 107, 108, 114, 124
Judith J. Kimball	SSU	6, 10, 11, 13, 28, 43, 47, 50, 52, 63, 73, 74, 77, 79, 98, 99, 102, 109, 114, 117, 141, 144
Forrest L. Ludsen (not available 5/3, 5/4)	SSU	1, 4, 5, 28, 40, 44, 48, 73, 85, 93-97, 99, 115-121, 123-127, 129-133, 135-138, 140

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
<u>Direct</u>		
Dale G. Lock, CCP	SSU	78, 80-83, 102, 117
Craig J. Anderson	SSU	117
John Hilton, C.P.M.	SSU	117
Bruce E. Gangnon	SSU	67-69, 110-113
Carlyn Harper Kowalsky, Esq.	SSU	76, 92, 121, 122
John B. Whitcomb, Ph.D. (direct and rebuttal) (not available after 5/4)	SSU	73, 75, 118, 119, 124-126
John F. Guastella, P.E. (not available 4/29 to 5/3)	SSU	76
Hugh Gower (not available 4/29, 4/30, 5/1)	SSU	48, 65, 105, 106
Judge Robert Mann	Marco, et al, except Concerned Citizens and East County	125
Budd Hansen	Sugarmill Woods	2, 3, 13, 14, 18, 20, 24, 27, 31, 48, 75, 92, 118, 125, 126, 134
Al Bertram	Sugarmill Woods	
Mike Woelffer	Marco Island	7, 25, 35, 42, 44, 62, 66, 72, 75, 76, 111, 121, 125, 126
Charles Dusseau (by subpoena)	Harbor Woods	
Karl Koch (by subpoena)	Harbor Woods	
Chris Carter (may testify by video conference May 9)	Harbor Woods	4

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
<u>Direct</u>		
J. Donald Riney	Nassau Assoc.	
Ted Bidy, P.E.	OPC	16, 17, 18, 20, 22-28, 30-42, 45
Dr. David E. Dismukes	OPC	
Kimberly H. Dismukes (direct and supplemental testimony)	OPC	6, 11, 21, 25, 29, 43, 44 49, 51, 58, 73, 75-77, 83, 84, 86(a), 92, 93, 97-99, 100, 105, 118
Paul A. Katz (not available 5/8 - 5/10)	OPC	80
Hugh Larkin, Jr., and Donna DeRonne (presented as a panel)	OPC	7, 8, 10, 13, 17, 46-48, 50, 53, 62, 65, 80, 98, 108, 109, 110, 126
James A. Rothschild (stipulated)	OPC	66
Jeff Sharkey (by subpoena)	OPC	
Tracy Smith (by subpoena)	OPC	
Dr. John Cirello (by subpoena)	OPC	
Brian Armstrong, Esq. (by subpoena)	OPC	
Stephanie Smith (by subpoena)	OPC	
Charles Sweat (by subpoena)	OPC	
Janice Beecher (available May 3)	Staff	124, 125

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
<u>Direct</u>		
Robert Casey	Staff	125
Charleston Winston	Staff	52, 54, 56, 59
Robert Dodrill	Staff	6, 8, 62, 144
Jeffrey Small	Staff	78, 81, 86-91, 107
Andrew Maurey (stipulated)	Staff	66
Nancy Pruitt	Staff	2, 3
Gregory Shafer	Staff	124, 125
John Starling	Staff	125
John Williams	Staff	135-137

The following witnesses will provide testimony on behalf of Staff regarding Issues 2 and 3 via teleconference facilities at the locations and times designated below:

May 6 Orlando	9:30 p.m. - 4:30 p.m.	Clarence Anderson Roberto Ansag Scott Breitenstein W.E. Darling Deborah de Paiva Debra Laisure George Sawaya
May 6 Tampa	4:30 p.m.	Pete Burghardt William C. Dunn Phyllis James David McColeman
May 8 Ft. Myers	9:30 a.m. - 12:00 p.m.	Andrew Barienbrock Gary Maier William Allen
May 8 Tampa	1:00 p.m. - 4:00 p.m.	William Ryland* Neal Schobert* Peter Screneck* Sandra Sequeira* *may appear on May 6

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 11

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
<u>Direct</u>		
May 9 West Palm Beach	9:30 a.m. - 11:30 a.m.	Debra Lee Oblaczynski William Theil
May 9 Jacksonville	12:30 p.m. - 3:30 p.m.	Blanca Rodriguez Kristen Smeltzer J. Lee Faircloth
May 9 Pensacola	3:30 p.m. - 5:30 p.m.	John Kintz Toni Touart
<u>Rebuttal</u>		
Richard Harvey (not available 4/29, 5/6 - 5/10)	SSU	17, 18, 29
Elsa Potts (by subpoena)	SSU	17, 18
Van Hoofnagle (by subpoena)	SSU	17, 18
John Sowerby (by subpoena)	SSU	17, 18
Mark Farrell	SSU	92
Jay Yingling	SSU	75, 92
Bruce Adams	SSU	92
Harold Wilkening	SSU	92
David York (by subpoena)	SSU	17, 18
Carlyn Harper Kowalsky, Esq.	SSU	76, 92, 121, 122
Arend J. Sandbulte	SSU	53, 65, 105, 106

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
<u>Rebuttal</u>		
Forrest L. Ludsen	SSU	1, 4, 5, 28, 40, 44, 48, 73, 85, 93-97, 99, 115-121, 123-127, 129-133, 135, 138, 140
Hugh Gower	SSU	48, 65, 105, 106
Ida Roberts (not available 5/9) (prefiled rebuttal and OPC subpoena)	SSU	5
Dale G. Lock, CCP	SSU	78, 80-83, 102, 117
Frank Johnson	SSU	80, 82
Brian Broverman	SSU	102
J. Dennis Westrick, P.E.	SSU	2, 3, 13, 14, 63
Bill Goucher	SSU	2, 3, 13, 14, 63
Steve Bailey	SSU	2, 3, 13, 14, 63
Bruce Paster	SSU	2, 3, 13, 14, 63
Rafael A. Terrero, P.E. (unavailable 5/8)	SSU	2, 3, 7-10, 14, 17, 18, 22- (not 35, 37, 38, 41, 45, 117
William (Dave) Denny	SSU	2, 3, 13, 20-23, 63, 87-89, 91, 117
Roger A. Morin, Ph.D.	SSU	66
Scott W. Vierima	SSU	4, 5, 7, 49, 53, 59-61, 64, 70, 84, 90, 117
Karla O. Teasley, Esq. (prefiled rebuttal and OPC subpoena)	SSU	2, 7, 8, 62, 142
Robert Dilg, Esq.	SSU	7, 8
Bruce E. Gangnon	SSU	67-69, 110-113

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
<u>Rebuttal</u>		
Judith J. Kimball	SSU	6, 10, 11, 13, 28, 43, 47, 50 52, 63, 73, 74, 77, 79, 98, 99, 102, 109, 114, 117, 141, 144
Morris A. Bencini	SSU	1, 7, 46, 54, 58-60, 62, 71 75, 76, 86, 86(a), 107, 108, 114, 124

SSU may present additional rebuttal witnesses in response to testimony which has not been prefiled.

VI. BASIC POSITIONS

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

Rate Structure

SSU requests that the Commission authorize a uniform rate structure for water with two service classifications: conventional and reverse osmosis, and a uniform rate structure for wastewater. Interim rates have been established based upon a modified stand-alone rate structure pursuant to Order No. PSC-96-0125-FOF-WS. SSU requests that the Commission revert to the uniform rate structure requested by SSU. However, implementation of the uniform rate structure requested by SSU should be deferred until the Commission's final agency action determining rate structure in this proceeding is final and no longer subject to appeal. Until such time, SSU requests that it be authorized to charge rates reflecting the Commission's final revenue requirement determination under the current modified stand-alone rate structure.

Test Year Consumption

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

Test Year Expenses

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

Cost of Capital

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

Rate Base

SSU requests that the Commission approve the water and wastewater rate base indicated in the MFRs. The water rate base reflects a three year margin reserve for treatment plant and twelve month margin reserve for lines. Wastewater rate base reflects a five year margin reserve for treatment plant and twelve month margin reserve for lines. SSU's treatment plant margin reserves are supported by experts from SSU, Florida engineering firms and the Department of Environmental Protection. These margin reserves are the most economical for SSU and

its customers, offer the best protection for the public health and Florida's environment and represent a step toward a more efficient administrative process at SSU and Florida's environmental agencies. SSU also requests that no imputation of contributions in aid of construction be made against margin reserve. An imputation negates the margin reserve and thus fosters uneconomic investment in plant, places public health and the environment in danger and results in costly bureaucracy and administrative expense.

Miscellaneous Expenses

SSU requests that the Commission authorize SSU to recover costs of its water conservation program which is endorsed by representatives of the Southwest Florida Water Management District, St. Johns Water Management District and South Florida Water Management District.

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

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

MARCO
ISLAND
ET AL:

Marco Island, Sugarmill Woods, Spring Hill, Harbor Woods take the position that uniform rates, for systems that are not physically interconnected by actual pipes and which do not reflect the actual costs to serve the customers of each system, facility or service area, are unduly discriminatory in violation of the Florida Statutes and constitute a taking of private property for public use in violation of the Fifth Amendment to the United States Constitution for those customers forced to support the utility services of other customers through involuntary rate subsidies. Such uniform rates are fundamentally unfair and subvert any conservation effect of the base facility charge rate structure where a customer's bill is subsidized by other customers. Concerned Citizens of Lehigh Acres and East County take "no position" on the rate structure issue.

All intervening parties concur with the Office of Public Counsel that the filing of this rate case is almost entirely due to the past decisions of this Commission, including cases in which customers were forced to pay a return to SSU on rate base amounts in which the utility had no "investment" in the legal sense of the word, cases in which customers were not given any benefit from the utility's gains on sale of utility systems, and cases in which present customers were required to pay for future growth through margin of reserve awards.

The intervening parties concur with the Office of Public Counsel that SSU's annual revenues should be reduced by some \$10.3 million.

**NASSAU
ASSOC.:**

Adopts the basic position of OPC.

**CITRUS
COUNTY:**

Citrus County adopts all rate design and rate structure and legal positions, particularly those involving the uniform rate structure issue, taken by Sugarmill Woods. For all other issues, Citrus County adopts the positions of the Office of Public Counsel.

OPC:

Past Commission decisions are largely responsible for the present rate case. Some prominent examples of those decisions are (1) requiring customers to pay a return to Southern States on investment amounts exceeding the investment actually made by the company, (2) refusing to provide customers any benefit from gains on sale, and (3) requiring customers to pay for future growth through a margin of reserve. The Commission should review these issues and others raised in this case.

The company's rates are too high. Revenues should be reduced by \$10,360,891 per year.

STAFF:

The information gathered through discovery and prefiled testimony indicates, at this point, that the utility is entitled to some level of increase. The specific level of increase cannot be determined until the evidence presented at hearing is analyzed.

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's recommendation will be based

upon all of the evidence in the record and may differ from the preliminary positions.

VII. ISSUES AND POSITIONS

Nassau Associations adopt the positions of OPC as set forth below.

Citrus County adopts all rate design and rate structure and legal positions, particularly those involving the uniform rate structure issue, taken by Sugarmill Woods. For all other issues, Citrus County adopts the positions of the Office of Public Counsel.

FACILITIES NOT OWNED BY SSU

ISSUE 1: Should the Enterprise plant and facilities be removed from this docket?

SSU: The Enterprise facilities are operated by and customers are served by SSU pursuant to a receivership. The facilities and customers should remain in this docket. (Bencini, Ludsen)

MARCO: No position.

OPC: No position.

STAFF: Yes. SSU operates the Enterprise facilities as a receiver. Enterprise is not owned by SSU and should be removed from this docket.

QUALITY OF SERVICE

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

SSU: Yes. The evidence confirms that service complaints of customers on the Beacon Hills facility primarily are the result of poor source water quality indigenous to the Arlington area and copper plumbing facilities installed by builders. SSU has taken and is taking steps to address the complaints in a manner consistent with applicable requirements. Quality of service at all other facilities meets applicable rules and standards or is being addressed in a timely manner consistent with rules and standards. When non-compliance exists, SSU may not

be penalized by the Commission if the period provided by environmental laws and rules for resolution of the non-compliance item has not yet expired. (Terrero, Teasley, Westrick, Bailey, Paster, Goucher, Denny)

MARCO: Unsatisfactory as demonstrated by testimony at customer service hearings. Furthermore, in addition to generalized testimony of poor water taste, appearance and corrosive effect on plumbing and fixtures, the water at SSU's Beacon Hills system has been shown to contain unacceptably high levels of lead. Harbour Woods takes the position that SSU has exceeded the lead contamination allowance on all or a portion of its Beacon Hills water system in Duval County since at least late-1994. SSU has not fully complied with the Florida Administrative Code and Duval County Health Department's requirements for notifying its water customers at the Beacon Hills water system of the presence of lead contamination. As to SSU's Citrus County facilities, the installation of a 500,000 ground level storage tank and service pump does not meet the requirements of Citrus County Ordinance No. 86-10. It appears that a minimum of 600,000 gallons is required to meet the code. (Hansen)

OPC: The value and quality of SSU's service is unsatisfactory. (Testimony at customer service hearings)

STAFF: No position pending further development of the record. However, at this point, Staff believes that there may be facilities which have a less than satisfactory quality of service. (Nancy Pruitt, William Allen, Clarence Anderson, Jr., Roberto Ansag, Andrew Barienbrock, Scott Breitenstein, Pete Burghardt, W.E. Darling, Deborah de Paiva, William C. Dunn, J. Lee Faircloth, Phyllis James, John Kintz, Debra Laisure, David MacColeman, Gary Maier, Deborah Lee Oblaczynski, Blanca Rodriguez, William Ryland, George Sawaya, Neal Schobert, Peter Screneck, Sandra Sequeira, Kristen Smeltzer, William Thiel, Toni Touart)

ISSUE 3: What adjustments should be made and what corrective action should the Commission require for any facilities that are not currently meeting Department of Environmental Protection standards or have unsatisfactory quality of service?

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

MARCO: SSU should have a program to upgrade water sources. It appears that SSU has purchased numerous systems where well water quality may have been compromised to save money on well drilling and construction. These early "savings" may have resulted in the need to install and maintain special treatment facilities to remove iron. (Hansen)

OPC: The Commission should require corrective action for facilities not meeting DEP standards. See Issue 4 regarding quality of service.

STAFF: No position pending further development of the record. (Nancy Pruitt, William Allen, Clarence Anderson, Jr., Roberto Ansag, Andrew Barienbrock, Scott Breitenstein, Pete Burghardt, W.E. Darling, Deborah de Paiva, William C. Dunn, J. Lee Faircloth, Phyllis James, John Kintz, Debra Laisure, David MacColeman, Gary Maier, Deborah Lee Oblaczynski, Blanca Rodriguez, William Ryland, George Sawaya, Neal Schobert, Peter Screneck, Sandra Sequeira, Kristen Smeltzer, William Thiel, Toni Touart)

ISSUE 4: Based on the findings as to the value and quality of SSU's service, should the Commission reduce SSU's return on equity? If so, by how much?

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

MARCO: Yes. SSU's equity return should be reduced 100 basis points for its generally poor level of quality of service and another 50 basis points in calculating the rates to be charged at Beacon Hills where excessive levels of lead were found and where it appears that SSU failed to meet state rule requirements for correcting lead levels and timely warning consumers. Likewise, 50 basis points should be taken from SSU's return on equity in calculating the rates to be charged at Marco Island, where excessive lead levels were found. (Carter)

OPC: Yes. Return on equity should be reduced by at least 100 basis points.

STAFF: No position pending further development of the record.

ISSUE 5: Has there been misconduct or mismanagement on the part of SSU, and, if so, what is the appropriate sanction or remedy?

SSU: No. There is no evidence of SSU mismanagement or misconduct. He who seeks equity must do equity. (Ludsen, Vierima, Roberts)

MARCO: Yes, SSU should be assessed an additional 100 basis point penalty to its authorized return on equity to punish it for its widespread efforts to pressure this Commission through its extensive ex parte communications as well as for its misleading notices to customers and its attempts to interfere with all customers right to counsel.

OPC: A mismanagement penalty should be assessed for misconduct of (1) soliciting ex parte communications intended to influence the Commission, (2) interference with the notice to customers, and (3) interference with the Citizens' right to counsel. Return on equity should be reduced by at least 100 basis points.

STAFF: No position pending further development of the record.

RATE BASE

LAND

ISSUE 6: Are any adjustments to rate base necessary to reduce Lehigh land for Parcel 4, Tract D, as Plant Held for Future Use (Staff Audit Disclosure No. 2)?

SSU: No position at this time. (Kimball).

MARCO: Agree with OPC

OPC: Yes. With respect to the amount of \$10,480 which should be included in rate base as used and useful, the raw amount of the land value should be reduced by 60% to reflect the Commission's decision in Lehigh's last rate case concerning which entity should be attributed the discount book value associated with the acquisition of the Lehigh consortium of companies. (K. Dismukes, Schedule 37)

STAFF: Yes. Water land should be reduced by \$22.723. (Dodrill)

ISSUE 7: Are any adjustments to water rate base appropriate to reflect the original cost of the Collier property acquired for Marco Island?

SSU: No. The purchase was necessary to supply Marco Island and Marco Shores customers with water. The amount paid was reasonable and prudent. Labor and overheads should properly be applied to the purchase price. If labor and overheads are removed, they must be redistributed to SSU's other plant-in-service project costs. (Bencini, Teasley, Dilg, Hartman, Terrero, Vierima)

MARCO: Yes. SSU's purchase of the Collier Pits was not necessary and the amount paid was not reasonable and prudent. Adjustments should be made to reflect the actual cost and to remove overhead allocations. (Larkin/DeRonne schedule 11/Woelffer)

OPC: Yes. Adjustments should be made to reflect the actual cost and to remove overhead allocations. (Larkin/DeRonne schedule 11)

STAFF: Yes. An adjustment in the amount of \$1,683,411 should be made to remove labor and overhead charges applied to this land purchase.

ISSUE 8: Should an adjustment be made to reclassify a portion of the Collier Property for Marco Island from rate base to non-utility property (Staff Audit Exception No. 2)?

SSU: No. The Collier Lakes were acquired at a reasonable cost reflecting fair value for the property. No less property could have been acquired at a more reasonable cost. The property only will be used as a water supply source -- not for residential or commercial development. (Teasley, Dilg, Hartman, Terrero)

MARCO: A portion of the purchase price should be allocated to non-utility property. Rate base should be reduced by \$5,833,617. (Larkin/DeRonne schedule 11)

OPC: A portion of the purchase price should be allocated to non-utility property. Rate base should be reduced by \$5,833,617. (Larkin/DeRonne schedule 11)

STAFF: Yes. Any land not used for utility purposes should be transferred to non-utility property. The final amount of the adjustment is pending further development of the record. (Dodrill)

ISSUE 9: Should the transfer of the Section 35 (160 Acres) property from plant held for future use to land be allowed for Marco Island?

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

MARCO: No. It appears unlikely that the site will have production facilities in place during 1996 and, therefore, be used and useful during the test period. The cost of the entire 160-acre facility should be removed from rate base.

OPC: No. Currently, it does not seem feasible that this facility will be put into service for the projected test year 1996 because no facilities have been constructed on the site. Therefore, the cost of the 160 acre new water supply site should be eliminated from the rate base in this filing.

STAFF: No. Land that is not currently being used to provide utility service should be classified as plant held for future use and not be transferred to plant in service. The Marco Island land account should be reduced by \$220,855.

ISSUE 10: Should an adjustment be made to disallow the company's proposed transfer of a Deltona site and Marco Island site from property held for future use?

SSU: No. (Torrero, Kimball)

MARCO: Agree with OPC.

OPC: Yes. The Deltona site and Marco Island site should remain classified as property held for future use. Rate base should be reduced by \$253,885. (Larkin/DeRonne schedule 13)

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 23

STAFF: No position pending further development of the record.

PLANT IN SERVICE

ISSUE 11: Should Buenaventura Lakes' rate base be reduced to reflect adjustments made in Docket No. 941151-WS, pursuant to Order No. PSC-96-0413-S-WS, issued March 25, 1993, which approved the transfer?

SSU: SSU proposes to stipulate to Staff's position with the clarifications that these reductions are applied to 1996 average rate base amounts and that the AFUDC/capitalized interest issue will be considered in Docket No. 941151-WS (Kimball)

MARCO: Agrees with OPC.

OPC: Yes. Rate base should be reduced by \$298,190 for the water operations and by \$930,770 for the wastewater operations. Depreciation expense should also be reduced by \$2,261 for the water operations and by \$22,173 for the wastewater operations, in accordance with adjustments reflected on K. Dismukes, Schedule 39. (K. Dismukes)

STAFF: Yes. Buenaventura Lakes' rate base for 1996 should be reduced by \$88,355 and \$456,530, for water and wastewater, respectively.

ISSUE 12: Dropped

ISSUE 13: Are adjustments necessary to the utility's additions to plant, both historic and projected?

SSU: Only as stated in the testimony of SSU witnesses Westrick, Bailey, Goucher, Paster, and Kimball. 1995 actual additions for the total company are within \$1,575,277 or 6.43% of MFR projections. All projects placed in service during 1995 which were not included in SSU's MFR projections should be included for rate setting purposes in this case. SSU's 13-month average 1995 plant-in-service results establish that SSU's plant-in-service projections were \$190,579 too low. Therefore, no slippage adjustment is appropriate. (Westrick, Bailey, Paster, Goucher, Denny, Kimball)

MARCO: Yes. SSU's construction forecasts are not reliable indicators of what the utility will actually construct. SSU's forecasts and subsequent expenditures have been inconsistent in every Sugarmill Woods rate case since 1990. (Hansen)

OPC: Yes. Adjustments should be made to plant in service accumulated depreciation and depreciation expense on account of project slippage. (Larkin/DeRonne schedules 6-9)

STAFF: Yes. Adjustments are necessary to correct double-bookings to plant, reflect actual costs that are now available, and account for project slippage.

ISSUE 14: Are SSU's classifications of expenditures as to "growth", "regulatory", etc. well-founded and reasonable?

SSU: Yes. (Westrick, Bailey, Goucher, Paster, Terrero)

MARCO: No. SSU's classifications tend to shift most capital expenditures to "regulatory mandate" to give the false impression that the money is being spent in conformance with environmental regulations. (Hansen)

OPC: Agree with Marco.

STAFF: No position pending further development of the record.

ISSUE 15: Dropped

USED AND USEFUL

ISSUE 16: Is the utility's methodology of converting ERCs to connected lots for calculating used and useful for transmission, distribution, and collection lines appropriate?

SSU: Yes. (Bliss)

MARCO: Agree with OPC.

OPC: No. Actual connected lot numbers or customers should be used. (Bidby)

STAFF: No position pending further development of the record.

ISSUE 17: Should a margin reserve be included in the calculations of used and useful for each facility?

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

MARCO: Agree with OPC.

OPC: Utilities should require developers to contribute water and wastewater lines, and treatment plant capacities. Existing customers should not pay any margin reserve for future development. (Bidby, Larkin/DeRonne).

STAFF: Yes, for those facilities that are demonstrating growth, and that can accommodate growth.

ISSUE 18: If margin reserve is included in the calculation of used and useful, what is the appropriate margin reserve period?

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

MARCO: A three year margin reserve is not appropriate for water plant. The water plant at Sugarmill Woods has been at 100 percent used and useful since the 1991 test year and SSU has been using up fire protection reserve to cover growth. It appears doubtful, based on SSU's poor history in meeting construction projections, that the new water storage tank and service pumps will be completed at Sugarmill Woods in 1996 as forecast in SSU's MFR's. A five year margin reserve period is not appropriate for sewer plant. (Hansen)

OPC: Three years and five years of margin reserve should not be allowed in the used and useful calculations for water and wastewater treatment facilities, respectively. The Commission traditionally uses twelve months as margin reserve for water mains and sewer lines, and eighteen

months as margin reserve for water and wastewater treatment facilities. (Bidly)

STAFF: No position pending further development of the record.

ISSUE 19: Stipulation

ISSUE 20: What is an acceptable level of unaccounted-for-water?

SSU: Unaccounted for water equal to or less than 12.5% on a system-wide basis is acceptable without further explanation, as SSU proposes. Alternatively, the same percentage on a plant-specific basis is also acceptable without further explanation. (Denny)

MARCO: The average unaccounted-for-water of 10.9 percent for uniform plants for 1994 is unacceptable. (Hansen)

OPC: To achieve appropriate levels of unaccounted for water, PSC should allow no more than 10 percent of unaccounted for water for each water system. The Commission should not allow the 12.5 percent company-wide level of unaccounted for water requested by SSU. (Bidly)

STAFF: An acceptable level of unaccounted-for-water is 12.5%. Any amount over 12.5% should be considered excessive. Further, unaccounted-for-water should be evaluated for each water plant, not on a company-wide basis.

ISSUE 21: Do any water facilities have excessive unaccounted-for-water and, if so, what adjustments are necessary?

SSU: SSU operates one system. Company-wide unaccounted for water is below 12.5% and at the 10% level. SSU should not be penalized for addressing unaccounted for water levels to achieve maximum cost/benefit results. Alternatively, if unaccounted for water is examined on a plant-specific basis, adjustments are inappropriate in this case. Most, if not all, of the instances where an SSU plant's unaccounted for water exceeded 12.5% in the base year can be explained or is otherwise justified. (Denny)

MARCO: Agree with OPC.

ORDER NO. PSC-96-0549-PHO-WS

DOCKET NO. 950495-WS

PAGE 27

OPC: Yes. Test year expenses should be reduced by \$67,121 to adjust for chemical, purchased water, purchased wastewater, and purchased power expenses for excessive unaccounted for water (K. Dismukes, Schedule 32)

STAFF: Yes, those water facilities that experienced greater than 12.5% unaccounted-for-water during the test year should be considered to have excessive unaccounted-for-water. Adjustments to used and useful, chemicals, and purchased power expenses are necessary for those plants. The following 18 water facilities appear to have unaccounted-for water which exceeds the recommended 12.5% level: Amelia Island, Carlton Village, Druid Hills, Golden Terrace, Intercession City, Leisure Lakes, Piccola Island, Pomona Park, St. Johns Highland, Tropical Park, Buenaventura Lakes, Keystone Club, Lehigh, Spring Gardens, Beecher's Point, Citrus Spring, Fountains, Holiday Haven, Interlachen Lakes, Oak Forest, Point O'Woods, Skycrest, Stone Mountain, Woodmere, Geneva Lakes, Lakeside, Remington Forest, and Valencia Terrace. Final determination should be made upon further development of the record

ISSUE 22: What is an acceptable level of infiltration and/or inflow?

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

MARCO: Agree with OPC.

OPC: In the Recommended Standards for Wastewater Facilities, 200 gallons per inch of pipe diameter per mile per day is the recommended guideline, and that criteria is generally used by the FDEP staff. However, from the response to OPC documents request no. 279, SSU indicated that eight out of forty WWTP have excess inflow and infiltration based on the 120 gallons per capita per day EPA guideline. Without knowing the total sewer line footage of each system, engineers could use the 120 gpd EPA guideline as SSU did. (Bidby)

STAFF: An acceptable level of infiltration and/or inflow is as prescribed by EPA, and used by the utility, which allows flows of 120 gallons per capita per day before infiltration and/or inflow is considered to be excessive.

Further, infiltration and/or inflow should be evaluated for each wastewater plant, not on a company-wide basis.

ISSUE 23: Do any wastewater facilities have excessive infiltration and/or inflow and, if so, what adjustments are necessary?

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

MARCO: Agree with OPC.

OPC: Yes, excessive inflow and infiltration should be removed from wastewater influent prior to determining the used and useful percentages for the following wastewater plants: Amelia Island, Sunshine Parkway, South Forty, Florida Central Commerce Park, Lelani Heights, Beecher's Point and Marco Island. (Bidly)

STAFF: Yes. The following wastewater plants have excessive infiltration and/or inflow: Amelia Island, Sunshine Parkway, South Forty, Florida Central Commerce Park, Leilani Heights, Beecher's Point, and Marco Island. Further, adjustments to used and useful, chemicals, and lift station purchased power expenses are necessary for those plants.

ISSUE 24: Should the hydraulic analyses performed on the Citrus Springs, Marion Oaks, Pine Ridge, and Sunny Hills transmission and distribution lines be the basis for determining used and useful percentages for water transmission and distribution facilities at these four sites?

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

MARCO: No. (Hansen)

OPC: No. Hydraulic analysis modeling should not be used for water transmission and distribution used and useful calculations. Hydraulic analysis modeling unfairly

shifts the majority of the cost burden to existing customers, especially in new or sparsely developed areas. The build out flows generated from the hydraulic analysis modeling do not represent the ultimate capacity of water mains. Hydraulic analysis modeling is too complicated, time consuming, and can be manipulated to produce almost any desired results.

STAFF: No. The Commission should not accept the proposed hydraulic analyses for used and useful purposes. Used and useful for these four transmission and distribution systems should be calculated as provided in Staff's positions on used and useful issues below.

ISSUE 25: Should adjustments be made to SSU's filing for its deep injection well on Marco Island?

SSU: No adjustment should be made. (Terrero)

MARCO: Yes. (Woelffer)

OPC: Yes. The deep injection well on Marco Island is 37.24% used and useful and an adjustment of \$2,132,776 should be made, accordingly. (Biddy, Dismukes)

STAFF: No position pending further development of the record.

ISSUE 26: Should an adjustment be made to the Burnt Store water plant capacity?

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

MARCO: Agree with OPC.

OPC: Yes. The capacity of the Burnt Store reverse osmosis water plant should be 380 gallons per minute (gpm) instead of 333 gpm.

STAFF: No position pending further development of the record.

ISSUE 27: What is the correct wastewater treatment plant capacity to use for calculation of SSU's used and useful percentage at Sugarmill Woods?

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 30

SSU: 500,000 gallons per day as indicated on the current operating permit D009-218511 on page 661 of Volume XI, Book 15 of 17. (Hartman, Bliss, Terrero)

MARCO: 700,000 gallons per day as permitted by DEP, which would bring the used and useful calculation to 51.69 percent. (Hansen)

OPC: Construction permit capacity should be used. (Bidly)

STAFF: No position pending further development of the record.

ISSUE 28: Should rate base include water mains laid in the ground but not connected to the existing distribution system?

SSU: Yes. A number of the associated crossings have been connected to SSU facilities since first being laid at a savings to SSU's customers. The crossings should be included in rate base and in the non-used and useful calculation. Crossings should be treated consistent with other non-used and useful plant so that the Company is able to recover AFPI on these prudent investments. To treat these items differently than other non-used and useful plant adds another layer of complexity to rate filing, results in no material difference to customers and should not be used to prevent the Company from recovering justified AFPI charges. (Terrero, Bliss, Kimball, Ludsen).

MARCO: Agree with OPC.

OPC: No, any water mains constructed in place but which do not connect to the existing system should be considered non-used and useful and excluded from rate base. According to Late Filed Deposition Exhibit No. 8 of Charles M. Bliss, the following dollar amounts should be removed from each water system: \$913,386.25 from Citrus Spring; \$204,309.60 from Marion Oaks, \$45,144.00 from Pine Ridge; and \$686,711.20 from Sunny Hills. (Bidly)

STAFF: No position pending further development of the record.

ISSUE 29: Should an adjustment be made to Buenaventura Lakes rate base to remove non-used and useful wetlands?

SSU: No adjustment would be justified since wetlands are required by permit as backup for reuse disposal. (Torrero, Harvey)

MARCO: Agree with OPC.

OPC: Yes. Rate base should be reduced by \$1,019,119. Depreciation expense should be reduced by \$15,707, in accordance with adjustments reflected on K. Dismukes' Schedule 40. (K. Dismukes)

STAFF: No position pending further development of the record.

ISSUE 30: Should the fire flow requirement be included in used and useful calculations?

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

MARCO: Agree with OPC.

OPC: Fire flow should be included in the used and useful calculation only if fire flow provision was proven by sufficient fire flow test records. (Bidy)

STAFF: Yes, fire flows that are actually available, up to the amount required, should be included when calculating used and useful for:

- a. supply wells and pumping if there is no storage
- b. finished water storage
- c. high service pumping

ISSUE 31: Should a single maximum day flow be used in calculating the used and useful percentages for water facilities instead of the average of 5 maximum day flows?

SSU: Yes, the single maximum day demand should be used in the calculation of used and useful percentages for water supply wells and water treatment equipment at plants with finished water storage. Peak hour demands and fire flows should be used in the calculation of used and useful percentages for water supply wells at plants with no finished water storage, for high service pumps and for

the determination of the equalization and fire flow volumes of the finished water storage. Annual average daily demand should be used for the determination of the emergency storage volume portion of the finished water storage. There should be no adjustment for excessive unaccounted for water as indicated in Issue 20. Design considerations require use of a single, maximum day. (Hartman, Bliss, Terrero)

MARCO: No. Five maximum days in the maximum usage month should be used. (Hansen)

OPC: No, the single maximum day flow should not be used in the used and useful calculations in this filing. (Biddy)

STAFF: Yes, the single maximum day which has occurred during the past 5 years, exclusive of anomalies, should be used. However, an adjustment should be made to deduct excessive unaccounted-for-water.

ISSUE 32: Should the Commission use operating permit capacities instead of construction permit capacities for used and useful calculations?

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

MARCO: Agree with OPC.

OPC: No, the construction permit capacities should be used because they represent the actual capacities constructed. (Biddy)

STAFF: No position pending further analysis of the record.

ISSUE 33: Should the "firm reliable capacities" be used in used and useful calculations for supply wells, high service pumps and water treatment facilities?

SSU: Yes. These firm reliable capacities are required to permit uninterrupted service to SSU's customers. To deny recovery of investments in these assets would be confiscation. (Hartman, Terrero)

MARCO: Agree with OPC.

OPC: No, it is not justified to use firm reliable capacity on more than one component. (Bidly)

STAFF: Yes.

ISSUE 34: Should an emergency storage of 8 hours of average daily flow be allowed in used and useful calculations?

SSU: At a minimum, yes. SSU agrees with staff that the emergency storage provision should be added to the numerator rather than removed from the denominator. (Hartman, Terrero).

MARCO: Agree with OPC

OPC: No emergency storage requested by SSU should be allowed because the utility was unable to confirm the emergency storage in the original plant designs. (Bidly)

STAFF: No, the only reduction to capacity (denominator) in calculating used and useful for storage should be that allowed for dead storage in ground storage tanks.

ISSUE 35: What peaking factor should be allowed for peak domestic hour demands in finished water storage used and useful calculations?

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

MARCO: Agree with OPC. (Woelffer)

OPC: AWWA M32, *Distribution Network Analysis for Water Utilities*, suggests a peak factor range of 1.3 to 2.0 for peak-hour demand to maximum-day demand. The minimum requirement 1.3 should be used. (Bidly)

STAFF: Two times the maximum day demand is appropriate when instantaneous demands are not known.

ISSUE 36: Should 10% of the finished water storage be treated as dead storage?

SSU: Agree with Staff. (Hartman)

MARCO: Agree with OPC.

OPC: No, it is not justified to assume 10% of the storage capacity is dead storage for every single storage tank. Dead storage should be allowed only if it is confirmed in as-built drawings. (Bidly)

STAFF: Yes, for ground storage. No, for elevated storage.

ISSUE 37: For high service pumps used and useful calculations, should the maximum daily flows or peak hourly flows be used for peak demands?

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

MARCO: Agree with OPC.

OPC: When fire flow requirement is provided by high service pumps, only maximum daily flows should be added to the capacity requirement. If the system is not designed to provide fire flow, then the high service pumps should be designed to meet peak hourly flows. (Bidly)

STAFF: When fire flow is required and available, maximum day demands plus fire flows up to available fire flows, should be used. However, when there is no required, or available, fire flow, it would be appropriate to use peak hour demands.

ISSUE 38: Should facility lands, hydro tanks, and auxiliary power be considered 100% used and useful without analysis?

SSU: Yes. (Terrero, Hartman)

MARCO: Agree with OPC.

OPC: No. Calculations should be performed to justify the 100% used and useful allocation for facility lands, hydro tanks, and auxiliary power. Without the information necessary to make those calculations, the Commission should assign to facility lands, hydro tanks, and auxiliary power the same percentages of used and useful given to related utility facilities. (Bidly)

STAFF: That land which is used to provide utility service, all hydro tanks, and auxiliary power should be considered 100% used and useful.

ISSUE 39: What is the appropriate flow data to use for calculating used and useful for wastewater treatment plant and effluent disposal?

SSU: The average daily flow in the maximum month should be used in order to provide for some consideration of economies of scale of those facilities when the permitted capacity has a design basis of annual average or three-month average daily flow. There should be no adjustment for excessive infiltration and/or inflow as indicated in Issue 26. (Hartman, Bliss)

MARCO: Agree with OPC.

OPC: Flow data in the used and useful calculation should be consistent with FDEP permits. Usually the permit flow requirement is in terms of annual daily flow or could be three month average daily flow. (Biddy)

STAFF: If known, the demands which match the plant design data (three-month average daily flow, annual average daily flow, or maximum month average daily flow), reduced by excessive infiltration and/or inflow, should be used. If the design demand data is not known, then the average daily flow in the maximum month, reduced by excessive infiltration and/or inflow, should be used. Further, staff believes that a separate calculation should be performed for wastewater treatment plant and effluent disposal.

ISSUE 40: Should iron infiltration equipment be considered water treatment plant, and if so, what is the appropriate used and useful percentage?

SSU: Iron filtration equipment may be considered water treatment plant for used and useful purposes only. (There should be no separate rate classification for plants with iron filtration equipment.) The proper used and useful percentage for such equipment would be, depending on the facility, peak hour or maximum hour day plus fireflow divided by the firm capacity of the equipment. (Bliss, Ludsen).

MARCO: Agree with OPC.

OPC: Yes. See Exhibit TLB-3 for used and useful percentages. (Bidly)

STAFF: Yes, iron filtration equipment should be considered water treatment plant. This consideration affects the following water facilities: Gospel Island, Palms Mobile Home Park, Fox Run, Apache Shores, Crystal River, Point O'Woods, and Lakeside. Staff has no position on the appropriate used and useful percentages pending further development of the record.

ISSUE 41: What is the appropriate method for determining used and useful percentage for water transmission and distribution mains and wastewater collection lines?

SSU: The lot count method is inappropriate. SSU has requested used and useful for Sunny Hills, Citrus Springs, Marion Oaks and Pine Ridge using the hydraulic flow method which is the appropriate method. For all other service areas, SSU's filed used and useful percentages are acceptable at this time. Multi-family and large meter use should be considered consistent with prior Commission practice. (Terrero, Bliss, Hartman, Elliott, Edmunds)

MARCO: Connected lots to total lots available is appropriate provided that the proper allowance is made recognizing that multi-family lots and lots zoned "commercial" will have more connections than single-family lots.

OPC: Existing lots connected compared to total lots available for water and wastewater services. (Bidly)

STAFF: No position pending further development of the record.

ISSUE 42: What wastewater plant components should be considered as reuse components? And if not 100 percent used and useful pursuant to Sections 367.0817 and 403.064, what are the appropriate used and useful percentages for such components?

SSU: Wastewater plant components that should be considered reuse components include the following: (a) equalization basin; (b) automatic screens; (c) dual aeration tanks; (d) dual filters; (e) dual chlorine contact; (f)

substandard ponds; (g) injection wells; (h) monitoring wells; (h) monitoring equipment (chlorine residual, turbidity; (i) pumping facilities; (j) transmission mains; (k) booster stations; (l) percolation ponds; and (m) standby power. Both the law and public policy require these components to be considered 100% used and useful -- there is no used and useful alternative. (Terrero, Hartman, Harvey, Wilkening, York)

MARCO: Agree with OPC. (Woelffer)

OPC: Any additional facilities required to achieve reuse standards should be considered as reuse facilities. The appropriate used and useful percentages are dependent upon actual reuse demands and available reuse capacities.

STAFF: No position pending further development of the record.

ISSUE 43: Should an adjustment be made to reflect non-used and useful lines constructed by Lehigh Acquisition Corporation?

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

MARCO: Agree with OPC.

OPC: Yes. Rate base should be reduced by \$1,297,253. Depreciation expense should be reduced by \$40,706, in accordance with adjustments reflected on K. Dismukes Schedule 38. (K. Dismukes)

STAFF: The non-used and useful adjustment to lines should correspond to the amount of the advances for construction, so that this results in a zero rate base impact.

ISSUE 44: If the used and useful calculations in this rate proceeding result in used and useful percentages lower than those allowed in previous rate cases, which percentages should be used?

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

MARCO: SSU's calculation for used and useful percentages for water and sewer lines at Marco Island is not correct. SSU's claim of 100 percent used and useful for the distribution and collection lines is based solely on the PSC's erroneous decision in the 1992 rate case. Development at Marco Island is less than fifty percent built out, with the result that current SSU customers there are paying for SSU's investment to serve future customers. SSU needs to develop appropriate CIAC charges and AFPI charges and be granted a used and useful calculation of less than fifty percent that appropriately reflects the capital requirements of its existing customers. (Woelffer)

OPC: The Commission should not automatically assume that because it approved a used and useful percentage in a prior rate case that anything less than that previously approved should be adopted in the instant rate case. A variety of factors could have contributed to the decline in used and useful percentages--including plant expansions. Furthermore, to the extent that the decline was caused by conservation, this frees up capacity for future additions and customers. To ignore this fact, is to suggest that current customers that have conserved--if that is the cause--should pay for plant capacity that is available for future customers. (Dismukes)

STAFF: Staff's current position allows for three scenarios. The first situation occurs when customer demands are lower than in the previous rate proceeding, thus creating a lower used and useful percentage. Under this scenario, Staff believes that the percentage found in the previous proceeding is the appropriate percentage to use, provided no new plant component(s) have been added. The second situation occurs when plant component(s) have been added, and a used and useful percentage on the new capacity

yields a lower percentage than the last proceeding. Staff believes in this situation that the new used and useful percentage is the appropriate percentage to use, provided the investment found to be used and useful in this proceeding is not lowered. The third scenario allows for errors in the Commission's previous methodology or calculation of used and useful percentages. Under this scenario, the new used and useful percentage should be used, even if previous investment is affected.

ISSUE 45: What are the appropriate used and useful percentages for each facility?

SSU: The appropriate used and useful percentages for water supply wells, high service pumps, water treatment equipment and finished water storage are as stated in the response to FPSC Interrogatory No. 360. The used and useful facilities for water transmission and distribution are as stated in the used and useful summary schedules on pages 21 through 33 of Book 1 of 2 Volume VI of the MFRs with the exception of the Interlachen/Park Manor (67.57%) and Gospel Island (40.00%) plants. The appropriate used and useful percentage for wastewater treatment, effluent disposal and collection/pumping plant are as stated in the used and useful summary schedules on pages 831 through 937 of Book 1 of 2 of Volume VI of the MFRs with the exception of Sugarmill Woods where the wastewater used and useful should be 99.86% and the effluent disposal used and useful should be 85.59% (see response to FPSC Interrogatory 134). (Bliss, Hartman, Terrero)

MARCO: Agree with OPC.

OPC: The appropriate used and useful percentages for the water and wastewater facilities are presented in Exhibit TLB-3 and Exhibit TLB-4, respectively. (Bidy)

STAFF: No position pending further development of the record.

ACCUMULATED DEPRECIATION

ISSUE 46: Should the utility's proposed adjustment to reverse depreciation taken on non-used and useful facilities be approved?

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

MARCO: Agree with OPC.

OPC: Southern States' proposal to adjust accumulated depreciation for non-used and useful mains is retroactive, going back to pre-1991 in some cases. It is inappropriate for determining going-forward rate base. Southern States' proposal should be disallowed by reducing rate base by \$592,634. (Larkin/DeRonne schedule 14)

STAFF: No. This adjustment results in retroactive ratemaking and should be disallowed.

ISSUE 47: Are any adjustments necessary to correct accumulated depreciation and amortization of CIAC related to guideline depreciation and amortization rates being booked prior to implementation of service rates (Response to FPSC Interrogatory 33)?

SSU: Adjustments to the MFRs are required to reduce accumulated amortization of CIAC by \$128,751 and \$135,129 for water and wastewater, respectively. Adjustments decreasing accumulated depreciation are already reflected in the MFRs in the amount of \$199,086 and \$518,176 for water and wastewater, respectively. If any changes are made to the accumulated depreciation adjustments, then corresponding changes must be made to the amortization adjustments as given above. (Kimball)

MARCO: Agree with OPC.

OPC: SSU should not be permitted to retroactively adjust its books for items it feels it has not fully recovered in rates in the past. Rate base should be reduced by \$527,690. (Larkin/DeRonne)

STAFF: Adjustments are necessary to reduce accumulated amortization of CIAC by \$128,751 and \$135,129, for water and wastewater, respectively. The specific amounts per plant are detailed in SSU's response to FPSC Interrogatory 33.

CONTRIBUTIONS IN AID OF CONSTRUCTION

ISSUE 48: If a margin reserve is approved, should CIAC be imputed on the ERCs included in the margin reserve?

SSU: No. The imputation of CIAC on the margin reserve negates the margin reserve and thus is counter to economic construction of facilities, places the public health and environment at risk and results in increased levels of administration and increased costs. The imputation constitutes a taking of utility property prudently constructed and places unjustified and unreasonable risk on the lawful recovery of a shareholder investment as well as a return thereon. (Gower, Ludsen, Hartman)

MARCO: Yes. This has been the practice in the last two Sugarmill Woods rate cases and there are no circumstances warranting a change from this practice. (Hansen)

OPC: Yes. (Larkin/DeRonne)

STAFF: Yes. Current Commission practice requires imputation of CIAC on the margin reserve. The amounts of adjustments are subject to the resolution of other issues.

ISSUE 49: Should the Commission impute CIAC associated with assets constructed by Lehigh Corporation?

SSU: No. SSU customers remain unaffected by the Lehigh Corporation escrow account. The states of New York and Michigan, which are charged with the protection of residents in their states who purchase land in Florida, approved the modifications to the escrow provisions and developer agreement. (Vierima)

MARCO: Yes. CIAC in the amount of \$769,000 should be imputed as reflected in the supplemental testimony of K. Dismukes.

OPC: Yes. The Commission should impute CIAC in the amount of \$769,000. (K. Dismukes, Supplemental Testimony)

STAFF: In Order No. PSC-93-0301-FOF-WS, the Commission made no adjustments to rate base for Lehigh Corporation escrowed funds. However, modifications have been made to the escrow provisions since that case. Pending further

development of the record in this proceeding, Staff has no position.

ISSUE 50: Should an adjustment be made for non-used and useful offsets to plant capacity fees and line/main extension fees?

SSU: No adjustment is appropriate. (Kimball)

MARCO: Agree with OPC.

OPC: Plant capacity fees and line/main extensions should not be offset by a non-used and useful factor. Rate base should be reduced by \$2,315,994. (Larkin/DeRonne schedule 10)

STAFF: In Order No. PSC-93-0301-FOF-WS, the Commission made no adjustments to rate base for Lehigh Corporation escrowed funds. However, modifications have been made to the escrow provisions since that proceeding. Pending further development of the record in this proceeding, Staff has no further position.

ISSUE 51: Should CIAC be increased to reflect cost share funds for the Marco Island ASR project?

SSU: No. No adjustment is appropriate. Although the CIAC attributable to cost share funds for the ASR were not included as CIAC in the MFRs, the actual total project cost through 1995 has far exceeded the project cost included in the MFRs. This increase more than offsets the CIAC adjustment. Therefore, no adjustment is appropriate.

MARCO: Agree with OPC.

OPC: Yes. The Commission should increase CIAC by \$225,100. (K. Dismukes, Schedule 35)

STAFF: Agree with OPC.

ACCUMULATED AMORTIZATION OF CIAC

ISSUE 52: Stipulation

ACQUISITION ADJUSTMENT

ISSUE 53: Should the Commission recognize any negative acquisition adjustment in rate base for facilities purchased at less than book value.

SSU: No. No negative acquisition adjustment is appropriate for several reasons: no extraordinary circumstances have been presented by (1) Public Counsel to meet the Commission's long-standing policy; (2) the Deltona Utilities, Inc., United Florida Utilities Corporation and Lehigh Utilities, Inc. transfers were stock transfers therefore no acquisition adjustment should apply; (3) Public Counsel seeks a windfall to customers since customers pay no more and no less in rates whether or not the transfer occurs. Purchases by SSU below net book value often result because SSU pays only for used and useful assets. Public Counsel seeks a double penalty by first having the Commission apply a negative acquisition adjustment and then, second, having the Commission apply its non-used and useful policy to the remaining assets. For instance, SSU purchases a utility with assets with a net book value of \$100. SSU has determined that only \$50 or 50%, of the assets are used and useful so SSU pays only \$50. Public Counsel proposes that the Commission apply a negative acquisition adjustment to reduce the investment upon which SSU can earn a return to \$50. Then, Public Counsel proposes that the Commission apply its non-used and useful adjustment of 50% so that SSU would earn a return on only \$25. This result would be confiscatory and unconscionable. (Vierima, Sandbulte)

MARCO: Yes. Agree with Public Counsel's position that negative acquisition adjustments should be recognized so that SSU only receives a return on its actual investment. For the Lehigh systems, a negative acquisition adjustment of \$3,873,763 should be made to reflect the fact that SSU's corporate parent purchased all its Lehigh holdings from the Resolution Trust Corporation, including the water and sewer systems, for approximately 40 cents on the dollar. (Larkin/DeRonne)

OPC: Yes. The Commission should recognize negative acquisition adjustments so that the company receives a return only on its actual investment. Rate base should be reduced by \$13,060,124 along with corresponding adjustments to accumulated amortization and amortization expense. (Larkin/DeRonne schedules 17 & 18)

STAFF: The Commission has previously addressed the issue of acquisition adjustments regarding the facilities included in this docket.

WORKING CAPITAL

ISSUE 54: Stipulation

ISSUE 55: Moved to Issue 86(a)

ISSUE 56: Are any adjustments necessary to SSU's projected balance in the Preliminary Survey and Investigations (PS&I) account?

SSU: No. The MFRs only reflect the 1995 budget for PS&I's and no projection for additional 1996 spending was included. As such, any spending variance from budget in 1995 relating to PS&I's should be offset by the 1996 actual PS&I spending.

MARCO: Agree with Staff.

OPC: Agree with Staff.

STAFF: Yes. According to Staff's Audit Disclosure No. 14, an adjustment should be made to reduce the 1996 projected amount by \$1,849,076, due to the wide variance between actual and projected amounts as of September 30, 1995. (Winston)

ISSUE 57: Dropped

ISSUE 58: What adjustments are necessary to reflect reduced costs associated with the Keystone Heights aquifer performance test?

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

MARCO: Agree with Staff.

OPC: Agree with Staff (Dismukes)

STAFF: The \$75,000 budgeted for the aquifer performance test should be reduced to reflect the revised cost of \$24,300. Therefore, an adjustment should be made to reduce working capital by \$43,454 to reflect the 13-month average balance as of December 31, 1996. A corresponding adjustment should also be made to reduce amortization expense by \$1,990.

ISSUE 59: Should deferred debits for the Spring Hill wastewater treatment plant expansion be included in working capital?

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

MARCO: Agree with Staff.

OPC: Agree with Staff.

STAFF: No. An adjustment should be made to reduce the deferred debit account by \$17,615 in order to remove the unamortized balance from the working capital allowance. No expense adjustment is necessary because this facility is not included in this proceeding. All costs associated with this project were incurred prior to the utility's ownership of this facility and should have been previously written off. (Winston)

ISSUE 60: Should miscellaneous current assets be included in the working capital allowance?

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

MARCO: Agree with Staff.

OPC: Agree with Staff.

STAFF: No. The balance recorded in this account relates to possible acquisition costs and should not be included in the working capital calculation. An adjustment should be made to reduce the working capital allowance by \$145,972 in order to remove the balance recorded in the miscellaneous current assets account.

ISSUE 61: What is the total company balance of working capital?

SSU: The total company balance of working capital on a 13-month average basis and using the balance sheet formula is \$7,154,992. This balance can be found on Schedule A-17(W)(S) in any rate base presentation in the MFRs, including Volume III, Books 1 and 2 and Volume XII, Books 1-9. Working capital is presented in all cases on a total company basis. (Vierima)

MARCO: Agree with Staff.

OPC: Agree with Staff.

STAFF: The final amount is subject to the resolution of other issues.

OTHER RATE BASE COMPONENTS

ISSUE 62: Should deferred debits related to the attempts to obtain a water supply for Marco Island be allowed and if so, what is the appropriate amount and amortization period?

SSU: The deferred debits related to the attempts to obtain a water supply for Marco Island should be allowed. The amount of deferred debits being requested for amortization treatment is \$1,465,808. This amount can be found in Volume III, Book 1, page 1296, indicated as the "12/31/95 Balance." The amortization period is 5 years beginning January 1, 1996, which results in a yearly amortization expense of \$293,162. (Bencini, Teasley, Hartman)

MARCO: The amortization of \$1,465,808 of expense for Marco Island water supply studies is not appropriate. Reasonable and prudent costs associated with these studies should be capitalized and depreciated over a period of forty years. Rate base should be reduced by \$1,319,227 and amortization expense by \$293,162 to remove the effect deferred debits associated with the source of water supply project for the period 1992-93. (Larkin/DeRonne/Woelffer)

OPC: The use of deferred debits to defer these costs from 1990 through 1994 to the present case should not be allowed. Rate base should be reduced by \$1,319,227 and

amortization expense should be reduced by \$293,162.
(Larkin/DeRonne schedule 12)

STAFF: The appropriate amount for the deferred debits incurred in the attempts to obtain a water supply source for Marco Island should be only those costs which are prudent and which will benefit current customers. The appropriate amortization period should be at least 10 years. Had these projects not been abandoned, the actual lives would have been long term. (Dodrill)

RATE BASE SUMMARY

ISSUE 63: What are the appropriate rate base amounts in total and by plant?

SSU: Average rate base in total for 1996 is \$95,252,212 and \$62,770,852 for water and wastewater, respectively. Rate base presentations for the plants not coming into the rate case with uniform rates can be found by referring to Schedules A-1(W) and A-2(s) in Volume III, Books 1 and 2. Rate base presentations for the plants coming into the case with uniform rates can be found by referring to Schedules A-1(W) and A-2(S) in Volume XII, Books 1-9. Identical rate base information is also presented in total and by plant in Summary Volume II, Book 1, pages 39-48. (Westrick, Goucher, Paster, Bailey, Denny, Kimball)

MARCO: Agree with Staff.

OPC: Agree with Staff.

STAFF: The final amounts are subject to the resolution of other issues.

COST OF CAPITAL

ISSUE 64: Stipulation

ISSUE 65: Should any adjustments be made to the equity component of the Company's capital structure?

SSU: If the Commission does not make an adjustment amortizing the gain on sale of water and wastewater systems, an adjustment should not be made to the equity component of

capital structure to account for gains on sale. This adjustment would be without precedent and would eliminate incentives to invest in water/wastewater utilities. (Sandbulte, Gower)

MARCO: Agree with OPC.

OPC: Yes. The Commission should reduce the equity component of the Company's capital structure by \$4,800,000. (K. Dismukes, Schedule 9). The Commission should also remove \$203,924 of non-utility investment in general plant from equity. If the Commission does not make an adjustment amortizing the gain on sale of water and wastewater systems, an adjustment should be made to the equity component of capital structure to account for gains on sale. (Larkin/Deronne schedule 27)

STAFF: No position pending further development of the record.

ISSUE 66: What is the appropriate cost of common equity?

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

MARCO: 10.1 percent pursuant to Public Counsel witness Rothschild's testimony. SSU should be required to use a "stand-alone" cost of debt calculation for Marco Island based on the 1990 and 1992 Series bonds issued by Collier County. Reflecting the lower cost rates of these bonds would result in a correct rate of 10.11 percent versus the system rate of 10.32 percent calculated by SSU. The savings to Marco Island customers would be \$99,315 annually in lower interest costs. (Woelffer)

OPC: A return on equity of 10.1% should be used. (Rothschild)

STAFF: The appropriate cost of equity for SSU is 11.83% based upon the leverage formula in Order No. PSC-95-0982-FOF-WS, with a range of plus or minus 100 basis points. (Maurey)

ISSUE 67: What is the appropriate amount of accumulated deferred income taxes and what are the appropriate methods for allocating deferred income taxes to the individual plants?

SSU: The appropriate average balance of accumulated deferred income taxes is \$4,784,352 per Volume IV, page 8, lines 11 of the MFRs. (Gagnon)

MARCO: No position.

OPC: No position.

STAFF: As filed, accumulated deferred income taxes, Account 281, should be increased by \$303,905 (responses to Staff Interrogatories 119 and 120); and accumulated deferred income taxes, Account 190 - Other, should be increased by \$119 (response to Staff Interrogatory 119). Further adjustments should be made with development of the record and the resolution of other issues. Regarding the appropriate allocation methods, the deferred income taxes in Account 190 related to CIAC, connection fees and CIAC gross-up provisions should be allocated proportionately to those systems that caused their creation, i.e. based on CIAC collected or projected during the period 1987 through the end of the test year; deferred income taxes in Account 190 related to OPEBs should be allocated on the basis of average number of customers - total company; deferred income taxes in Account 281 and Account 190 - Other should be allocated on the basis of gross plant.

ISSUE 68: What is the appropriate amount of unamortized investment tax credits?

SSU: The average unamortized investment credit tax credits balance should be \$1,933,972 per Volume IV, page 19, line 11 of the MFRs. (Gangnon)

MARCO: No position.

OPC: No position.

STAFF: No position pending further development of the record and the resolution of other issues.

ISSUE 69: What is the appropriate weighted average cost rate for investment tax credits?

SSU: The appropriate weighted average cost rate for investment tax credits is the average weighted cost of capital.

All ITC's should be treated in accordance with Section (f) (2) as filed in the MFRs. (Gangnon)

MARCO: No position.

OPC: No position.

STAFF: No position pending further development of the record. However, unless further development of the record indicates otherwise, a weighted average cost rate should be derived by weighting the zero cost unamortized ITCs for each system which fell under Internal Revenue Code Section 46(f) (1), before acquisition by SSU with the unamortized ITCs for the remaining systems that receive the weighted cost rate of short-term debt (if any), long-term debt, common stock, and preferred stock. Deltona, United Florida and Seaboard should be treated under Internal Revenue Code Section 46(f) (1). Lehigh should be treated under Internal Revenue Code Section 46(f) (2). For each of the systems acquired as a stock purchase, the system's original option should be carried forward. If the SSU purchase was an asset purchase, IRC Section 46(f) (2) is appropriate.

ISSUE 70: What is the appropriate overall cost of capital including the proper components, amounts, and cost rates?

SSU: Per the MFRs. (Vierima)

MARCO: Agree with Staff.

OPC: Agree with Staff.

STAFF: The overall cost of capital is dependent upon the resolution of other cost of capital issues.

NET OPERATING INCOME

OPERATING REVENUES

ISSUE 71: Stipulation

ISSUE 72: Has SSU correctly calculated its 1996 water revenues at Marco Island?

SSU: Yes. The Company's projection methodology for Marco Island was consistent with the methodology for every plant in the instant docket. Mr. Bencini addresses the concerns of Marco Island in his rebuttal testimony on pages 58 and 59 and the fact is that based on actual 1995 data, SSU overprojected revenues at Marco Island rather than unprojected revenues. Page 3, line 93 of Exhibit __ (MAB-10) shows that actual 1995 water revenues for Marco Island were \$907,305 less than projected, and page 4, line 41 shows that actual 1995 wastewater revenues were \$907,305 less than projected, and page 4, line 41 shows that actual 1995 wastewater revenues were \$48,138 less than projected.

MARCO: No. SSU has understated its revenues at Marco Island. (Woelffer)

OPC: No position at this time.

STAFF: No position pending further development of the record.

ISSUE 73: Are any revenue or expense adjustments necessary to reflect the normalization of test year revenue for weather/rainfall?

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

MARCO: Yes, test year revenue should be increased by \$1,937,931. (K. Dismukes)

OPC: Yes. The Commission should increase test year revenue by \$1,937,931 to reflect the abnormally high level of rainfall experienced during the test year and the period used by SSU to project test year revenue. (K. Dismukes, Schedule 16) Likewise the Commission should increase test year expenses by \$539,611 to reflect the increased variable expenses associated with increased consumption. (K. Dismukes, Schedule 19)

STAFF: No position pending further development of the record.

ISSUE 74: Are any revenue or expense adjustments necessary due to the utility's proposed repression adjustment?

SSU: No. SSU made the adjustment in the MFRs. In fact, the MFR adjustment exceeds a proper adjustment because SSU treated the decreased charges in electric power bills as variable costs thus overstating the adjustment. (Kimball)

MARCO: No position at this time.

OPC: No position at this time.

STAFF: No position pending further development of the record.

ISSUE 75: What are the appropriate projected number of water and wastewater bills and consumption to be used to calculate revenue for the 1996 projected test year and to calculate rates for service?

SSU: Per the MFRs. SSU witnesses Dr. Whitcomb and Jay Yingling verify the proper use of the WATERATE program to reflect price elasticity adjustments to consumption. SSU's conservation program adjustments are supported by SSU witness Kowalsky. As discussed in the "projection factors" tab of Volume V, Book 1 of 1, the methodology employed to calculate growth projection factors for the projected 1996 test year has been consistently applied to all plants. As evidenced in the rebuttal testimony of SSU witness Bencini, the projection factors for 1995 resulted in a slight understatement of billing determinants. We believe this provides a conservative basis for the projected 1996 billing determinants. (Whitcomb, Yingling, Bencini)

MARCO: Agree with OPC (Hansen, Woelffer)

OPC: No position at this time with respect to the growth in the number of customers. The appropriate test year gallons for residential customers is 9,501,263,000 as reflected on K. Dismukes Schedule 16. These are the weather normalized gallons for the projected test year ending 1996. If the Commission does not adopt the Citizen's primary recommendation, the appropriate gallons for the projected test year for all customers is 12,122,034,117 as reflected on K. Dismukes Schedule 17. The Commission should reject the Company's proposal to decrease billing determinates by 933,808,000 for the effects of repression. (K. Dismukes)

STAFF: Based on Staff's preliminary analysis with regard to the number of bills, the utility's methodology for calculating growth rates for the respective systems appears appropriate. However, the utility may not have applied the methodology consistently between facilities. Based on Staff's preliminary analysis with regard to consumption, we are not persuaded at this time that the utility's methodology for projected usage is appropriate or that a price elasticity adjustment is warranted. With regard to an adjustment to consumption for conservation, Staff has no position at this time pending further development of the record.

ISSUE 76: Should an adjustment to revenue be made for reuse revenue on Marco Island?

SSU: No. (Kowalsky, Guastella, Bencini)

MARCO: Yes, water revenue should be increased by \$183,668 and wastewater reduced by \$13,688. SSU is not correctly treating revenue adjustments from the reuse projects on Marco Island. (K. Dismukes/Woelffer)

OPC: Yes. Test year water revenue should be increased by \$183,668 and test year wastewater should be reduced by \$13,688. (K. Dismukes, Schedule 20)

STAFF: No position pending further development of the record.

ISSUE 77: Should the miscellaneous revenue adjustments proposed by Witness Dismukes for billing adjustments and non-utility income be made?

SSU: No. As discussed in SSU's response to Issue 51 above, test year revenue should be increased by \$50,595 and test year income should be increased by \$8,351. These adjustments are included on Exhibit ___ (MAB-4) in the rebuttal testimony of SSU witness Morris Bencini.

MARCO: Agree with OPC.

OPC: Yes. Test year revenue should be increased by \$57,595 and test year income should be increased by \$8,474. (K. Dismukes, Schedule 35)

STAFF: No position pending further development of the record.

OPERATION AND MAINTENANCE EXPENSES

ISSUE 78: Stipulation

ISSUE 79: Stipulation

ISSUE 80: Should the Commission accept the projected wage increases of SSU regarding market equity, merit, licensure, and promotional adjustments?

SSU: Yes. SSU's 1996 projected salary increases are reasonable, consistent with prior years, and necessary in order for SSU to retain, recruit and hire qualified employees. The Katz, Larkin/DeRonne adjustments should be rejected. (Lock, Johnson)

MARCO: Agree with OPC

OPC: SSU failed to justify its projected wage increase. Salary expenses should be reduced by \$1,027,052; payroll tax expense should be reduced by \$82,164. (Katz; Larkin/DeRonne schedules 19-21)

STAFF: No position pending further development of the record.

ISSUE 81: Stipulation

ISSUE 82: Should the utility's proposed salary adjustment based on the Hewitt study be approved?

SSU: Yes. The adjustment is a reasonable and, is requested by SSU represents significantly less than the salary increases needed to bring SSU pay levels to market levels. A necessary first step is to bring operations and maintenance and customer service salaries closer to market levels.first (Lock, Johnson)

MARCO: No position at this time.

OPC: No position at this time.

STAFF: No. The current level of salaries should not be increased. Consequently, projected test year salaries should be reduced by \$271,491 and \$198,776 for

jurisdictional water and wastewater, respectively. However, if the Commission finds it appropriate to make a salary adjustment based on the Hewitt study, the adjustment should apply only to the employees related to the operation and maintenance of the utility, not to any officers or directors.

ISSUE 83: What adjustments are necessary to remove salaries and benefits associated with employee lobbying?

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

MARCO: Agree with OPC.

OPC: Yes. Test year expenses should be reduced by \$65,661 for salaries and \$15,626 for related expenses. (K. Dismukes, Schedules 26 and 27, respectively.)

STAFF: Adjustments should be made to remove from test year O&M expenses all salaries and benefits paid to employees related to lobbying efforts.

ISSUE 84: Should expenses be reduced to reflect salaries and expenses related to SSU's acquisition efforts?

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

MARCO: Agree with OPC.

OPC: Yes. Test year expenses should be reduced by \$175,928 for salaries and \$10,742 for related expenses. (K. Dismukes, Schedules 24 and 25, respectively.)

STAFF: No position pending further development of the record.

ISSUE 85: Stipulation

ISSUE 86: What adjustments are necessary to SSU's Hepatitis Immunization Program (Audit Disclosure No. 11)?

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

MARCO: Agree with Staff.

OPC: Agree with Staff.

STAFF: The \$16,312 incurred for Hepatitis Immunizations is a nonrecurring expense and should be amortized over five years. Water miscellaneous expenses should be reduced by \$13,050. (Small)

ISSUE

86(a): Should an adjustment be made to reflect Other Administrative Projects that will be amortized by the end of the test year?

SSU: Yes. However, as discussed on page 21 through 23 of the rebuttal testimony of SSU witness Morris Bencini, the reductions in test year expense should only total \$63,817, rather than the \$93,452 proposed by OPC witness Kim Dismukes. (Bencini)

MARCO: Agree with OPC.

OPC: Yes. Test year expenses should be reduced by \$93,452. (K. Dismukes, Schedule 33)

STAFF: Agree with OPC.

ISSUE 87: Are any adjustments necessary to sludge hauling expense at the Beechers Point/Palm Port facility (Audit Disclosure No. 5)?

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

MARCO: Agree with Staff.

OPC: Agree with Staff.

STAFF: Yes. The hauling of treated effluent should be identified as a "Purchased Sewage Treatment Expense" rather than sludge hauling; further these costs should not be treated as recurring. The utility should be

directed to determine a more cost-effective solution.
(Small)

ISSUE 88: Should SSU's requested amount of purchased power expense for Deltona Lakes be approved (Audit Disclosure No. 8)?

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

MARCO: Agree with Staff.

OPC: Agree with Staff.

STAFF: No. Projected 1996 purchased power expenses for Deltona Lakes water plant should be reduced by \$56,916. (Small)

ISSUE 89: Stipulation

ISSUE 90: Should an adjustment be made to remove the utility's allocated share of Shareholder Services from A&G Expenses (Audit Exception No. 5)?

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

MARCO: Yes. The \$209,000 of Minnesota Power's shareholder expenses allocated to SSU's customers are not appropriate.

OPC: Agree with Staff.

STAFF: Yes. 1996 A&G expenses should be reduced by \$208,776 to remove SSU's allocated share of Shareholder Services. (Small)

ISSUE 91: Stipulation

ISSUE 92: Should the Commission allow the Company's proposed conservation expenses?

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

MARCO: SSU's Water Conservation Proposal for Targeted Communities will not save 142,788,000 gallons a year. The price of \$275,440 is not cost effective. (Hansen)

OPC: No. The Commission should reduce the Company's conservation expenses by \$268,534. (K. Dismukes, Schedule 7) If the Commission adopts the Citizens' adjustment, it should for consistency increase test year revenue by \$70,710 and reduce variable expenses by \$33,372. (K. Dismukes, Schedule 3)

STAFF: No position pending further development of the record.

ISSUE 93: What is the appropriate amount of current rate case expense associated with Docket No. 950495-WS?

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

MARCO: Agree with OPC.

OPC: Test year expense should be reduced. (K. Dismukes, Schedule 30).

STAFF: No position pending further development of the record. However, only prudently incurred rate case expense should be allowed. Further, the amounts of prior unamortized rate case expense previously approved in Dockets Nos. 911188-WS, 920199-WS, and 920655-WS should remain in rate case expense and amortized over the remaining four year period originally approved. The unamortized balances should not be increased or added to current rate case expense to be re-amortized over the next four years.

ISSUE 94: Should the expense associated with Docket No. 930880-WS (Uniform Rate Investigation Docket) be considered Regulatory Commission Expense-Other, and if so, what is the appropriate treatment and amount?

SSU: SSU maintains that these expenses are rate case expenses because rates were subject to change and, in fact, did change as a result of the proceeding. Also SSU, the Commission and other participating parties observed procedural requirements of a rate case proceeding, including customer notices, customer service hearings, etc. Finally, all costs were incurred by SSU as a result of the Commission's initiation of this proceeding. It would be unjust and inappropriate for the Commission to disallow SSU recovery of any portion of these costs. The costs should be borne by all FPSC jurisdictional customers in this case, as to allocate the costs otherwise is inconsistent with the purpose of this generic docket (to address the appropriate rate structure for SSU prospectively) and is antithetical to uniform rates. The amortization period for these costs should begin on the effective date of final rates for this rate case. (Ludsen)

MARCO: Agree with Staff.

OPC: Agree with Staff.

STAFF: Yes, these amounts do not relate to a rate case proceeding and should be removed from current rate case expense. Only prudently incurred costs associated with this docket should be allowed and amortized over 5 years to those facilities included in Docket No. 930880-WS.

ISSUE 95: Should the expense associated with Docket No. 930945-WS (Jurisdiction Docket) be considered Regulatory Commission Expense-Other, and if so, what is the appropriate treatment and amount?

SSU: SSU agrees to a five-year amortization of the total costs of approximately \$100,000 to all SSU plants. Unlike Docket No. 930880-WS, this proceeding was not a rate proceeding but rather was a regulatory commission expense (akin to a rulemaking) incurred in the ordinary course of business. Again, the Commission initiated the comprehensive investigation into SSU's statewide jurisdiction resulting in the costs incurred by the company. It would be unjust and inappropriate to deny SSU recovery of these costs. The amortization period should begin on the effective date of final rates for this rate case. (Ludsen)

MARCO: Agree with OPC.

OPC: Only that part of the identified expenses which were prudently incurred should be recovered. As to the methodology for recovery, where recovery is approved, agree with Staff.

STAFF: The costs associated with Docket No. 930945-WS are non-recurring expenses. Only those costs prudently incurred should be amortized over five years to all SSU plants.

ISSUE 96: What is the appropriate treatment for additional rate case expense incurred subsequent to the final order in Docket No. 920199-WS (Prior Rate Case)?

SSU: The unrecovered rate case expense consists of two parts. One part consists of previously Commission authorized rate case expense in the final order in Docket No. 920199-WS. The remainder consists of costs incurred to defend appeals, address issues on remand and represent the company in subsequent Commission proceedings. The Company did not initiate the appeals, achieved an affirmance of revenue requirements and supported the Commission's defense of its rate structure decision through the Florida Supreme Court level. There is no basis for disallowance of recovery of these costs. The costs should be borne by all FPSC jurisdictional customers in this case, as to allocate the costs otherwise is inconsistent with the purpose of the order in Docket No. 930880-WS and antithetical to uniform rates. As the appeal costs for Docket No. 920199-WS which are included in this case are reasonable and waiting for the conclusion of the remand to approve the costs would be administratively inefficient, the costs should be approved. The amortization period should begin on the effective date of final rates for this case. (Ludsen)

MARCO: Agree with OPC.

OPC: Agree with Staff. Much of the costs incurred subsequent to the amounts approved in Docket No. 920199-WS were associated with legal expenses associated with the Company's advocacy of uniform rates. The Company has not justified or proved the reasonableness of these expenses. (Dismukes)

STAFF: Prudently incurred costs associated with Docket No. 920199-WS which were incurred subsequent to the issuance of Order No. PSC-93-0423-FOF-WS should be amortized over 4 years as rate case expense to all facilities included in Docket No. 920199-WS.

ISSUE 97: Should an adjustment be made to administrative and general and customer expenses for SSU's inefficiency?

SSU: No inefficiency resulted -- Public Counsel incorrectly characterizes increased A&G expenses as inefficient. However, SSU merely reflects true A&G costs, which no longer are subsidized by developers. Testimony of customers formerly served by Orange Osceola Utilities at Buenaventura Lakes refute Public Counsel's characterization of the level of service provided by SSU as inefficient -- rather, SSU's service is improved service, the cost of which SSU requests be included in rates. (Ludsen)

MARCO: Agree with OPC.

OPC: Yes. Test year expenses should be reduced for diseconomies of scale by \$243,773. (K. Dismukes, Schedule 23)

STAFF: No position pending further development of the record.

ISSUE 98: Should an adjustment be made to corporate insurance expense?

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

MARCO: Agree with OPC.

OPC: Corporate insurance expense should be reduced by \$96,458. (Larkin/DeRonne schedule 22)

STAFF: No position pending further development of the record.

ISSUE 99: Should a true-up budget adjustment be made to test year expenses?

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

MARCO: Agree with OPC.

OPC: Yes. Test year expenses should be reduced by \$496,035. (K. Dismukes, Schedule 28)

STAFF: No position pending further development of the record.

ISSUE

100: Should the miscellaneous adjustments for bad debt, excessive employee recognition and the Price Waterhouse audit proposed by Witness Dismukes be made?

SSU: No position.

MARCO: Agree with OPC.

OPC: Yes. Test year expenses should be reduced by \$137,759, in accordance with adjustments reflected on K. Dismukes, Schedule 35. (K. Dismukes)

STAFF: Agree with OPC.

ISSUE

101: Dropped

ISSUE

102: Should a 1996 attrition factor of 2.49% be applied to 1995 expenses as opposed to the 1.95% used in the MFRs?

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

MARCO: Agree with OPC.

OPC: No.

STAFF: No.

ISSUE

103: Should actual 1995 FASB 106 expenses be considered in the 1995 test year?

SSU: Yes. (Lock, Broverman)

MARCO: Agree with OPC.

OPC: No.

STAFF: No.

ISSUE

104: Dropped

AMORTIZATION OF GAINS OR LOSSES

ISSUE

105: Are adjustments appropriate to reflect gains or losses on the sale of SSU plants as above the line income?

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

MARCO: Agree with OPC.

OPC: Yes. Utility gains on sales should be included above the line for ratemaking purposes. The Commission should increase test year income by \$3,363,412. (K. Dismukes, Schedule 8).

STAFF: Yes. Gains on the sale of utility assets which previously were included in rates for any of the systems in this docket should be amortized over 5 years to above the line income. The final amounts are subject to further development of the record. However, adjustments

are necessary to reflect the amortization of the following gains:

Spring Hill WWTP, Parcel No. 8	\$127,458
River Park Water Treatment Plant	\$54,928

ISSUE

106:

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

SSU:

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

MARCO:

Agree with OPC.

OPC:

No. This would amount to retroactive ratemaking and deny customers the benefit of the gains on sale.

STAFF:

No position pending further development of the record.

TAXES OTHER THAN INCOME

ISSUE

107:

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

SSU:

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

MARCO:

Agree with Staff.

OPC:

Agree with Staff.

STAFF: Yes. Water regulatory assessment fees for Marco Island should be reduced by \$3,118. (Small)

ISSUE
108: Are adjustments necessary to property taxes for used and useful plant adjustments?

SSU: No, SSU's property tax presentation in the MFRs is consistent with prior practice previously approved by the Commission. (Bencini)

MARCO: Agree with OPC.

OPC: An adjustment should be made to property tax expense to reflect appropriate non-used and useful percentages. Property tax expense should be reduced by \$731,678. (Larkin/DeRonne schedules 23 & 24)

STAFF: The amounts are subject to the final determination of used and useful plant on a per plant basis. However, any adjustment which would increase the amount of property taxes above the actual tax bill at it highest discount level should be disallowed.

ISSUE
109: Stipulation

INCOME TAX EXPENSE

ISSUE
110: What is the proper amount of parent debt adjustment and the method of allocation to the individual plants?

SSU: The proper amount of parent debt adjustment is \$487,439 for plants included in the filing. (Gagnon)

MARCO: Agree with OPC.

OPC: The adjustment should be increased by \$18,027. (Larkin/DeRonne schedule 26)

STAFF: The amount of parent debt adjustment (PDA) is dependent on the development of the record and the resolution of other issues. The PDA should be allocated to the individual plants on the basis of gross plant.

ISSUE

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

SSU: \$69,178 as indicated in Volume II, Book 2, page 97. (Gangnon)

MARCO: No position.

OPC: No position.

STAFF: Regarding the appropriate amount of above-the-line ITC amortization, no position pending further development of the record and the resolution of other issues. However, the resulting amount should be allocated to the plants on the basis of gross plant.

ISSUE

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

SSU: Yes, in the amount of \$103,854 as shown on Volume IV, page 5, line 6 of the MFRs. (Gangnon)

MARCO: No position.

OPC: No position.

STAFF: Yes, an ITC interest synchronization adjustment is appropriate, if the ITCs are included in the capital structure at a net positive cost rate. Regarding the proper amount, no position pending development of the record and the resolution of other issues. The resulting amount should be allocated to individual plants on the basis of gross plant.

ISSUE

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

SSU: The appropriate amount of income tax expense is dependent upon the recalculation of other issues and should include the state income tax expense. No adjustment should be made for NOL carryforwards. In Docket No. 911082-WS (water and wastewater utility rulemaking) the Commission

rejected the notion of utilizing any NOL carryforwards in the determination of income tax expense. (Gagnon)

MARCO: No position.

OPC: No position.

STAFF: The appropriate amount of income tax expense is dependent upon development of the record and the resolution of other issues. Income tax expense should be reduced for state income taxes, which are zero because of state net operating loss carry forwards.

TEST YEAR OPERATING INCOME

ISSUE

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

SSU: Test year operating income amounts before any revenue increase is \$3,384,754 and \$2,629,025 for water and wastewater, respectively. These amounts can be found in Volume III, Books I and II, on schedule B-1(W) and B-2(S), page 49 for both water and wastewater. Test year operating income amounts for the plants not coming into the rate case with uniform rates can be found by referring to Schedules B-1(W) and B-2(S) in Volume I II, Books 1 and 2. Operating income for the plants coming into the case with uniform rates can be found by referring to Schedules B-1(W) and B-2(S) in Volume XII, Books 1-9. (Bencini, Kimball)

OPC: No position.

MARCO: No position.

STAFF: The final amounts are subject to the resolution of other issues.

REVENUE REQUIREMENT

ISSUE

115: Should SSU's revenue requirement be calculated on a plant specific basis?

SSU: Yes. Revenue requirements should be calculated based upon individual and then accumulated to arrive at total FPSC jurisdictional revenue requirements. (Ludsen)

MARCO: SSU's revenue requirement should be calculated on an individual, plant specific basis.

OPC: No position.

STAFF: Yes. Revenues should be calculated on a plant specific basis.

ISSUE

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

SSU: Additional revenue requirements in total are \$11,791,242 and \$6,346,260 for water and wastewater, respectively. These amounts can be found in Volume III, Books 1 and 2, on Schedule B-1(W) and B-2(S), page 49 for both water and wastewater. Revenue requirements for the plants not coming into the rate case with uniform rates can be found by referring to Schedules B-1(W) and B-2(S) in Volume III Books 1 and 2. Revenue requirements for the plants coming into the case with uniform rates can be found by referring to Schedules B-1(W) and B-2(S) in Volume XII, Books 1-9. The total revenue requirement can also be found in Summary Volume II, Book 1, page 37, columns 8 and 9, line 13. (Ludsen)

OPC: Agree with Staff.

MARCO: Agree with Staff.

STAFF: The final amounts are subject to the resolution of other issues.

RATES AND RATE STRUCTURE

ISSUE

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

SSU: Yes. The evidence presented by SSU in the proceeding is consistent with the evidence relied upon by the

Commission in Docket No. 930945-WS in which the Commission made an affirmative finding on the issue. This finding should be reaffirmed. (Ludsen, Vierima, Bencini, Denny, Terrero, Lock, Anderson, Hilton)

MARCO: No. With the exception of those few systems that are physically interconnected by pipes so that water or wastewater can be transmitted from one to the other, no systems are functionally related in a manner that operations at one plant have any impact on relevant service operations at another. SSU's attempts to "tie" its systems together through purchasing, accounting, and management operations, involve functions that neither involve land or facilities.

OPC: No position.

STAFF: Pursuant to Citrus County v. Southern States Utilities, Inc., 656 So. 2d 1307 (Fla. 1st DCA 1995), a uniform rate structure may only be approved if the utility demonstrates that its facilities and land are functionally related. Although a decision has been made in Docket No. 930945-WS that SSU's facilities and land are functionally related, a determination cannot be made for the purposes of this proceeding, if necessary, until further development of the record. It should also be noted that the Commission's final order in Docket No. 930945-WS has been appealed.

ISSUE

118: **Should the utility's proposed weather normalization clause be implemented?**

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

MARCO: No. Historical data do not support the variations claimed by SSU to necessitate the clause. Additionally, the clause would likely confuse customers at Marco Island and at other systems. Lastly, the clause is merely a mechanism for shifting revenue or "business risks" from

the utility, or business, on to the backs of its customers. (Hansen, Woelffer, Dismukes)

OPC: No. (K. Dismukes)

STAFF: Based on Staff's preliminary analysis, we are not persuaded that a weather normalization clause is necessary at this time. Further, our preliminary analysis indicates that the utility's proposed weather normalization clause is more than a clause which normalizes weather but is, in fact, a revenue stabilization clause. The complexity of the calculation of the monthly adjustment will make the clause difficult to both understand and administer. However, further review and analysis of the complete record is necessary before a final determination can be made.

ISSUE

119: **Should rates be adjusted for any service areas for the purpose of encouraging water conservation?**

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

MARCO: The Commission has no statutory authority to depart from cost of service considerations in rate setting in order to affect water conservation. Properly structured Base Facility Charge and separate gallonage or usage charge rates may encourage water conservation by properly reflecting the costs of consuming the water in the gallonage charge. This goal can only be met if the gallonage charge accurately reflects the percentage of costs associated with the variable costs of producing the water. Differing consumption and cost data from plant site to plant site dictate that the split of revenue responsibility between the base facility charge and the gallonage charge should vary from system to system or plant site to plant site. Furthermore, the concept of uniform rates totally defeats the ability of the Base Facility Charge/Gallonage Charge rate structure to encourage conservation by completely masking the "price signal" of the true cost of producing the water at each location. The result is that some high cost areas with a great necessity for water conservation will actually be encouraged to consume more water because of the subsidies inherent in uniform rates, while others will be forced to

utilize less because of the subsidies they are forced to pay. Charging each system stand-alone rates designed to recover the actual revenue responsibility for that plant through the Base Facility Charge/Gallonage Charge Methodology is the best way to legally affect water conservation.

OPC: No position at this time.

STAFF: No position pending further development of the record.

ISSUE

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

SSU: The only bulk rate in Docket No. 950495-WS is a Raw Water rate for Marco Island. This rate should be \$1.82 as shown in Volume V, Book 1 of 1 on Schedule E1-1, page 199. (Ludsen)

MARCO: Bulk rates should be cost-based and the costs should reflect the actual costs of the plant site providing the service.

OPC: No position.

STAFF: No position pending further development of the record.

ISSUE

121: In light of Section 367.0817, Florida Statutes, should any of the revenue requirements associated with reuse be allocated to the water customers of those facilities?

SSU: Not at this time. (Kowalsky, Ludsen)

MARCO: No, they should be allocated only to the reuse customers in this case. (Woelffer)

OPC: No position.

STAFF: No position pending further development of the record.

ISSUE

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

SSU: Except where noted, the reuse rates should be the current rates factored up by the percentage revenue requirement increase requested where the company is allowed to increase them. For Marco Island a rate study was conducted by John Guastella. Marco Island's correct rate of \$.87 can be found in Volume V. Book 1 of 1 on Schedule E1-1, page 461. The correct rate of Florida Central Commerce Park is \$.08 and the correct rate for Lehigh is \$.14. The Florida Central Commerce Park and Lehigh effluent rates shown on pages 459 and 460 of Volume V incorrectly had the revenue requirement percent increase applied twice to them. The rates filed by SSU for Florida Central Commerce Park and Lehigh were \$.10 and \$.18, respectively. All other rates should be approved as contained on the E schedules. (Kowalsky)

MARCO: As with other rates, reuse rates should be established to recover the required revenue requirement of the reuse facility providing the customers with service. That is, reuse rates should be established on a system-by-system or facility-by-facility basis.

OPC: No position.

STAFF: No position pending further development of the record.

ISSUE

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

SSU: The appropriate service charges can be found in Volume V, Book 1 of 1 on the E-4 Schedules. Page 139 lists the rates for the Conventional Treatment group, and page 227 lists the rates for the Reverse Osmosis group. These rates happen to be the same and were previously set in accordance with Staff Advisory Bulletin #13. The Company is not proposing a new set of miscellaneous service charges because we did not conduct a separate rate study for miscellaneous service charges, and Staff has not issued additional advisories changing the level of miscellaneous service charges. (Ludsen)

MARCO: Agree with OPC.

OPC: No position.

STAFF: While costs associated with Administrative and General Expenses and Operation and Maintenance Expenses have continued to increase from year to year, the rates for the Miscellaneous Service Charges have not changed. If the Commission approves a revenue increase, the rates for these charges should be doubled as follows:

	<u>Type of Charge</u>	<u>Rates</u>
1.	Initial Connection (Includes Business Hours and After Business Hours)	\$30.00
2.	Normal Reconnection (Includes Business Hours and After Business Hours)	\$30.00
3.	Violation Reconnection (Includes Business Hours and After Business Hours)	\$30.00
4.	Premise Visit Charge (Includes Business Hours and After Business Hours)	\$20.00
5.	Return Check Charge	\$30.00
6.	Other Charges	\$30.00

ISSUE
124:

For SSU, what goals and objectives (i.e. safe and efficient service at an affordable price, resource protection, financial viability, regulatory efficiency) should the Commission consider in determining the appropriate rate structure and service availability charges?

SSU:

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

builders, and application of the guidelines can inhibit growth thereby increasing customer rates unnecessarily. (Ludsen, Whitcomb, Bencini)

MARCO: The Commission has no statutory basis for considering any "goals and objectives" that are not related to the recovery of the legitimate costs of providing service at each plant location from the customers being served by each system. The rates must be "fair and reasonable and not unduly discriminatory." For the rates to be so they must be set on a stand-alone basis, and, thereby, be designed to recover the return on investment and the reasonable and prudent expenses necessary to provide service at each location, along with the allocation of truly "common costs" through a reasonable cost allocation methodology. It is essential that the return on equity and the overall return at each location equal the returns approved for the utility by the Commission.

OPC: No position.

STAFF: According to Staff witnesses Beecher and Shafer, the Commission should consider its goals and objectives in choosing a rate structure for SSU. However, a determination of which goals and objectives are appropriate can only be made by the Commission following a full review of the record. (Shafer, Beecher)

ISSUE

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

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

MARCO: Marco Island, Sugarmill Woods, Spring Hill and Harbor Woods take the position that the proposed uniform rates are unduly discriminatory wherever they deviate by more than 5 percent from the costs of providing service at the system or location in question. All parties, except Concerned Citizens and East County, take the position that any rates or rate structure that require customers from any system to pay more than 5 percent more than their actual cost of service are unacceptable from a fairness and legal perspective. Current application of the proposed uniform rates would often have low-income customers subsidizing the utility services of high-income customers without any regard for their relative income levels. If the Commission finds that it has the legal authority and necessity to provide rate supports to truly needy customers, it should attempt to obtain funding from the state's general revenue fund or promote a lifeline assistance program similar to United Telephone's Lifeline Plan. Sugarmill Woods takes the position that subsidies from other systems at times of capital expenditures will never occur during the life of the average retiree/resident who is currently being expected to pay subsidies under the prior and currently proposed uniform rate structures. (Mann, Hansen, Woelffer)

OPC: No position.

STAFF: No position pending further development of the record. (Shafer, Beecher, Casey, Starling)

ISSUE

126: Should the Commission adopt the rate structure of 40% of revenue collected from the BFC and 60% of revenue collected from the gallonage charge, as proposed by SSU?

SSU: Yes. (Ludsen, Whitcomb)

MARCO: No. The split or allocation at each system or facility should be based on the relationship of fixed versus variable costs at each location and should be designed with the goal of allowing the base facility charge to recover the fixed costs at each location and the gallonage charge the variable costs of production at each location. (Hansen/Woelffer)

OPC: No. The Commission should reject the Company's proposal and adopt the recommendation of the Citizens' witness K. Dismukes. (K. Dismukes)

STAFF: No position pending further development of the record.

ISSUE

127: What are the appropriate rates for wastewater-only residential customers?

SSU: The appropriate rates for residential wastewater only customers are those found in Volume V, Book 1 of 1 on the E1-1 schedule. This rate of \$44.27 can be found on page 457. (Ludsen)

MARCO: No position.

OPC: No position.

STAFF: The rates are dependent upon the resolution of other issues.

ISSUE

128: If a capped rate structure is approved, what should be the treatment for indices and pass-throughs on a going forward basis?

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

MARCO: No position.

OPC: No position.

STAFF: No position pending further development of the record.

ISSUE

129: What are the appropriate rates for SSU?

SSU: The appropriate rates for SSU are the Uniform Conventional Treatment water rates, Uniform Reverse Osmosis water rates and Uniform sewer rates as requested by the Company and presented in Volume V, Book 1 of 1 on the E1-1 schedules. The appropriate Uniform Conventional

Treatment water rates can be found starting on page 69, the appropriate Uniform Reverse Osmosis water rates can be found starting on pages 199 and the appropriate Uniform sewer rates can be found starting on page 457. The only exception that should be noted is the effluent rates for Florida Central Commerce Park and Lehigh as discussed in Issue 122. (Ludsen)

MARCO: Agree with Staff.

OPC: Agree with Staff.

STAFF: The final rates are subject to the resolution of other issues.

ISSUE

130: What are the appropriate amounts by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

SSU: Fall-out number based on approved rate case expense (Ludsen)

MARCO: No position.

OPC: No position.

STAFF: The final amounts are subject to the resolution of other issues.

ISSUE

131: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund?

SSU: No interim revenue should be refunded unless it is determined that SSU was earning outside the range of returns authorized in the final order during the pendency of the proceeding pursuant to Section 367.082(4), Florida Statutes. (Ludsen)

MARCO: No position.

OPC: No position.

STAFF: The final amount is subject to the resolution of other issues.

SERVICE AVAILABILITY

ISSUE

132: What are the appropriate meter installation and service installation charges for this utility?

SSU: The appropriate meter and service installation charges are as stated on pages 21, 43 and 65 of Book 1 of 4 of Volume VII of the MFRs. (Ludsen)

MARCO: No position.

OPC: No position.

STAFF: No position pending further development of the record.

ISSUE

133: What are the appropriate main extension charges for this utility?

SSU: The appropriate main extension charges are \$298.00 per ERC for Conventional water plants, \$17.00 per ERC for Reverse Osmosis water plants and \$480.00 per ERC for all wastewater plants as stated on pages 21, 43 and 65 of Book 1 of 4 of Volume VIII of the MFRs. (Ludsen)

MARCO: No position.

OPC: No position.

STAFF: No position pending further development of the record.

ISSUE

134: Has SSU's sewer main extension charge of \$280 under the heading of "present charges" been approved by PSC order?

SSU: SSU agrees that there is not an approved \$280 CIAC main extension charge for Sugarmill Woods. The \$280 charge on the tariffs was never requested by SSU or approved by the Commission and thus is an error which occurred when the Company refiled its tariffs to reflect the consolidation of companies effective June 5, 1992. Although the tariff

reflected an incorrect main extension charge of \$280, the Company has not charged this amount to Sugarmill Woods' customers. The Company has only charged the customer connection tap-in charge of \$100 as contained in the prior SSU tariff for Sugarmill Woods which was effective August 17, 1989.

MARCO: It appears that this charge has never been approved by PSC order. (Hansen)

OPC: No position.

STAFF: By Orders Nos. 14380 and 15440, a \$280 water main extension charge was approved for Twin County Utility Company (Twin County), which provided water and wastewater service to Sugarmill Woods. By Order No. 21631, the Commission approved the transfer of Twin County to SSU. The Commission also approved the continuation of rates and charges of Twin County for SSU. As stated in Order No. 21631, the continuation of rates were pursuant to Rule 25-9.044(1), Florida Administrative Code, which was in effect at the time of transfer. Based on these past Commission orders, it does not appear that a wastewater main extension charge was approved, however, a determination cannot be made in this proceeding pending further development of the record.

ISSUE

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

SSU: Yes. The charges should be differentiated as filed in the MFRs for the two different water service classifications: conventional treatment and reverse osmosis treatment. (Ludsen)

MARCO: Plant capacity charges should be established on a system-by-system basis irrespective of what the levels of CIAC are at each site.

OPC: No position.

STAFF: According to Staff witness Williams, the service availability charges should be consistent with the Commission-approved rate structure. Staff has no further position on this issue pending further development of the record. (Williams)

ISSUE

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

SSU: No. (Ludsen)

MARCO: Plant capacity charges should be established on a system-by-system basis irrespective of what the levels of CIAC are at each site.

OPC: No position.

STAFF: According to Staff witness Williams, the service availability charges should be consistent with the Commission-approved rate structure. Staff has no further position on this issue pending further development of the record. (Williams)

ISSUE

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

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

MARCO: No position.

OPC: No position.

STAFF: According to Staff witness Williams, the service availability charges should be consistent with the Commission-approved rate structure. Staff has no further position on this issue pending further development of the record. (Williams)

ISSUE

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

SSU: There should not be plant specific service availability charges but uniform charges based on the market analysis of the other utilities in the State of Florida and the

Conventional and Reverse Osmosis monthly rate design treatments proposed. These uniform charges are a **total minimum** of \$750.00 per ERC for Reverse Osmosis water plants as stated on pages 21, 43 and 65 of Book 1 of 4 of Volume VIII of the MFRs. (Ludsen)

MARCO: No position.

OPC: No position.

STAFF: The appropriate charges are subject to the resolution of other issues.

ISSUE
139: Dropped

OTHER OR MISCELLANEOUS ISSUES

ISSUE
140: Should the utility's requested AFPI charges be approved?

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

MARCO: No position.

OPC: No position.

STAFF: The appropriate charges are subject to the resolution of other issues.

ISSUE
141: Stipulation

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

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

MARCO: No position.

OPC: No position.

STAFF: Through further development of the record, if it is determined that SSU has implemented its Conserve-A-Check Direct Debit program by the date of the hearing, this issue may be moot.

ISSUE

143: Dropped

ISSUE

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

SSU: Yes. (Kimball)

MARCO: Agree with Staff.

OPC: No position.

STAFF: No. SSU's books and records are not in compliance with the above mentioned rule. This rule requires that documents supporting a rate filing be organized in a systematic and rational manner so as to enable Commission personnel to verify the schedules in an expedient manner and minimum amount of time. Further, the utility should be required to compile its MFRs so that the beginning balances in the MFRs agree with the balances shown on the utility's books. Adjustments should then be made to reflect changes from the books to the amounts requested for ratemaking purposes. (Dodrill)

LEGAL ISSUES

ISSUE

145: Do Sections 367.0817 and 403.064, Florida Statutes, require that reuse facilities be considered 100% used and useful?

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

MARCO: Agree with OPC.

OPC: For reuse facilities to be considered 100% used and useful, the construction of the facilities must be prudent and the facilities must be specifically designed and used for effluent reuse purposes.

STAFF: No. Those statutes provide for the recovery of the full, prudently incurred cost through rate structure. Those statutes do not mandate a 100% used and useful determination for reuse facilities.

ISSUE

146: Are uniform rates as proposed by SSU in the instant case both in accord with statutes and constitutional?

SSU: Uniform rates comply with all applicable criteria of Chapter 367, Florida Statutes, and are, therefore, lawful. Uniform rates are fair, just, and reasonable and are not unduly discriminatory. Pursuant to Citrus County v. Southern States Utilities, Inc., 656 So.2d 1307 (Fla. 1st DCA 1995) a uniform rate structure may be approved if the utility's land and facilities are functionally related. By Order No. PSC-95-0894-FOF-WS, issued in Docket No. 930945-WS, the Commission held that all of SSU's facilities and land were functionally related. SSU has presented virtually identical evidence of such functionally relatedness in this docket. Therefore, uniform rates are lawful under the Citrus County standard as well. The Commission has no jurisdiction to interpret statutes or laws other than Chapter 367 to defeat uniform rates. Similarly, the Commission has no jurisdiction to decide constitutional questions.

MARCO: Marco Island, Sugarmill Woods, Spring Hill, and Harbor Woods take the position that uniform rates are not statutorily allowable because they charge for capital costs not used and useful and providing service and for expenses not necessary in the provision of services and because they are unduly discriminatory amongst customer groups. Furthermore, the parties take the position that the uniform rates are unconstitutional because they are a "taking" in violation of the Fifth Amendment to the United States Constitution.

OPC: No position.

STAFF: Pursuant to Section 367.081, Florida Statutes, the Commission has the authority to establish a rate structure it finds appropriate, provided it fixes rates which are "just, reasonable, compensatory, and not unfairly discriminatory." Furthermore, pursuant to Citrus County v. Southern States Utilities, Inc., 656 So. 2d 1307 (Fla. 1st DCA 1995), a uniform rate structure may be approved if the utility demonstrates that its facilities and land are functionally related.

VIII. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Direct</u>			
Scott W. Vierima	SSU	_____ (SWV-1)	Minimum Filing Requirements
Scott W. Vierima	SSU	_____ (SWV-2)	Capital Cost Comparisons - CoBank
Arend J. Sandbulte	SSU	_____ (AJS-1)	Excerpt - Moody's Investors Service Rating Notice 3/1/95
Arend J. Sandbulte	SSU	_____ (AJS-2)	Excerpt - Duff and Phelps Credit Rating Company News Release 3/16/95
Arend J. Sandbulte	SSU	_____ (AJS-3)	Excerpt - Duff and Phelps Credit Rating Company News Release 1/22/95
Arend J. Sandbulte	SSU	_____ (AJS-4)	Excerpt - A.G. Edwards Research Comments 1/13/95

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Arend J. Sandbulte	SSU	<u>(AJS-5)</u>	Excerpt - Oppenheimer & Co. Research Comments 1/13/95
Arend J. Sandbulte	SSU	<u>(AJS-6)</u>	Excerpt - Donaldson, Lufkin Re- search Com- ments 3/3/95
Roger A. Morin, Ph.D.	SSU	<u>(RAM-1)</u>	Resume of Roger A. Morin
Roger A. Morin, Ph.D.	SSU	<u>(RAM-1)</u>	February 1995 Memorandum ad- dressing re- turn on common equity deter- mination for Florida Water and Wastewater Utilities
Roger A. Morin, Ph.D.	SSU	<u>(RAM-2)</u>	Florida PSC most recent allowed ROE mid-points
Roger A. Morin, Ph.D.	SSU	<u>(RAM-3)</u>	Weighted a- verage cost of capital for the average Florida water utility
Roger A. Morin, Ph.D.	SSU	<u>(RAM-4)</u>	Weighted average cost of capital for the average Florida water utility

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Roger A. Morin, Ph.D.	SSU	<u> </u> (RAM-5)	Effect of market-to-book ratio on market return
Roger A. Morin, Ph.D.	SSU	<u> </u> (RAM-6)	Application of the capital asset pricing model
Roger A. Morin, Ph.D.	SSU	<u> </u> (RAM-7)	Value line index companies' investment characteristi cs
Roger A. Morin, Ph.D.	SSU	<u> </u> (RAM-8)	SSU's relative ranking among Standard & Poors water utility benchmarks
Roger A. Morin, Ph.D.	SSU	<u> </u> (RAM-9)	Standard & Poors utility benchmarks
Roger A. Morin, Ph.D.	SSU	<u> </u> (RAM-10)	PSC's cost of capital calculation for the average Florida water utility at 40% common equity ratio and calculation of interest coverage
Roger A. Morin, Ph.D.	SSU	<u> </u> (RAM-11)	Summary of adjustments to leverage formula

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Forrest L. Ludsen	SSU	_____ (FLL-1)	Diagram of SSU wagon wheel analogy
Forrest L. Ludsen	SSU	_____ (FLL-2)	Minimum, maximum and average service availability charges per 1994 statewide survey
Forrest L. Ludsen	SSU	_____ (FLL-3)	Summary of total water and wastewater service availability charges - 1996
Forrest L. Ludsen	SSU	_____ (FLL-4)	Proposed monthly worksheets demonstrating the application of the weather normalization clause
Forrest L. Ludsen	SSU	_____ (FLL-5)	Application of weather normalization clause under a 12-month spread back
John B. Whitcomb, Ph.D.	SSU	_____ (JBW-1)	Dr. Whitcomb's publications

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
John B. Whitcomb, Ph.D.	SSU	_____ (JBW-2)	February 1993 r e p o r t prepared by B r o w n & Caldwell for SWFWMD on w a t e r conservation rates and rate structures
John B. Whitcomb, Ph.D.	SSU	_____ (JBW-3)	August 1993 r e p o r t prepared by B r o w n & Caldwell for SWFWMD on water price elasticity
John B. Whitcomb, Ph.D.	SSU	_____ (JBW-4)	W A T E R A T E registered users
John B. Whitcomb, Ph.D.	SSU	_____ (JBW-5)	S W F W M D conservation rate study weighting system scoring of uniform rate structure approved in Docket No. 920199-WS
John B. Whitcomb, Ph.D.	SSU	_____ (JBW-6)	Calculation of price elastic water change resulting from SSU's proposed rate structure
Carlyn Harper Kowalsky	SSU	_____ (CHK-1)	N e w s p a p e r articles on water supply issues

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Carlyn Harper Kowalsky	SSU	<u>(CHK-2)</u>	Letter from SWFWMD dated December 13, 1994
Carlyn Harper Kowalsky	SSU	<u>(CHK-3)</u>	P r o p o s e d enhancements t o S S U conservation program
Carlyn Harper Kowalsky	SSU	<u>(CHK-4)</u>	Letter from Volusia City- County Water S u p p l y Cooperative dated November 1, 1993
Carlyn Harper Kowalsky	SSU	<u>(CHK-5)</u>	Example of SSU water audit
Judith J. Kimball	SSU	<u>(JJK-1)</u>	T a b l e o f beginning rate b a s e adjustments
Morris A. Bencini	SSU	<u>(MAB-1)</u>	Summary of c o u n t i e s allowing non- used and u s e f u l property tax credits
J. Dennis Westrick, P.E.	SSU	<u>(JDW-1)</u>	P l a n t additions by service type - FPSC regulated plants
J. Dennis Westrick, P.E.	SSU	<u>(JDW-2)</u>	P l a n t additions by priority - FPSC regulated plants

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
J. Dennis Westrick, P.E.	SSU	<u> </u> (JDW-3)	Information regarding percentage of additional plant placed in service areas with the ten largest customer bases
J. Dennis Westrick, P.E.	SSU	<u> </u> (JDW-4)	List of projects which exceeded \$100,000.00
Dale G. Lock, CCP	SSU	<u> </u> (DGL-1)	Actuarial valuation report of SSU OPEB costs projected for year ended 12/31/94
Dale G. Lock, CCP	SSU	<u> </u> (DGL-3)	Hewitt study containing competitive pay data and analysis for selected positions
Dale G. Lock, CCP	SSU	<u> </u> (DGL-4)	Schedule of recent company-wide training events
Gerald C. Hartman, P.E.	SSU	<u> </u> (GCH-1)	Letters from DEP staff to PSC staff dated July 30, 1992 and July 14, 1993

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Gerald C. Hartman, P.E.	SSU	<u>(GCH-2)</u>	Memorandum Of Understanding between DER and PSC
Gerald C. Hartman, P.E.	SSU	<u>(GCH-3)</u>	DEP Rule 62- 600.405, F.A.C.
Rafael A. Terrero, P.E.	SSU	<u>(RAT-1)</u>	Resume of Rafael A. Terrero
Rafael A. Terrero, P.E.	SSU	<u>(RAT-2)</u>	SSU 1993 s a f e t y t r a i n i n g summary
William (Dave) Denny	SSU	<u>(WDD-1)</u>	Analysis of in-county and cross-county labor for year ended 12/31/94
William (Dave) Denny	SSU	<u>(WDD-2)</u>	A r e a supervisors, service areas supervised by a r e a supervisors, and base of operations and service areas served by p l a n t operators and maintenance technicians
William (Dave) Denny	SSU	<u>(WDD-3)</u>	Summary of PSC c o m p l a i n t activity for water and wastewater utilities for 1994

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
William (Dave) Denny	SSU	(REG-1)	S S U Emergency/Hur- r i c a n e Preparedness Plan
William (Dave) Denny	SSU	(REG-2)	E m e r g e n c y Response Team equipment
John F. Guastella	SSU	(JFG-1)	Marco Island Raw Water Rate Study
Hugh Gower	SSU	(HG-1)	Illustration of capital r e c o v e r y t h r o u g h depreciation
Buddy L. Hansen	Sugarmill Woods	(BLH-1)	SSU Water Meter Reading Schedules
Buddy L. Hansen	Sugarmill Woods	(BLH-2)	Variance in Meter vs. Calendar Days per Month
Buddy L. Hansen	Sugarmill Woods	(BLH-3)	Cirello Letter to MacKay
Michael Woelffer	Marco Island	(MTW-1)	Cost of Debt 1996
Michael Woelffer	Marco Island	(MTW-2)	Comparison of ERC Growth
Michael Woelffer	Marco Island	(MTW-3)	ERC Growth/ Marco Island Water
Michael Woelffer	Marco Island	(MTW-4)	Comparison of Consumption
Michael Woelffer	Marco Island	(MTW-5)	Net Capital Additions to P l a n t I n Service

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Michael Woelffer	Marco Island	<u> </u> (MTW-6)	Listed as "Exhibit MTW- 1" Hartmann July 19, 1995 Report to Englewood Water District
Michael Woelffer	Marco Island	<u> </u> (MTW-7)	List as "Exhibit MTW- 2" Domestic Wastewater Treatment Plant Monthly Operating Plant
Michael Woelffer	Marco Island	<u> </u> (MTW-1)	Hartmann Report to Englewood Water District
Michael Woelffer	Marco Island	<u> </u> (MTW-1)	Hartmann Report to Englewood Water District
Michael Woelffer	Marco Island	<u> </u> (MTW-1)	Hartmann Report to Englewood Water District
Ted Bidy	OPC	<u> </u> (TLB-1)	Distribution System Analysis Example
Ted Bidy	OPC	<u> </u> (TLB-2)	Key and Rationales for OPC Used and Useful Calculations

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Ted Biddy	OPC	<u>(TLB-3)</u>	OPC Used and Useful Calculations of Water Systems
Ted Biddy	OPC	<u>(TLB-4)</u>	OPC Used and Useful Calculations of Wastewater Systems
David E. Dismukes	OPC	<u>(DED-1)</u>	Sch. 1 - Bill Difference Illustration
David E. Dismukes	OPC	<u>(DED-1)</u>	Sch. 2 - Comparison of Price Elasticities From Alternative
David E. Dismukes	OPC	<u>(DED-1)</u>	Sch. 3 - Water Demand for Price (2)
David E. Dismukes	OPC	<u>(DED-1)</u>	Sch. 4 - Summary of Results for Commercial Models
David E. Dismukes	OPC	<u>(DED-1)</u>	Sch. 5 - Primary Recommendation
David E. Dismukes	OPC	<u>(DED-1)</u>	Sch. 6 - Alternative Recommendation Assuming Adoption of W N C Alternative

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
David E. Dismukes	OPC	_____ (DED-1)	Sch. 6 - Recommendation Assuming No Adoption of WNC
Kimberly H. Dismukes	OPC	_____ (KHD-1)	Sch. 1 - Rate Design Score
Kimberly H. Dismukes	OPC	_____ (KHD-1)	Sch. 2 - Brown & Caldwell Weighing System
Kimberly H. Dismukes	OPC	_____ (KHD-1)	Sch. 3 - Water Conservation Program Adjustments
Kimberly H. Dismukes	OPC	_____ (KHD-1)	Sch. 4 - Comparison of Conservation Charts
Kimberly H. Dismukes	OPC	_____ (KHD-1)	Sch. 5 - Detail Conservation Expenses
Kimberly H. Dismukes	OPC	_____ (KHD-1)	Sch. 6 - 1996 Conservation Expenses
Kimberly H. Dismukes	OPC	_____ (KHD-1)	Sch. 7 - Detail Conservation Expenses: By Project
Kimberly H. Dismukes	OPC	_____ (KHD-1)	Sch. 8 - Gain on Sale Adjustment

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 9 - Adjustments to E q u i t y Component of C a p i t a l Structure
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 10 - R a i n f a l l Comparison: 1960-1994
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 11 - R a i n f a l l Comparison: 1960 - 1994 Adjusted for Missing Data: Assume Average Rainfall (1)
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 12 - I n c h e s o f R a i n f a l l (Graph)
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 13 - R a i n f a l l : 1991 - 94 Missing Data Adjustment by A v e r a g e Rainfall for the Month (1)
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 14 - R a i n f a l l Comparison: 1960 - 1994 Adjusted for Missing data: Assume Zero Rainfall (1)

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 15 - Rainfall: 1991-1994 Missing Data Adjusted by Assuming Zero Rainfall for the Month (1)
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 16 - Weather Normalized Residential Consumption: Revenue Impact
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 17 - Projected Test Year Revenue Adjustment: Averaged 1992 and 1993 Gallons
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 18 - Average Consumption Per Bill (1)
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 19 - Adjustment for Variable Expenses
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 20 - Marco Island Reuse Projects: Revenue Impact
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 21 - Impact of SSU on Buena- ventura Lakes

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 22 - Impact of SSU on Lehigh
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 23 - Administrative and General and Customer Expenses: Diseconomies of Scale Adjustment
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 24 - Allocation of Salaries to Acquisitions
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 25 - Acquisition Expense Adjustments
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 26 - Public Relations/Gov ernmental Relations Salary Adjustment
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 27 - Public Relations/Gov ernmental Relations Expense Adjustments
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 28 - Budget Adjustments
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Sch. 29 - Shareholder Expense Adjustment

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Kimberly H. Dismukes	OPC	<u>(KHD-1)</u>	Sch. 30 - Rate Case Expense Adjustment
Kimberly H. Dismukes	OPC	<u>(KHD-1)</u>	Sch. 31 - Unaccounted For Water
Kimberly H. Dismukes	OPC	<u>(KHD-1)</u>	Sch. 32 - Unaccounted For Water: Adjustment for Variable Expenses
Kimberly H. Dismukes	OPC	<u>(KHD-1)</u>	Sch. 33 - Operations and Administra- tive Project Adjustments
Kimberly H. Dismukes	OPC	<u>(KHD-1)</u>	Sch. 34 - Key stone Height s Adjustment
Kimberly H. Dismukes	OPC	<u>(KHD-1)</u>	Sch. 35 - Miscellaneous Adjustments
Kimberly H. Dismukes	OPC	<u>(KHD-1)</u>	Sch. 36 - Repression Effect on Expenses
Kimberly H. Dismukes	OPC	<u>(KHD-1)</u>	Sch. 37 - Lehigh Land Acquisition Adjustment
Kimberly H. Dismukes	OPC	<u>(KHD-1)</u>	Sch. 38 - Lehigh Rate Base Adjustments: Non-Used and Useful Plant

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Kimberly H. Dismukes	OPC	_____ (KHD-1)	Sch. 39 - Buenaventura Rate Base Adjustments
Kimberly H. Dismukes	OPC	_____ (KHD-1)	Sch. 40 - Buenaventura L a k e s : Wetlands Adjustment
Kimberly H. Dismukes	OPC	_____ (KHD-1)	Sch. 41 - Summary of Adjustments
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 1 - Summary of Adjustments
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 1 - Cost of Capital
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 1-A - Summary of Adjustments - With 100 Basis Point Return on equity Penalty
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 1-A - C o s t o f Capital - Includes 100 Basis Point Return on Equity Penalty

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 101

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 1-B - Summary of Adjustments - With 200 Basis Point Return on Equity Penalty
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 1-B - Cost of Capital - Includes 200 Basis Point Return on Equity Penalty
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 2* - Non- Used and Useful Plant in Service
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 3* - Non- Used and Useful Accumulated Depreciation
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 4* - Non- Used and Useful Depreciation Expense
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 5 - Amount of Lines Removed by SSU in its Non-Used and Useful Adjustment for Punta Gorda and Deltona/ United Systems

ORDER NO. PSC-96-0549-PHO-WS
 DOCKET NO. 950495-WS
 PAGE 102

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 6 - Adjustment to Test Year Average Plant in Service - Water to Account for Project Slippage
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 6 - Adjustment to Test Year Average Plant in Service - Water to Account for Project Slippage - Offset for Non-used and Useful
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 7 - Adjustment to Test Year Average Plant in Service - Sewer to Account for Project Slippage
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 7 - Adjustment to Test Year Average Plant in Service - Sewer to Account for Project Slippage - Offset for Non-Used and Useful

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 8 - Reduction to Depreciation Expense to Account for P r o j e c t Slippage - Water
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 9 - Reduction to Depreciation Expense to Account for P r o j e c t Slippage - Sewer
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 10 - Adjust Non- Used & Useful Offsets to CIAC
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 11 - Reduction to Utility Land - Water - Marco I s l a n d - C o l l i e r Purchase
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 12 - Removal of Deferred Marco I s l a n d R a w Water Supply Costs

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 13 - Revise SSU's Adjustment to Transfer Land Held For Future Use to Plant in Service
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 14 - Remove SSU's Adjustment to Accumulated Depreciation for Non-Used & Useful Mains
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 15 - Removal of Company's Retroactive Adjustment to Accumulated Depreciation
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 16 - Schedule Not Used
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 17 - Calculation of Acquisition Adjustment
Hugh Larkin, Jr. & Donna Deronne	OPC	_____ (HL-1)	Sch. 17 - Calculation of Acquisition Adjustment - Lehigh Acquisition

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 18 - Calculation of Accumulated Amortization of Negative Acquisition Adjustments
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 19 - R e m o v e Projected 1996 Pay Increases - Test Year Salary & Wage Expense - Water
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 20 - R e m o v e Projected 1996 Pay Increases - Test Year Salary & Wage Expense - Sewer
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 21 - Reduction to Payroll Tax Expense
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 22 - Corporate Insurance Expense
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 23 - Property Taxes - Non-Used & Useful

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 24 - Comparison of A c t u a l Property Taxes to be Paid to Used & Useful Amount per SSU
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 25 - Discount on Property Tax Expense
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 26 - Income Tax Adjustment
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 26 - Income Tax Adjustment - Parent Debt Adjustment
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 26 - Income Tax Adjustment - Parent Debt Information - MP&L
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 26 - Income Tax Adjustment - Parent Debt Information - Topeka
Hugh Larkin, Jr. & Donna Deronne	OPC	<u> </u> (HL-1)	Sch. 27 - Minnesota Power & Light's Investment in SSU

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 107

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Paul A. Katz	OPC	<u> </u> (PAK-1)	Southern States Utilities Comparative Data Southern States Ranks 98 Out of 101 Companies in the Revenue Dollars Generated by Each Payroll Dollar
Paul A. Katz	OPC	<u> </u> (PAK-2)	Southern States Utilities Comparative Data Southern States Ranks 88 out of 101 in Payroll Dollars Per Customer SSU Payroll Per Customer is 26% Higher Than the Average Company
James A. Rothschild	OPC	<u> </u> (JAR-1)	Overall Summary of Cost of Equity Recommendation
James A. Rothschild	OPC	<u> </u> (JAR-2)	Cost of Equity Summary
James A. Rothschild	OPC	<u> </u> (JAR-3)	Financial Data on Minnesota Power & Light Co.

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
James A. Rothschild	OPC	<u> </u> (JAR-4)	Value Line W a t e r C o m p a n i e s D i s c o u n t e d C a s h F l o w (D C F) I n d i c a t e d C o s t o f E q u i t y
James A. Rothschild	OPC	<u> </u> (JAR-5)	Value Line W a t e r C o m p a n i e s F u l l D C F M e t h o d B a s e d o n M a r k e t P r i c e f o r Y e a r E n d e d 12/31/95
James A. Rothschild	OPC	<u> </u> (JAR-6)	Comparative W a t e r C o m p a n i e s
James A. Rothschild	OPC	<u> </u> (JAR-7)	Comparative G a s C o m p a n i e s
James A. Rothschild	OPC	<u> </u> (JAR-8)	Summary of R i s k P r e m i u m E q u a t i o n s
James A. Rothschild	OPC	<u> </u> (JAR-9)	Capital Asset P r i c i n g M o d e l (C A P M) M e t h o d
James A. Rothschild	OPC	<u> </u> (JAR-10)	Value Line W a t e r C o m p a n i e s E x t e r n a l F i n a n c i n g R a t e

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
James A. Rothschild	OPC	<u>(JAR-11)</u>	W a t e r C o m p a n i e s P e r c e n t a g e o f C o m m o n E q u i t y i n t h e C a p i t a l S t r u c t u r e E x c l u d i n g S h o r e - t e r m D e b t G a s C o m p a n i e s P e r c e n t a g e o f C o m m o n E q u i t y i n t h e C a p i t a l S t r u c t u r e E x c l u d i n g S h o r e - t e r m D e b t
James A. Rothschild	OPC	<u>(JAR-12)</u>	C o m p a r i s o n o f S t o c k P r i c e V o l a t i l i t y o f W a t e r C o m p a n i e s v s G a s D i s t r i b u t i o n C o m p a n i e s V a l u e W a t e r U t i l i t y I n d u s t r y H i/ L o w S t o c k P r i c e s 1 9 8 4 t o 1 9 9 5
Janice Beecher	Staff	<u>(JAB-1)</u>	R e s u m e
Janice Beecher	Staff	<u>(JAB-2)</u>	C h a r t : C o m m i s s i o n - r e g u l a t e d W a t e r a n d W a s t e w a t e r u t i l i t i e s
Janice Beecher	Staff	<u>(JAB-3)</u>	Q u i c k S u r v e y o n S i n g l e T a r i f f P r i c i n g

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Janice Beecher	Staff	_____ (JAB-4)	Summary of S t a t e Commission Policies on Single-Tariff Pricing for W a t e r Utilities
Janice Beecher	Staff	_____ (JAB-5)	Commission Policies on Single-Tariff Pricing for W a t e r Utilities
Janice Beecher	Staff	_____ (JAB-6)	Multi-System W a t e r Utilities and Single-Tariff Pricing
Janice Beecher	Staff	_____ (JAB-7)	Comparative Analysis of Multi-System Utilities with and Without Single-Tariff Pricing
Janice Beecher	Staff	_____ (JAB-8)	Arguments in F a v o r o f Single-Tariff Pricing
Janice Beecher	Staff	_____ (JAB-9)	A r g u m e n t s A g a i n s t Single-Tariff Pricing
Robert Casey	Staff	_____ (RJC-1)	Analysis of R a t e s a t C h a n g i n g Contribution Levels for Water

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 111

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Robert Casey	Staff	_____ (RJC-2)	Analysis of Rates at Changing Contribution Levels for Wastewater
Robert Casey	Staff	_____ (RJC-3)	Engineering Models for Hypothetical Company
Robert Dodrill	Staff	_____ (RFD-1)	A u d i t Exception No. 1: SSU's Books and Records
Robert Dodrill	Staff	_____ (RFD-2)	A u d i t Workpapers: 1994 Plant in Service Reconciliation
Robert Dodrill	Staff	_____ (RFD-3)	A u d i t Exception No. 2: Collier Property Condemnation
Robert Dodrill	Staff	_____ (RFD-4)	A u d i t Exception No. 3: Reclassification of Deferred Debits for Water Source/Dude Property
Robert Dodrill	Staff	_____ (RFD-5)	A u d i t Exception No. 10: Workpapers re: Information Regarding Organization Costs

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Robert Dodrill	Staff	<u> </u> (RFD-6)	A u d i t Disclosure No. 17: Future P l a n t Remaining in Utility Plant in Service
Robert Dodrill	Staff	<u> </u> (RFD-7)	A u d i t Disclosure No. 1 8 : Organization Costs
Andrew Maurey	Staff	<u> </u> (ALM-1)	I n d e x o f Schedules
Andrew Maurey	Staff	<u> </u> (ALM-2)	Derivation of L e v e r a g e F o r m u l a : Summary of Results
Andrew Maurey	Staff	<u> </u> (ALM-3)	DCF Analysis of Water Index
Andrew Maurey	Staff	<u> </u> (ALM-4)	Two-Stage DCF Model
Andrew Maurey	Staff	<u> </u> (ALM-5)	Risk Premium Model and Inputs
Andrew Maurey	Staff	<u> </u> (ALM-6)	CAPM Cost of Equity for Water and Wastewater Industry
Andrew Maurey	Staff	<u> </u> (ALM-7)	Bond Yield Differentials
Andrew Maurey	Staff	<u> </u> (ALM-8)	<u>Value Line</u> May 1995 Equity Ratios of Water Index Companies

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Andrew Maurey	Staff	<u> </u> (ALM-9)	Moody's May 1995 Equity Ratios of Natural Gas I n d e x Companies
Nancy Pruitt	Staff	<u> </u> (NEP-1)	SSU Complaints Six Year Comparison
Nancy Pruitt	Staff	<u> </u> (NEP-2)	SSU Major Types of Complaints for 1994 and 1995
Gregory Shafer	Staff	<u> </u> (GLS-1)	Rate Option S u m m a r y Analysis
Jeffrey Small	Staff	<u> </u> (JAS-1)	A u d i t Exception No. 4: Purchased W a t e r Adjustments for Marco Shores
Jeffrey Small	Staff	<u> </u> (JAS-2)	A u d i t Exception No. 4: Audit Workpapers A u d i t Exception No. 4: Audit Workpapers
Jeffrey Small	Staff	<u> </u> (JAS-3)	A u d i t Disclosure No. 7: Audit Workpapers
Jeffrey Small	Staff	<u> </u> (JAS-4)	A u d i t Disclosure No. 8: Audit Workpapers

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Jeffrey Small	Staff	_____ (JAS-5)	A u d i t Disclosure No. 11: Audit Workpapers
John Starling	Staff	_____ (JMS-1)	SSU Water Plants Types of Treatment
John Starling	Staff	_____ (JMS-2)	Hypothetical Capital Costs
John Starling	Staff	_____ (JMS-3)	Hypothetical S y s t e m Expenses
John Starling	Staff	_____ (JMS-4)	W a t e r Treatment Plant Capital Costs
Charleston Winston	Staff	_____ (CJW-1)	Composite: Audit Report and Audit Exceptions Nos. 7 - 9; A u d i t Disclosures Nos. 1, 3, 12 - 14
Clarence Anderson, Jr.	Staff	_____ (CCA-1)	Consent Order and Documen- tation: Stone I s l a n d / Enterprise
Clarence Anderson, Jr.	Staff	_____ (CCA-2)	W a r n i n g Letter/Consent O r d e r : V a l e n c i a Terrace
Clarence Anderson, Jr.	Staff	_____ (CCA-3)	W a r n i n g Letter/Consent Order: Deltona Lakes

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 115

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Scott Breitenstein	Staff	_____ (SAB-1)	Letter: Backup Well/Plant at Tropical Park
J. Lee Faircloth	Staff	_____ (JFL-1)	Letter: Sanitary Survey at Deltona Water System
Phyllis James	Staff	_____ (PJ-1)	Warning Letter/Consent Order: Apache Shores
Debra Laisure	Staff	_____ (DL-1)	Water Treatment Plant Compliance Inspection Report: Fern Park
Debra Laisure	Staff	_____ (DL-2)	Sanitary Survey: Fern Park
Debra Laisure	Staff	_____ (DL-3)	Water Treatment Plant Compliance Inspection Report: Lake Harriet
Blanca Rodriguez	Staff	_____ (BR-1)	Letters Re: Cobblestone Water Plant Improvements
Blanca Rodriguez	Staff	_____ (BR-2)	Non-Compliance Letter and Test Results: Beacon Hills

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Neal Schobert	Staff	<u> </u> (NRS-1)	W a r n i n g Letter: Marion O a k s W a s t e w a t e r P l a n t
Neal Schobert	Staff	<u> </u> (NRS-2)	Letter/Consent Order: Marion O a k s W a s t e w a t e r P l a n t
Neal Schobert	Staff	<u> </u> (NRS-3)	Letter re: Consent Order for Marion O a k s W a s t e w a t e r P l a n t
<u>Rebuttal</u>			
Stephen E. Bailey, P.E.	SSU	<u> </u> (SEB-1)	Regulatory M a n d a t e P r o j e c t
Stephen E. Bailey, P.E.	SSU	<u> </u> (SEB-2)	1995 Actual P l a n t - i n - S e r v i c e
Morris A. Bencini	SSU	<u> </u> (MAB-2)	1995 OAP P r o j e c t s
Morris A. Bencini	SSU	<u> </u> (MAB-3)	1 9 9 5 W a t e r / S e w e r O & M C o s t s
Morris A. Bencini	SSU	<u> </u> (MAB-4)	Miscellaneous A d j u s t m e n t s
Morris A. Bencini	SSU	<u> </u> (MAB-5)	Miscellaneous D i s c o v e r y R e s p o n s e s

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Morris A. Bencini	SSU	<u> </u> (MAB-6)	Comparison of W a t e r Consumption Projection Methodologies to Actual 1995 Consumption
Morris A. Bencini	SSU	<u> </u> (MAB-7)	Comparison of Water Bills Projection Methodology to reduced 1995 bills
Morris A. Bencini	SSU	<u> </u> (MAB-8)	Comparison of Average Bi- M o n t h l y Consumption to Rainfall
Morris A. Bencini	SSU	<u> </u> (MAB-9)	S u m m a r y comparison of 1995 billing determinants applied to recomputed 1 9 9 6 projections
Morris A. Bencini	SSU	<u> </u> (MAB-10)	Comparison of MFR 1995 projected revenues versus actual 1995 revenues
Charles M. Bliss	SSU	<u> </u> (CMB-1)	Comparison of Hydraulic analysis versus lot count used and useful method

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Charles M. Bliss	SSU	<u>(CMB-2)</u>	Summary of Pine Ridge field calibration effort and hydraulic analysis results
Brian S. Broverman	SSU	<u>(BSB-1)</u>	Excerpts of 1995 EEI Survey
Brian S. Broverman	SSU	<u>(BSB-2)</u>	Actuarial report as of January 1, 1995 for the postretirement medical, dental and death benefit programs of Southern States Utilities
William (Dave) Denny	SSU	<u>(WDD-4)</u>	SSU response to Public Counsel Interrogatory No. 161
William (Dave) Denny	SSU	<u>(WDD-5)</u>	SSU response to Public Counsel Interrogatory No. 168
Robert Dilg, Esg.	SSU	<u>(GRD-1)</u>	Gray, Harris & Robinson Settlement Recommendations

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Gerald C. Hartman, P.E.	SSU	_____ (GCH-4)	Economy of S c a l e Evaluation
Gerald C. Hartman, P.E.	SSU	_____ (GCH-5)	Unit cost relationship of facility equals the sum o f i t s components
Gerald C. Hartman, P.E.	SSU	_____ (GCH-6)	Economy of S c a l e Compendium Illustrations - steel ground storage tank used and useful, margin reserve
Gerald C. Hartman, P.E.	SSU	_____ (GCH-7)	Miscellaneous FPSC staff memorandum discussing used and u s e f u l considerations
Gerald C. Hartman, P.E.	SSU	_____ (GCH-8)	M a p o f Drawdown of 3.9 MGD during wet month
Gerald C. Hartman, P.E.	SSU	_____ (GCH-9)	Hartman & Associates, Inc. letter regarding settlement of Marco Lakes condemnation

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Richard M. Harvey, P.E.	SSU	_____ (RMH-1)	Memorandum of Understanding - Florida Department of Environmental Regulation and Florida Public Service Commission
Richard M. Harvey, P.E.	SSU	_____ (RMH-2)	DEP letter to FPSC dated July 14, 1993 regarding used and useful rulemaking
Richard M. Harvey, P.E.	SSU	_____ (RMH-3)	DEP letter to FPSC dated May 12, 1995 regarding used and useful rulemaking
Richard M. Harvey, P.E.	SSU	_____ (RMH-4)	DEP letter to FPSC dated June 29, 1995 regarding used and useful rulemaking
Richard M. Harvey, P.E.	SSU	_____ (RMH-5)	DEP letter to FPSC dated February 20, 1996 regarding used and useful rulemaking
Richard M. Harvey, P.E.	SSU	_____ (RMH-6)	Article: "Miami Looks for alternatives to blue-chip sewer overhaul"

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 122

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Richard M. Harvey, P.E.	SSU	_____ (RMH-7)	Excerpts of DEP rules on permitting and construction of public water systems
Judith J. Kimball	SSU	_____ (JJK-3)	Conveyance letter of Kimball Late- f i l e d deposition Exhibit Nos. 1 and 2
Judith J. Kimball	SSU	_____ (JJK-4)	1995 filed and actual plant- in-service
Judith J. Kimball	SSU	_____ (JJK-5)	Summary of 1995 and 13- month Average FPSC filed and actual plant- in-service additions
Judith J. Kimball	SSU	_____ (JJK-6)	Schedule of non-used and useful CIAC amounts
Judith J. Kimball	SSU	_____ (JJK-7)	SSU revised response to Public Counsel Interrogatory No. 252
Judith J. Kimball	SSU	_____ (JJK-8)	Comparison of Attrition adjustment at 1.95% versus 2.49%

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 123

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Judith J. Kimball	SSU	_____ (JJK-9)	SSU Response to Public C o u n s e l Interrogatory No. 343
Judith J. Kimball	SSU	_____ (JJK-10)	Reconciliation of Sugarmill W o o d s wastewater C I A C difference between Docket No. 920199 MFRs and Book balances
Judith J. Kimball	SSU	_____ (JJK-11)	SSU response to Staff Audit Request No. 113
Judith J. Kimball	SSU	_____ (JJK-12)	SSU response to Staff Audit Request No. 22, C I A C amortization
Judith J. Kimball	SSU	_____ (JJK-13)	SSU Response to Staff Audit Request No. 71
Judith J. Kimball	SSU	_____ (JJK-14)	SSU response to FPSC Staff Audit Document Request No. 95
Judith J. Kimball	SSU	_____ (JJK-15)	Excerpt from FPSC Standard procedures for Docket No. 950495-WS

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Carlyn Harper Kowalsky, Esq.	SSU	<u> </u> (CHK-6)	W a t e r conservation and water u t i l i t y programs
Dale G. Lock, CCP	SSU	<u> </u> (DGL-5)	1 9 9 3 Comparison of Revenue to payroll and payroll to customers
Dale G. Lock, CCP	SSU	<u> </u> (DGL-6)	1993 and 1994 comparison by c o m p a n y - a v e r a g e payroll per employee
Dale G. Lock, CCP	SSU	<u> </u> (DGL-7)	SSU 1995 E m p l o y e e t u r n o v e r analysis
Dale G. Lock, CCP	SSU	<u> </u> (DGL-8)	SSU response to Public C o u n s e l Interrogatory No. 44
Dale G. Lock, CCP	SSU	<u> </u> (DGL-9)	S S U j o b description: Manager of Communications a n d Governmental Relations
Forrest L. Ludsen	SSU	<u> </u> (FLL-6)	Summary of rate schedules and supporting d a t a associated with Staff proposed rate designs

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Forrest L. Ludsen	SSU	<u>(FLL-7)</u>	Cost per customer of customer accounts and A&G Expenses without and with Buenaventura Lakes (OOU)
Forrest L. Ludsen	SSU	<u>(FLL-8)</u>	Summary of Percentage of customer accounts/A&G expenses to revenues 1991 to 1996
Forrest L. Ludsen	SSU	<u>(FLL-9)</u>	Analysis of Rate Case Expense
Forrest L. Ludsen	SSU	<u>(FLL-10)</u>	Comparison of Treatment types and Stand Alone Residential bills when sorted by percentage of CIAC to plant
Forrest L. Ludsen	SSU	<u>(FLL-11)</u>	Excerpt from Order No. 2 3 5 1 1 regarding service availability charges

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 126

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Forrest L. Ludsen	SSU	<u>(FLL-12)</u>	Comparison of percentage CIAC when sorted by treatment type and stand alone residential bill
Forrest L. Ludsen	SSU	<u>(FLL-13)</u>	Comparison of stand alone residential bills when sorted by treatment type and percentage CIAC to plant
Forrest L. Ludsen	SSU	<u>(FLL-14)</u>	Comparison of treatment types and stand alone residential bills when sorted by percentage of CIAC to plant
Forrest L. Ludsen	SSU	<u>(FLL-15)</u>	Comparison of proposed final conventional and reverse osmosis uniform rates
Roger A. Morin, Ph.D.	SSU	<u>(RAM-12)</u>	Executive Summary
Bruce Pastor, P.E.	SSU	<u>(BP-1)</u>	Regulatory Mandate Projects
Bruce Pastor, P.E.	SSU	<u>(BP-2)</u>	1995 Actual Plant-in-Service

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Karla Olson Teasley, Esq.	SSU	_____ (KOT-1)	Chronology: M a r c o Island/Marco Shores water s u p p l y Planning
Rafael A. Terrero, P.E.	SSU	_____ (RAT-3)	A q u i f e r Storage and recovery site and condemned 212 acres
Rafael A. Terrero, P.E.	SSU	_____ (RAT-4)	Excerpts from DEP rules regarding permitting and construction of public water systems
Rafael A. Terrero, P.E.	SSU	_____ (RAT-5)	1964 Hydraulic flow modelling of Marco Island
Rafael A. Terrero, P.E.	SSU	_____ (RAT-6)	R e c e n t Analysis of W a t e r Distribution system flow in pipes - Hardy Gross
Rafael A. Terrero, P.E.	SSU	_____ (RAT-7)	Excerpt from modeling, analysis and design of w a t e r distribution systems, AWWA

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 129

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Rafael A. Terrero, P.E.	SSU	<u>(RAT-14)</u>	DEP Permit No. FLA012669: Marion Oaks
Scott W. Vierima	SSU	<u>(SWV-3)</u>	Parent Company Charges-Detail
Scott W. Vierima	SSU	<u>(SWV-4)</u>	NYPSC Order Instituting Proceeding
Scott W. Vierima	SSU	<u>(SWV-5)</u>	Article: "The PUC Role in Assuring Viable Water Service in Small Communities"
Scott W. Vierima	SSU	<u>(SWV-6)</u>	SSU Response to Marco Island Civic Association Interrogatory No. 5
Scott W. Vierima	SSU	<u>(SWV-7)</u>	Hanson Appraisal Company, Inc. Letter supporting settlement of Collier Lakes Condemnation Action
J. Dennis Westrick, P.E.	SSU	<u>(JDW-5)</u>	1995 Actual Plant-in- Service Total Company
J. Dennis Westrick, P.E.	SSU	<u>(JDW-6)</u>	1995 Actual Plant-in- Service: Westrick Responsible- ity

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
J. Dennis Westrick, P.E.	SSU	<u> </u> (JDW-7)	Comparison of Budget to Actual Plant-in-service additions for the period 1992 through 1995
J. Dennis Westrick, P.E.	SSU	<u> </u> (JDW-8)	Projected 1995 in service projects carried over to 1996
J. Dennis Westrick, P.E.	SSU	<u> </u> (JDW-9)	Projects placed into service in 1995 but not included in M F R projections
J. Dennis Westrick, P.E.	SSU	<u> </u> (JDW-10)	Regulatory M a n d a t e Projects
Jay Yingling	SSU	<u> </u> (JY-1)	Resume of Jay Yingling

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

IX. PROPOSED STIPULATIONS

At the Prehearing Conference, several proposed stipulations were reached. All of the parties and Staff have agreed that the following stipulations are reasonable and should be accepted by the Commission.

1. The River Park facilities have been transferred to a homeowners association and should be removed from consideration in this docket. The common costs previously allocated to customers in the River Park service area should be reallocated to SSU's remaining customers. (Issue 1)

2. The original cost of Lehigh land for parcels 1, 2, and 3 should be considered plant held for future use. Lehigh land should be reduced by \$120,840 and \$260,562 for water and wastewater, respectively. (Staff Audit Disclosure No. 2) (Issue 6)

3. If margin reserve is included in the calculation of used and useful, the appropriate method for calculating margin reserve is the use of linear regression when an "r-squared" value of 0.7 or more is achieved; or, where that value is less than 0.7 using the average of five years' data. (Issue 19)

4. Water accumulated amortization of CIAC for Deltona Lakes should be reduced by \$10,451 as set forth in Audit Exception No. 7. (Issue 52)

5. Commission policy has been to exclude interest income and interest bearing accounts for ratemaking purposes. In accordance with Commission policy, the accrued interest receivable account should be excluded. An adjustment should be made to reduce the working capital allowance by \$204,043 in order to remove the balance recorded in the accrued interest receivable account, in accordance with Audit Disclosure 12. (Issue 54)

6. The cost of variable debt should be based on interest rates that are current at the time of the hearing. If variable cost debt has changed as of the date of the hearings and evidence can be obtained verifying this fact, the new cost of debt may be used. (Issue 64)

7. For those plants included in Docket No. 920199-WS, projected test year revenues should be determined using the modified stand alone rates approved in Order No. PSC-95-1292-FOF-WS, issued on October 19, 1995. (Issue 71)

8. An adjustment should be made to reallocate the salary of SSU's president pursuant to Audit Disclosure No. 16 in the following manner:

SSU, President	70%
Heater Utilities, CEO	15%
Minnesota Power, Exec. VP and member BODs	
Topeka Group	15%

Salaries and wages should be decreased by \$40,923. Corresponding adjustments should be made to decrease pensions and benefits and workman's compensation by \$10,227 and \$700 respectively. (Issue 78)

9. The proper accounting treatment for salaries of officers and directors is NARUC Account Nos. 603 and 703 on a going-forward basis. (Issue 79)

10. The utility projected 1996 O&M expenses to include an attrition adjustment of 5.87% to the 1995 labor budget. This adjustment was calculated in error and should have been 5.75%. If the utility's 1996 salary and wage attrition adjustment is granted, what adjustments should be made to reduce the utility's projected 1996 O&M salary expenses and projected 1996 capitalized labor costs by \$13,964 and \$2,800, respectively, to reflect the correct attrition adjustment. (Issue 81)

11. Budgeted overtime labor related to the rate case should be removed from salaries expense and included in rate case expense. (Issue 85)

12. If the Commission determines in Issue 1 that the Enterprise facilities should remain in this docket, projected 1996 purchased water expenses for Enterprise should be reduced by \$22,753. (Audit Disclosure No. 9) (Issue 89)

13. The \$9,670 incurred for the Hurricane Preparedness Program is a nonrecurring expense and should be amortized over five years. Water material and supplies expenses should be reduced by \$7,736. The unamortized portion should be included in working capital. (Audit Disclosure 10) (Issue 91)

14. Property tax expense should be reduced by \$108,331 to reflect discounts received on property taxes. (Issue 109)

15. The appropriate AFUDC annual and monthly rates are subject to the resolution of the issue regarding the overall cost of capital. The effective date of the AFUDC charge should be January 1, 1997, the month following the end of the period used to determine the AFUDC rate, pursuant to Rule 25-30.116, Florida Administrative Code. (Issue 141)

X. PENDING MOTIONS

1. At its April 16, 1996, Agenda Conference, the Commission voted to defer ruling on the Motion to Dismiss filed by the Office of Public Counsel on March 12, 1996, and Motion to Dismiss filed by Citrus County on March, 21, 1996.

2. Petition of Hidden Hills Country Club Estates Homeowners Association, Inc. for Leave to Intervene, filed April 22, 1996.
3. SSU's Twelfth Motion for a Temporary Protection Order, filed April 22, 1996.

XI. RULINGS

1. OPC's oral motion to permit the filing of Kim Dismukes' third supplemental direct testimony was denied.
2. Nassau's Motion to Allow Late Filing of Testimony, filed April 4, 1996, was granted.
3. Staff's Request to Strike Witnesses Who Have Not Prefiled Testimony, filed April 10, 1996, was denied.
4. SSU's request to raise its Issue A relating to alleged ex-parte communications in Docket No. 900329-WS and the recovery of rate case expense from that docket was denied.
5. SSU's request to raise its Issues B through D relating to the recovery of fees and costs in this docket pursuant to Section 120.57(1)(b)(5), Florida Statutes, was denied, with the recognition that SSU may file a written motion for that request.
6. SSU's Motion for Leave to File Additional Rebuttal Testimony, filed April 19, 1996, was denied, although the utility will be permitted to present rebuttal testimony in response to the testimony of witnesses who did not prefile testimony.
7. OPC's request to raise an issue related to the allocation of overhead costs to facilities at Palm Coast for which an SSU affiliate has a purchase option, was denied.
8. The parties' request to file post-hearing filings of no more than 150 pages was granted.

XII. RESERVED RULINGS

The following rulings were referred to the full panel for determination prior to the technical hearing.

1. The inclusion of Issue 124 as an issue in this matter.

ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 134

2. OPC's Motion to Strike Rebuttal Testimony of Brian Broverman, filed April 15, 1995.

It is therefore,

ORDERED by Commissioner Diane K. Kiesling, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Diane K. Kiesling, as Prehearing Officer, this 23rd day of April, 1996.


DIANE K. KIESLING, Commissioner and
Prehearing Officer

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ORDER NO. PSC-96-0549-PHO-WS
DOCKET NO. 950495-WS
PAGE 135

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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.