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DIRECT TESTIMONY OF CHARLES K. LEWIS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ON BEHALF OF

SOUTHERN STATES UTILITIES, INC.

AND

DELTONA UTILITIES, INC.

DOCKET NO. 920199-WS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS AND ADDRESS.

A. My name is Charles K. Lewis. My business address is 1000 Color Place, Apopka, Florida 32703.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by Southern States Utilities, Inc. and Deltona Utilities, Inc.

Q. WHAT IS YOUR POSITION WITH SOUTHERN STATES UTILITIES, INC. AND DELTONA UTILITIES, INC.?

A. I serve as Director of Rates for Southern States Utilities, Inc. and Deltona Utilities, Inc. These companies were legally merged on July 15, 1992, and hereinafter I will refer to them collectively as "Southern States" or the "Company."

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I received an Associates Degree in Accounting from Jackson Community College in 1972. In 1975, I received a Bachelors Degree from Michigan State University in the field of Economics/Political Science, and a Masters in Political Science from Michigan State University in 1978. In addition, I have attended a number of schools, seminars, conferences, workshops and short courses on utility rate making, cost of service, rate design, and return on investment sponsored by various professional associations, universities, and accounting firms.

Q. **HOW LONG HAVE YOU BEEN EMPLOYED IN THE UTILITY INDUSTRY AND WHAT POSITIONS HAVE YOU HELD?**

A. Over the past 14 years, I have held various positions in a supervisory capacity within the Rates and Revenue Requirements areas at Consumers Power Company, Northeast Utilities, Seminole Electric Cooperative, Inc., and Southern States.

Q. **TO WHAT TRADE AND/OR PROFESSIONAL ORGANIZATIONS DO YOU BELONG?**

A. I am a member of the American Water Works Association and the Florida Chapter of the National Association of Water Companies.

Q. **HAVE YOU PREVIOUSLY TESTIFIED BEFORE A PUBLIC UTILITIES COMMISSION?**

A. Yes. I have submitted testimony and/or testified before the Michigan Public Service Commission, the Connecticut Department of Public Utility Control, the Massachusetts

Public Utility Department, the Florida Public Service Commission, the Polk County Utilities Board, the Hillsborough Board of County Commissioners and the Sarasota County hearing examiners.

Q. **WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF RATES.**

A. As Director of Rates, I am primarily responsible for the determination of the Company's revenue requirements.

Q. **PLEASE OUTLINE THE SCOPE OF YOUR TESTIMONY IN THIS PROCEEDING.**

A. I will testify with respect to the Company's Cost of Service and sponsor the following documents filed in this case:

<u>Volume II - Water Minimum Filing Requirements</u>

Book 1 of 11	Schedules A & B: Rate Base and Income for <u>Amelia Island through Dol Ray Manor</u>
Book 2 of 11	Schedules A & B: Rate Base and income for <u>Druid Hills through Holiday Haven</u>
Book 3 of 11	Schedules A & B: Rate Base and Income for <u>Holiday Heights through Marco Shores</u>

Book 4 of 11 Schedules A & B: Rate Base and Income for <u>Marion Oaks through Point O' Woods</u>

Book 5 of 11 Schedules A & B: Rate Base and Income for <u>Stone Mountain through Zephyr Shores</u>

<u>Volume III - Wastewater Minimum Filing Requirements</u>

Book 1 of 6 Schedules A & B: Rate Base and Income for <u>Amelia Island through Florida Central Commerce Park</u>

Book 2 of 6 Schedules A & B: Rate Base and Income for <u>Fox Run through Park Manor</u>

Book 3 of 6 Schedules A & B: Rate Base and Income for <u>Point O' Woods through Zephyr Shores</u>

Q. WERE THESE DOCUMENTS PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes, they were.

II. FPSC JURISDICTIONAL OVERVIEW

Q. PLEASE DESCRIBE THE SYSTEMS YOU HAVE FILED IN THIS CASE.

A. The Company has included 90 water and 37 wastewater systems in this filing as identified in Volume I, Book 1 of 4 of the Minimum Filing Requirements ("MFRs") which previously have been identified as Exhibit ___ (FLL-1). The combined 127 systems represent all systems currently operated by Southern States, except for the two Marco Island systems and the two Lehigh Utilities, Inc. ("Lehigh") systems, which are under Florida Public Service Commission ("Commission") jurisdiction. Applications for rate increases for the Marco Island and Lehigh systems currently are being processed with the Commission.

Q. **WHAT TEST YEAR HAS BEEN USED AS A BASIS FOR DETERMINING COSTS IN THIS FILING?**

A. The Company requested and the Commission approved the use of a historical test year ended December 31, 1991. The proposed final rates are based on actual 1991 costs adjusted for certain pro forma adjustments reflecting known and certain events.

Q. **BASED ON THE TEST YEAR ENDED DECEMBER 31, 1991, WHAT RETURN WILL SOUTHERN STATES EARN UNDER PRESENT RATES ON THE 127 JURISDICTIONAL WATER AND WASTEWATER SYSTEMS FILED IN THIS**

RATE CASE?

A. The overall jurisdictional rate of return for the combined water and wastewater systems filed in this case under present rates would be 2.54%, which is equivalent to a -8.32% return on equity. Individually, the rates of return for water and wastewater would be 3.07% and 1.74%, respectively. These rates of return equate to negative returns on equity of -7.07% (water) and -10.18% (wastewater). A negative return on equity indicates that present revenues are severely deficient, that no return is available for investors, and that the Company is not able to fully cover interest costs on debt.

Q. **WHAT INCREASE IN REVENUES IS THE COMPANY PROPOSING?**

A. The Company is proposing an overall increase in sales revenues of $8,665,518 (or a 43.58% increase) as shown in Volume I, Book 1 of 4, page 8 of the MFRs. The proposed increase for water and wastewater is $5,064,353 (40.16%) and $3,601,165 (49.53%), respectively. The overall jurisdictional revenue requirement for the water and wastewater systems filed in this case is $28.5 million.

Q. **WHAT RATES OF RETURN DO THE PROPOSED INCREASES PRODUCE?**

A. As shown in Volume I, Book 1 of 4, page 8, the Company's proposed increase would produce an overall rate of return of 11.57% for combined water and wastewater service. The proposed increase for water (approximately $5.1 million) would produce an 11.88% rate of return and the proposed increase for wastewater (approximately $3.6 million) would produce an 11.11% rate of return.

Q. **HAS THE COMPANY DETERMINED ITS REQUIRED RETURN ON EQUITY BASED ON THE COMMISSION'S LEVERAGE GRAPH FORMULA APPROACH?**

A. Yes. The Company is requesting an overall jurisdictional return on equity of 12.83% based on the Commission's leverage graph formula approach. The capital structure proposed by the Company is shown in Volume I, Book 1 of 4, Schedule E, page 138 of the MFRs.

Q. **WOULD YOU PLEASE EXPLAIN WHY THE COMPANY HAS PROPOSED DIFFERENT RATES OF RETURN FOR WATER AND WASTEWATER OPERATIONS?**

A. The proposed rate design is explained by Mr.

Joseph P. Cresse and Ms. Helena Loucks. The proposed rate design results in a moderate revenue shift of approximately $178,000 from wastewater to water. This produces a slightly higher rate of return for water operations than wastewater operations. A jurisdictional summary of required revenues is shown in Volume I, Book 1 of 4, pages 25 through 25-15. A comparison of the Company's proposed and required increases is provided in Volume I, Book 1 of 4, page 25-16. This information is discussed by Mr. Cresse and Ms. Loucks.

III. RATE BASE

(a) Overview

Q. **WOULD YOU GENERALLY DESCRIBE THE DEVELOPMENT OF RATE BASE IN THIS FILING.**

A. The Company developed rate base information according to the Commission's MFRs. The amounts shown for rate base are average balances based on a simple average of the beginning and ending test year balances. Working capital was determined according to Commission precedent using the 1/8 of Operation and Maintenance ("O&M") expense methodology. Volume I, Book 1, page 9 provides a jurisdictional summary of rate base and pages 26 through 82 and 203 through 247 provide a system by system summary of water and wastewater rate base, respectively. The detailed development of water rate base is shown in Volume II, Books 1 through 6, Schedule A and wastewater rate base is detailed in Volume III, Books 1 through 3, Schedule A.

Q. **WHAT IS THE TOTAL RATE BASE REQUESTED IN THIS FILING?**

A. The total rate base for the 127 systems filed in this case is $57.1 million, consisting of $34.2 million of water rate base and $22.9 million of wastewater rate base.

(b) Adjustments to Rate Base

Q. **HAS THE COMPANY MADE ANY ADJUSTMENTS TO PER BOOK RATE BASE FOR PURPOSES OF FINAL RATES?**

A. Yes, it has. Pro forma adjustments have been made which reduce total jurisdictional water rate base by ($468,370) and increase wastewater rate base by $6,651,470. These adjustments are summarized in Volume I, Book 1 of 4, pages 43 and 216.

Q. **WOULD YOU PLEASE DESCRIBE THESE ADJUSTMENTS?**

A. Yes, I will.

- Water plant in service was reduced by ($378,900) and sewer plant in service was reduced by ($214,815) to reflect the elimination of organizational costs booked to account 301/351. Organizational costs were at issue in our last rate case and have been removed from this case. As Mr. Forrest Ludsen will explain, these and other costs were removed in an attempt to produce as non-controversial a filing as possible due to our urgent need for rate relief.
- Water plant in service was increased by $11,590 and sewer plant in service was increased by $21,403 to reflect the transfer of plant booked as Plant Held for Future Use to Plant in Service for ratemaking purposes. The adjustment was made to reflect plant actually in service during the test year prior to determining non-used & useful plant.
- Land & Land Rights for water were reduced by ($1,241,591) and for wastewater by ($436,501) to reflect the original cost

of land when first devoted to public service. This adjustment reflects the results of land appraisals performed for the Company in 1991 by independent professional land appraisers.

- Sugar Mill Woods' sewer rate base was increased by $229,485 to reflect a zero rate base. Absent this adjustment, the rate base would be negative. The Company should not be assessed a negative rate base since to do so would remove any incentive to operate the system. The adjustment also is consistent with the Commission Staff's recommended treatment in Docket No. 900329-WS. Finally, I have been advised by counsel that the Florida courts have recognized that it would be unlawful and unwise to remove a utility's incentive to operate a system by depriving it of the opportunity to produce earnings from such operations.
- Water accumulated depreciation was reduced by $116,612 and sewer accumulated depreciation was reduced by $46,197 to reflect the adjustment referred to above

concerning organization costs.

- Water and sewer accumulated depreciation were increased by ($94,680) and ($32,745), respectively, to reflect the shortened useful life of one of the Company's software packages. The reserve was adjusted because the Company believed that previously it had been understated. For this reason, there was no corresponding adjustment to Plant in Service or depreciation expense in the rate filing.
- CIAC was reduced at Sugar Mill Woods by $1,065,198 and $4,785,078 for water and sewer, respectively. CIAC was reduced at Burnt Store by $3,175,231 for sewer. These adjustments were made to remove pre-paid CIAC which is non-used and useful. The non-used and useful adjustment to CIAC reflects CIAC collected prior to 1987 from lot owners who have not built their homes as of yet. This adjustment eliminates the double whammy effect of a non-used and useful adjustment and CIAC offset for these

lots.

- CIAC amortization was reduced at Sugar Mill Woods by ($91,982) and ($653,689) for water and sewer, respectively. Sewer CIAC was also reduced at Burnt Store by ($324,056).
- Working capital was adjusted upward by $145,384 for water and $55,882 for sewer. This increase was calculated by dividing the pro forma incremental water O&M expenses of $1,163,074 and pro forma incremental sewer O&M expenses of $447,056 by 8.

IV. INCOME

(a) Overview

Q. WOULD YOU GENERALLY DESCRIBE THE DEVELOPMENT OF INCOME IN THIS FILING?

A. The Company developed income information according to the MFRs. Volume I, Book 1, page 10 provides an overall jurisdictional summary of income and a system by system summary of water and sewer income is provided on pages 84 through 132-16 and 248 through 285-12 for water and sewer systems, respectively. The detailed development of water income is shown in Volume II, Book 1, Schedule B and the development of sewer income is shown in Volume III, Book 1, Schedule B.

Q. **WHAT IS THE TOTAL JURISDICTIONAL NET OPERATING INCOME REQUESTED IN THIS FILING?**

A. The total jurisdictional net operating income under present rates is $1.4 million ($1.0 million for water and $ .4 million for sewer). The Company is requesting total jurisdictional net operating income of $6.6 million ($4.1 million for water and $2.5 million for sewer).

<u>(b) Adjustments to Income</u>

Q. **HAS THE COMPANY MADE ANY ADJUSTMENTS TO PER BOOK INCOME FOR RATEMAKING PURPOSES?**

A. Yes, we have. The Company has made pro forma adjustments to water and sewer revenue and expenses as shown in Volume I, Book 1, pages 125 through 132 and 280 through 285, respectively. The net effect of the pro forma adjustments on revenues and expenses is a reduction of present income for water of ($565,208) and an increase of present income for sewer of $74,741, or a net reduction to present income of ($490,468).

Q. **WOULD YOU PLEASE DESCRIBE THE ADJUSTMENTS MADE**

BY THE COMPANY.

A. First, water and sewer adjusted test year present revenues were increased by $506,081 and $603,779, respectively. This increase represents the annualized revenue effect of the interim rates under stay in Docket No. 900329-WS. A second adjustment to test year revenues was made to reflect new miscellaneous service charges for certain systems which were approved by the Commission in the consolidated Southern States Utilities, Inc./Deltona Utilities, Inc. tariff. Under the consolidated tariff, all systems have miscellaneous service charges consistent with Staff Advisory Bulletin No. 13. The adjustment to water and sewer income to reflect these new miscellaneous service charges are an increase to water of $109,021 ($106,721 + $2,300 reclassified from sewer) and decrease to sewer of $2,300 (reclassified to water).

The net effect of these two adjustments to income is an increase of $1,216,581.

Q. **PLEASE DESCRIBE THE ADJUSTMENTS MADE TO RECLASSIFIED PENSIONS AND BENEFITS TO BE**

CONSISTENT WITH NARUC ACCOUNTING METHODS.

A. The 1991 Southern States Utilities, Inc./Deltona Utilities, Inc. books lumped fringe benefits, workers' compensation and payroll taxes all in accounts 604/704. These expenses were reclassified for ratemaking purposes into accounts consistent with NARUC accounting. Payroll taxes were reclassified out of account 604/704 (fringe benefits) into account 408.110/.112 (payroll taxes), as shown on Schedule B-15 Taxes Other Than Income Taxes. These adjustments were required for the following reasons: (1) to achieve consistency with NARUC accounting, (2) to provide the Commission with the true amount of benefit costs for utilization in the benchmark guideline analysis and (3) to provide a uniform amount of pension and benefits costs on a Company-wide basis (rather than the deceptive fluctuating benefit costs which appear on the Company's books). The methodology used to make these adjustments was to determine the total Company costs for benefits, workers' compensation and payroll taxes. The amounts were divided by our

Company-wide payroll to determine the total percentage of payroll applicable to each of these categories of expense. The result was a uniform cost factor for each category of expense which could be applied on a system by system basis to the system-specific labor included for ratemaking. The cost factors that resulted from this calculation were 19.04% for fringe benefits, 3.36% for workers' compensation and 8.63% for payroll taxes. These adjustments resulted in the reduction to water and sewer O&M of $442,296 and an increase in payroll taxes of $460,470. The difference represents the amount that was underapplied on the books.

Q. **PLEASE EXPLAIN THE OTHER ADJUSTMENTS TO OPERATING EXPENSES REFLECTED ON SCHEDULE B-1 FOR WATER AND SCHEDULE B-2 FOR SEWER.**

A. The first adjustment reflects the four year amortization of rate case expenses of $329,196 (water) and $113,854 (sewer). The Company provided detailed support for this adjustment in the supplemental information provided in Appendix N of Exhibit ___ (FLL-2).

The second adjustment adds back and

reallocates the administrative and general ("A&G") expenses previously allocated to Lehigh during the period October through December, 1991. The purpose of this adjustment is to permit us to allocate a full twelve months of A&G costs rather than only three months. The impact of this adjustment was $70,082 (water) and $24,238 (sewer). As explained by Mr. Forrest L. Ludsen, A&G expenses of Southern States and Lehigh were pooled and reallocated to each water and sewer system based on the number of customers served.

The third adjustment reflects the estimated annualized Lehigh A&G expenses. The estimation of Lehigh A&G expenses was necessary since Lehigh was not acquired until June 30, 1991. Thus, we did not have twelve months of experience with Lehigh as part of our family of utilities. The impact to the water and sewer systems in this case is $125,226 and $43,310, respectively. These costs were allocated to the 127 systems based on customers served.

The fourth adjustment reallocates labor

to reflect the sale of certain gas operations in December of 1991. This sale required the Company to reallocate costs associated with employees reassigned after the sale or lost to the Company which purchased the gas operations. In contemplation of this sale, the Company had not filled certain authorized positions during 1991 so that employees who previously worked in our gas operations could remain with the Company if they chose to do so. This adjustment reduced water expenses by ($20,650) and increased sewer expenses by $1,154.

The fifth adjustment was made to reflect an attrition allowance. This attrition allowance was made to historic 1991 expenses after reflecting the adjustments I just discussed. We used the Commission's 1992 CPI factor of 3.63% as our attrition factor for all expenses except those booked to Accounts 601/701 and 603/703. Expenses booked in these accounts were adjusted by 5.00% which represents the Company's projected percentage increase for 1992 salaries. The impact of the attrition allowance on the water and sewer systems in this case is $282,934 and $169,046, respectively. We believe our request for an attrition allowance is reasonable since this case is premised on historic costs which will be more than one year old before final rates are determined. Also, the Commission rules concerning indexing preclude us from obtaining relief which would otherwise be available to us (for expenses other than those booked to Accounts 601/701 and 603/703) but for our involvement in this proceeding.

The sixth and final adjustment relates to post-retirement benefits expenses (other than pensions) per FASB 106. Mr. Bruce Gangnon of Minnesota Power will testify concerning this adjustment. The impact to the water and sewer systems in this proceeding is $679,550 and $235,025, respectively.

The total impact of these adjustments on the water and sewer income statements contained in the MFRs is an increase of $1,163,074 and $447,056, respectively.

Q. **PLEASE EXPLAIN ADJUSTMENTS MADE BY THE COMPANY TO DEPRECIATION EXPENSE AND THE AMORTIZATION OF CIAC.**

A. We adjusted depreciation expense and CIAC amortization to reflect an adjustment for non-used and useful CIAC explained earlier in my testimony. However, I would like to point out that in 1991, we converted all water and sewer systems that did not already have Commission approval to use average life depreciation to the average life depreciation method. Associated expenses are reflected in the income statements as well as in the depreciation reserve for 1991. The following water and sewer systems were converted to average life depreciation rates in 1991:

WATER:

Kingswood, Oakwood, Apache Shores, Citrus Springs Utilities, Crystal River Highlands, Oak Forrest, Pine Ridge Utilities, Point O' Woods, Rolling Green, Sugar Mill Woods, Lakeview Villas, Postmaster Village, Marco Shores Utilities, Spring Hill Utilities, Hobby Hills, Holiday haven, Imperial Mobile Terrace, Silver Lake Estates, Sunshine Parkway, Marion Oaks Utilities, Daetwyler Shores, Holiday Heights, Lake Conway Park, University Shores, Westmont, Fountains, Intercession City, Lake

Ajay Estates, Tropical Park, Windsong, Palm Terrace, Zephyr Shores, Deltona Utilities, Jungle Den, Sugar Mill And Sunny Hills Utilities.

SEWER:

Apache Shores, Citrus Springs utilities, Point O' Woods, Sugar Mill Woods, Marco Island Utilities, Spring Hill Utilities, Holiday Haven, Sunshine Parkway, Marion Oaks Utilities, University Shores, Palm Terrace, Zephyr Shores, Deltona Utilities, Jungle Den, Sugar Mill and Sunny Hills Utilities.

The final adjustment we are requesting is to recognize a shortened depreciation life for R.O. permeators. The reasons for this adjustment are explained by Mr. Gerald C. Hartman.

V. SPECIFIC SYSTEM COST

Q. **WHY HAS THE COMPANY ESTABLISHED A MAXIMUM BILL FOR 10,000 GALLONS OF CONSUMPTION?**

A. If the maximum bill is not applied, the revenue requirements for certain systems, based solely on a stand alone cost of service study, would be excessive on a per customer basis.

Q. **COULD YOU EXPLAIN WHY THE SYSTEMS WHICH WILL BENEFIT FROM THE MAXIMUM BILL PROPOSAL HAVE HIGH REVENUE REQUIREMENTS?**

A. Generally, those systems which will benefit from the proposed maximum bill mechanism have a low customer base and low consumption. These facts result in virtually no economies of scale and high rates. Some systems also have high investment costs to comply with regulatory requirements, must compensate for poor water quality from indigenous sources, use expensive disposal methods necessitated by environmental conditions, etc.

WATER

Apache Shores - The customer base is low (161) with average monthly water consumption of less than 2,000 gallons per customer per month. Even though the system is not built out, there is zero growth. There is no economy of scale achieved to reduce the impact of this system's rate base or O&M costs on a per customer basis.

Burnt Store - The customer base is low (186), averaging less than 5,000 gallons of consumption per month. The direct O&M expenses associated with the R.O. facility providing water to these customers is more costly than costs associated with operating a conventionally chlorinated water plant. Even though the system is far from being built out, growth has been sporadic at best. No economy of scale is achieved to reduce the impact of the higher than typical O&M costs for an advanced operation of this type.

Fountains - This is a new system with only 8 customers. The average flow also is only 8,000 gallons per month. There is a large rate base (associated with new plant) with a small number of customers over which associated costs may be spread. Thus, even considering economies we can achieve on the O&M side (by spreading labor costs of the operator among a number of systems), rates will remain high on a per customer basis.

Fox Run - The customer base is low (92) with an average monthly usage of 8,810 gallons. The system is 100% used & useful with higher than normal O&M costs due to the high iron content of the water in the area. The system is built out, therefore, there will be no growth to offset additional capital and O&M costs.

Gospel Island - The customer base is very low (8) with an average usage of 5,852 gallons per month.

There is zero growth and there is no economy of scale at this time.

Hermits Cove - There is a small customer base (178) with low average usage of 2,850 gallons per month. We have experienced no growth even though the system is not built out.

Holiday Haven & Jungle Den - The customer base is small (113/116). O&M costs (which include the cost of water purchased from the City of Astor) are high on a per customer basis. There is low average usage of 2,902 and 2,146, respectively, and no growth because the systems are built out.

Lake Ajay - The customer base is low (35), although there has been significant growth over the past four years. Average monthly usage is 9,912 gallons. Once again, there is no economy of scale at this time to reduce rate base and O&M expenses.

Lakeview Villas - The customer base is low (13) with an average monthly usage of only 2,329 gallons. Growth is negative. There is no economy of scale at this time.

Palisades County Club - This is a new system with only 4 customers on line. There is a large rate base consistent with new plant.

Park Manor - The small customer base (30) uses an average of 3,660 gallons per month. There is no economy of scale at this time.

Quail Ridge - High rate base to customer ratio. There is no growth. The customer base (11) uses an average of 6,530 gallons per month. There is no economy of scale at this time.

Rosemont - High rate base to customer ratio due to a large amount of plant in service. The customer base (47) uses an average of 9,430 gallons per month, but this usage is offset by negative growth.

Salt Springs - A large amount of capital additions have been required in the past 3 years. The customer base (112) uses an average of 1,848 gallons per month. O&M costs increased in association with the required capital additions.

Saratoga Harbor - High rate base to customer ratio. The customer base (40) uses an average of 3,305 gallons per month. There has been some growth on this system.

Silver Lake Oaks - High rate base to customer ratio. The customer base (26) uses an average of 3,749 gallons per month.

Stone Mountain - There are only 6 customers. There is negative growth which offsets the high average use per customer of 17,151 gallons. There is no economy of scale at this time.

Wootens - The customer base (17) uses only 2,007 gallons per month on average. There is no economy of scale at this time. Growth is minimal.

Zephyr Shores - The customer base (514) has a positive growth factor, but the average use per month is only 3,361 gallons.

SEWER

Apache Shores - The customer base (112) uses only an average of 1,297 gallons per month. Growth is negative. There is no economy of scale.

Beechers Point - The customer base is low (16) and average usage is only 3,573 gallons per month. Growth is minimal. No economy of scale at this time.

Chuluota - The customer base (132) uses an average of 5,713 per month. There is negative growth. We were required to retire the old sewer plant and replace it with a new plant.

Holiday Haven - The customer base (96) has an average usage of only 2,985 gallons per month. Growth is minimal. No economy of scale at this time.

Jungle Den - There is a fair level of growth. However, customers (115) use an average of only

2,217 gallons per month. No economy of scale at this time.

Marion Oaks Utilities - High rate base to customer ratio. There is growth on this system. The customer base (1,276) uses an average of 4,445 gallons per month.

Morningview -The customer base is low (35) and average usage is 9,065 per month. There is some growth on this system. However, there is no economy of scale at this time.

Park Manor - Park Manor is another system where economy of scale has not been achieved. There are only 26 customers using an average of only 3,781 gallons per month.

Point O' Woods - The customer base (114) uses an average of only 3,332 gallons per month. There is excellent growth on this system. However, economy of scale has not yet been achieved.

Silver Lake Oaks - There are only 25 customers who use an average of only 3,912 gallons per month. There is negative growth at this time.

Sunny Hills - High rate base to customer ratio. The customer base (175) uses an average of 4,331 gallons per month. There is negative growth at this time.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.