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October 5, 1992

Steve Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0850

Re: Docket No. 920199-WS

Dear Mr. Tribble:

Enclosed for filing in the above-captioned proceeding on behalf of the Citizens of the State of Florida are the original and 15 copies of the Direct Testimonies of Victoria A. Montanaro and Kimberly H. Dismukes.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

Harold McLean
Associate Public Counsel

Enclosure

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Dismukes
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11561 OCT -5 1992
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for rate increase in Brevard, Charlotte/Lee, Citrus, Clay, Duval, Highlands, Lake, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, Volusia, and Washington Counties by SOUTHERN STATES UTILITIES, INC.; Collier County by MARCO SHORES UTILITIES (Deltona); Hernando County by SPRING HILL UTILITIES (Deltona); and Volusia County by DELTONA LAKES UTILITIES (Deltona)	Docket No. 920199-WS Filed: October 5, 1992

DIRECT TESTIMONY

OF

KIMBERLY H. DISMUKES

On Behalf of the Citizens of The State of Florida

Jack Shreve
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TESTIMONY
OF
KIMBERLY H. DISMUKES

On Behalf of the
Florida Office of the Public Counsel

Before the
FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 920199-WS

Q. What is your name and address?
A. Kimberly H. Dismukes, 111 West Madison Street, Room 812, Tallahassee, Florida, 32399-1400.
Q. Do you have an appendix that describes your educational and occupational history and your qualifications in regulation?
A. Yes. Appendix I, attached to my testimony, was prepared for this purpose.
Q. Do you have an exhibit in support of your testimony?
A. Yes. Exhibit__(KHD-1) contains eight Schedules which support my testimony.
Q. What is the purpose of your testimony?
A. The purpose of my testimony is to respond to certain portions of Southern States Utilities, Inc.'s (SSU, Southern States, or the Company) request to increase rates by $8,665,518, which equates to an increase of $5,064,353 for water service and $3,601,165 for wastewater service.

My testimony is organized into eight sections. In the first section of my testimony, I address the Company's relationship to its parent and sister companies. In the second part of my testimony, I examine the method used by the Company to allocate Southern States Utilities Service, Inc.'s (SSUSI) common costs to SSU. In the third section, I discuss the sale of St. Augustine Shores and University Shores property and the appropriate ratemaking treatment of the gain on these sales. In the fourth section of my testimony, I discuss the Company's method of calculating margin reserve and propose an alternative method. In the fifth section, I discuss certain known and measurable adjustments that should be made to the test year. In the sixth section of my testimony, I discuss expenses that should not be charged to ratepayers. In the seventh section, I address out-of-period adjustments that are necessary to reflect a more normal test period. Finally, in the eighth section, I discuss nonrecurring expense adjustments.

Q. Let's turn to the first section of your testimony. Would you please describe the relationship between SSU, its parent companies, and its sister companies?

A. Yes. Schedule 1 of my exhibit graphically depicts, in large part, the organizational relationship between Southern States, its parent companies, and its sister companies. As shown on this schedule, as of 1991, the Topeka Group owned Southern States Utilities, Inc. (which owned Venice Gardens Utilities and Southern States Utilities Service, Inc.), Deltona Utilities, Inc. (which owned Seaboard Utilities Corporation), United Florida Utilities (UFU), Lehigh Acquisition Corporation, and

Heater Utilities. The Topeka Group also owns Seminole Utility, which in turn owns Lehigh Utilities, Inc. With the exception of Heater Utilities, which has water and wastewater operations in North and South Carolina, all of the remaining subsidiaries of the Topeka Group operate in the State of Florida. Southern States Utilities Services, Inc. which is under Southern States Utilities, Inc., provides customer service and administrative and general services on behalf of the water and wastewater systems operating in Florida.

At some time in 1990 the Topeka Group began making plans to consolidate/merge the operations of SSU, DUI, VGU, and UFU into one company. In 1992 this merger was completed and the companies became a "new" Southern States Utilities, Inc. The merger, however, did not include Lehigh, apparently for tax reasons.

Q. Let's turn to the second section of your testimony. Would you discuss the allocation of SSUSI administrative and general (A&G), customer service, and general plant costs to the Company?

A. Certainly. According to the testimony of Mr. Ludsen, these costs were allocated to Southern States' water and wastewater systems based on the number of customers served relative to the entire SSU system. Mr. Ludsen claims that:

> The allocation of common costs based on the number of customers served by individual systems is the established methodology of the Commission for water and wastewater utilities as evidenced by the use of this methodology by all such utilities which must allocate common costs similar to those allocated in this proceeding. [Ludsen Testimony, p. 32.]

The Company's defense is also predicated upon its belief that there are no Commission orders which oppose using the number of customers to allocate common costs. Mr. Ludsen concludes by stating that there is no logical basis for treating SSU any differently than other water and wastewater systems in Florida.

Q. What are common costs and why are they allocated?

A. A common cost is a cost incurred for the purpose of producing two or more products or services. Due to their commonality (inseparability), these costs are often considered unallocable except by some arbitrary method. An example of a common cost is the salary of the officers of a company. This cost often can not be directly assigned to the various products and services offered by a company.

In the context of utility regulation, common costs are allocated for the purpose of determining the revenue requirements of various jurisdictions. For example, the common costs of electric and telephone companies must be separated between the interstate and intrastate jurisdictions. In the instant proceeding, common costs are being split first between the various systems owned by the SSU family. Next, within particular systems, common costs are split between the water and wastewater operations. The distribution of these costs allows the Commission to develop a revenue requirement specific to each system owned by the SSU family.

Q. Are there accepted allocation methods other than the one proposed by the Company?

A. Yes, there are. From a broad cost allocation perspective there are numerous ways in which common costs can be allocated--many of which have been accepted by regulatory commissions. In general, there is no one established method which is considered universally preferable by regulators and parties involved in the regulatory process. Hence, the Commission should not be persuaded by the Company's attempts to indicate that the number of customers is the only allocation factor used by water and wastewater utilities. In the broader perspective of electric, telephone, and gas utilities, many methods are used to distribute common costs.

The number of customers might be reasonable for a small water and wastewater company. For example, administrative convenience might be the primary reason for using such a method. This allocation method may not be appropriate for SSU, which is the largest water and wastewater operation in Florida. These unique circumstances should persuade the Commission to deviate from tradition and from what is used for small utilities.

There is an added problem with the SSU family as well. SSU and Lehigh both own nonregulated operations (primarily gas). The Commission needs to be concerned about the fair treatment of the Company's regulated systems. Under the Company's proposed customer allocation methodology, a smaller amount of common costs are allocated to the nonregulated gas operations than under the direct labor method used for internal accounting purposes. The same may be true for SSU's water and wastewater operations which are not regulated by the

Commission, but by the counties. Clearly, the Commission should address whether or not the allocation method proposed by the Company is fair in light of SSU's nonregulated operations.

Q. In the last SSU rate case, Docket No. 900329-WS, did Southern States propose to use the number of customers to allocate its common A&G costs?

A. No, it did not. In the last rate proceeding, Southern States proposed to allocate these costs based upon direct labor. As mentioned above, this is the method used by SSUSI for internal accounting purposes to distribute its common A&G expenses. In contrast, in the instant case SSUSI has repooled its common administrative and general expenses and reallocated them to each system based upon the number of customers.

In the last rate proceeding, SSU addressed, at fairly great length, the benefits of using direct labor as an allocation methodology and the pitfalls of using the number of customers. In response to a question from Commissioner Easley, Mr. Ludsen responded as follows:

> Basically, two types of allocation factors are customer allocation factors and labor allocation

factors. If you allocate -- if you allocate A&G expenses or general plant [on] customers, you're assuming that each customer gets an equal share of those costs no matter what type of facilities they have or what type of treatment or how much labor they have providing service in their area.

If you have, when you allocate on labor, your A&G costs, which are very closely related to labor, they relate to labor, they will follow the costs of labor. So if you get into like wastewater plants, which are labor intensive, they have a higher intensity of labor, you'll allocate more A&G costs to a wastewater plant than you would to a water plant.

In the case of our RO [Reverse Osmosis] plants, they are also very labor intensive because they require

> more personnel. So you allocate more A&G to the RO plants. [Docket No. 900329-WS, Tr. 338.]

Mr. Ludsen also explained at the hearings in the last case that, if the number of customers was used to allocate common A&G costs, SSU's FPSC regulated customers may end up subsidizing the non-FPSC regulated water and wastewater customers. In a response to a question raised by Commissioner Easley, Mr. Ludsen replied:

> Like, for instance, we serve 20 counties under FPSC jurisdiction and seven counties under county jurisdiction. Now, if a county has an RO plant, then if we don't allocate -- if we allocate on customer, we're not properly assigning the amount of costs to that county, so the FPSC customers are picking up more of those costs. Whereas, if you assign on labor, they're going to get their full allocation. [Ibid., Tr. 338-39.]

Q. Has the Company explained why it has deviated from its recommendation in the last docket to the instant case?

A. Not in its prefiled direct testimony. It did provide several reasons in a response to an OPC Interrogatory:

> (1) Commission precedent confirms that an allocation based on customers is reasonable...;
>
> (2) an allocation based upon customers is easily quantified and verified;
>
> (3) customers served by small systems will be benefitted;
>
> (4) in contrast to an allocation based on direct labor, where a large proportion of the A&G costs would be allocated to wastewater customers and customers served by advanced treatment methodologies, an allocation based on customers provides for a large portion of A&G costs to be allocated to water customers who out-number sewer customers by a 2 to 1 margin. Since a larger portion of the costs are spread over a larger base, the impact on any one system is decreased;
>
> (5) there is no conflict with prior Company testimony in Docket No. 900329-WS since the Company clearly stated that no allocation

method was perfect and we never indicated that an allocation based upon the number of customers was in any way unreasonable;

(6) interim rates in effect at the time this case was filed were established, in part, on allocations of A&G costs which had been allocated based on the number of customers...;

(7) reversion to the customer allocation methodology was expected to eliminate a controversial issue from this case.... [Southern States Utilities, Inc., Response to OPC Interrogatory 170.]

Q. Do you have any comments concerning Southern States' response?

A. Yes. I have several comments. First, as I noted above, administrative convenience might be appropriate for a small water and wastewater Company, but it should not necessarily be the driving force behind how costs should be allocated to SSU's systems.

Second, in the last case, SSU claimed that direct labor was superior because A&G costs were closely related to direct labor. SSU also argued that such a method tended to allocate more costs to the more labor intensive wastewater systems and even more costs to the very labor intensive RO plants. In the last case, SSU appeared to be arguing that the costs should follow the cost causers, to the extent that an allocation methodology can effectuate such a result. On the other hand, in this case, Southern States appears to be arguing that it is preferable to use a method which allocates more costs to the bigger systems and hence the impact on any one system is decreased. Contrasting the two positions, it would appear that Southern States is proposing that water customers subsidize wastewater customers, accepting SSU's argument in its last rate case that direct labor more accurately reflects the true A&G costs of serving the different systems.

Q. Do you believe that the Commission, as a matter of policy, should use an indirect vehicle, like cost allocations, to achieve cross-subsidies?

A. No, I do not. If the Commission decides that water systems should subsidize wastewater systems, I do not believe that implementing such a policy through the cost allocation process would be a good regulatory practice. Instead, if the Commission decides that cross-subsidization should take place, then it would be preferable to implement such a policy through the revenue distribution process; thereby making the subsidy direct, as opposed to indirect.

Q. Do you see any other reasons why the Company's logic for using the number of customers should be closely scrutinized?

A. Yes. Put rather directly, allocation of the A&G costs using the number of customers may require the Company's water customers to carry a larger share of A&G costs than wastewater customers. If, as SSU argued in the last rate case, allocating costs according to direct labor more closely approximates the A&G costs that would be incurred by the water versus wastewater systems, then a real inequity may result if the Commission adopts the customer method proposed by the Company.

For example, if an SSU water customer receives wastewater service from a system other than SSU, and that other system incurs a higher level of A&G costs consistent with the more labor intensive nature of wastewater service, then SSU's water customers will essentially pay for the incrementally higher cost of wastewater service twice--once through the subsidy created by the Company's customer allocation method and once through the direct payment for the provision of wastewater service from the other system. Clearly, such a situation would be unfair.

Q. Have you analyzed different allocation methods for the SSU systems?

A. Yes, I have. The result of this analysis is depicted on Schedule 2 of my exhibit. This schedule shows the allocation percentages for each system, under three different allocation methods--direct labor, average ERCs, and average customers. As shown, the allocation percentages change considerably between the different allocation methods.

For example, using the number of customers as an allocation factor, 72.21% of SSU's common A&G costs would be allocated to water customers and 27.79% would be allocated to wastewater customers. In contrast, if direct labor is used as the allocation factor, 55.90% of these expenses would be allocated to water customers and 44.10% would be allocated to wastewater customers. If average ERCs is used as the basis for allocation, 71.11% of A&G expenses would be allocated to water customers and 28.89% would be allocated to wastewater customers.

Q. What factors should the Commission consider when evaluating alternative allocation methods?

A. Generally costs should be allocated using a cause and effect relationship. However, for costs such as A&G expenses and general plant this is generally not possible. Consequently, some arbitrary method must be used to distribute these expenses to SSU's various systems. Under these circumstances, the Commission should look at a variety of factors. For example, one criterion the Commission should examine is the benefits received from the costs being incurred. In other words, is there an allocation method that would distribute these costs in proportion to the benefits received by each system?

Another factor to consider might be ability to pay. This is somewhat similar to the Company's use of the number of customers as an allocation method. That is, the systems with the larger base of customers receives the largest allocation of costs regardless of the benefits received.

Finally, the Commission might want to consider the question of fairness and equity--does the allocation method distribute the costs in a fair and equitable manner?

Q. Do you have a recommendation concerning how A&G costs and general plant should be allocated?

A. Yes I do. I recommend that the Commission use a factor weighted equally based upon direct labor and ERCs. In other words, 50% weight should be given to the direct labor allocation factor and 50% weight should be given to the average ERCs allocation factor. Schedule 3 of my exhibit depicts this allocation factor. In my opinion, this allocation factor is superior to the one employed by the Company.

Since it is difficult to determine a cause and effect relationship between administrative and general expenses and SSU's various water and wastewater systems, I believe that using this weighted ERC/direct labor factor will more fairly distribute the costs to SSU's different systems. Because the allocation factor is partly weighted with direct labor any relationship between direct labor and the incurrance of administrative and general expenses will be reflected in this part of the allocation factor.

Using ERCs for the other part of the allocation factor spreads the costs consistent with the services received. For example, water customers that use more water will generally pay more of the A&G costs. Using ERCs also accomplishes one of the Company's goals which is to spread the costs over a large customer base. However, the advantage of using ERCs over customers is that it distinguishes between varying customer usage.

As shown on Schedule 3, using this 50% direct labor/50% ERCs allocation factor results in allocating 63.51% of SSU's common costs to water customers and 36.49% to wastewater customers.

Q. Were you able to implement your recommendation?

A. No, I was not. Unfortunately, due to discovery difficulties, I was unable to implement my recommendations. For purposes of developing the adjustments that I recommend, I was forced to use the Company's customer allocation factor. Nevertheless, if the Commission finds my method superior to the one recommended by the Company, it can order it to distribute its common A&G and general plant costs using this methodology in SSU's next rate proceeding.

Q. Do you have any other recommendations concerning the Company's cost allocations?

A. Yes. SSU did not allocate any common costs to its acquisition and sales efforts. SSUSI expends considerable effort on possible acquisitions of new systems as well as sales of old systems. In my opinion, a portion of the common A&G expenses and general plant costs of SSUSI should be allocated to this acquisition/sales effort. Certainly the A&G costs incurred by SSUSI benefit the acquisition/sales effort as much as they benefit the water and wastewater systems. For example, the cost of electricity for the general plant which houses SSUSI's personnel was incurred for the benefit of the Company's acquisition and sales activity as well as its water and wastewater operations.

Clearly if the Company treated this effort as a separate subsidiary or a separate division, A&G costs would be allocated to this subsidiary or division. Just because the Company does not clearly distinguish this effort from its water and wastewater service does not indicate that A&G and general plant costs should not be allocated to it.

Q. How did you develop these adjustments?

A. I determined the approximate percent of A&G costs which should be allocated to SSUSI's acquisition/sales effort based upon the direct wages and salaries of SSU and Lehigh, relative to the expenses booked during the test year to account 166.100 Possible Acquisitions-Miscellaneous and account 166.200 Possible Sale-Gas Division. This comparison resulted in an allocation factor of 2.28%. Applying this factor to the SSUSI A&G and general plant costs results in the amount of expense and plant that should be removed from Southern States' test year results before the allocation of these costs to the various SSU systems.

As shown on Schedule 8 of my exhibit, applying 2.28% to the total SSU A&G expenses of $7,321,659 produces an adjustment of $166,975. In other words, of the total

SSUSI A&G costs, $166,975 should be removed prior to allocating these costs to SSU's systems. For the SSU's filed systems this amount to a reduction in test year expenses of $106,384.

Schedule 8 shows similar information for general plant: a $378,900 reduction to general plant, a $119,163 reduction to accumulated depreciation, a $34,820 reduction to depreciation expense, and a $9,122 reduction to the Company's accumulated depreciation software adjustment. Also, the Company's adjustments to allocated A&G expenses needs to be reduced by $47,735.

Schedule 8 of my exhibit summarizes all of my recommended adjustments and shows the impact on the filed SSU systems. It also shows that for each adjustment, I have allocated a portion of it to SSU's acquisition efforts, where applicable.

Q. Are there any other general problems with the Company's allocations that you would like to bring to the attention of the Commission?

A. Yes. Apparently, for internal accounting purposes the Company directly charges some of its A&G and customer service expenses. However, for purposes of this rate case A&G and customer service costs were grouped into one common pool and reallocated to all systems. This essentially requires that some directly incurred costs of one system be charged to other systems via the allocation process. For example, during the test year, the Company incurred $14,097 in legal fees concerning either permitting or EPA and/or DER violations for the Venice Gardens system. The total legal fees allocated to the VGU system amount to only $9,561. Thus, in this instance the directly incurred legal fees for the VGU system were more than the amount allocated.

Due to the Company's repooling of A&G costs, these legal fees have been allocated to all systems. In my opinion, it would have been more appropriate to directly charge this expense to the VGU system rather than all SSU systems. Likewise, all directly incurred A&G and customer service expenses should be charged to the system for which the service was rendered. The balance should be allocated. Only those costs which cannot be directly associated with a particular system should be allocated.

Q. Let's turn to the third section of your testimony. Would you please discuss the sale of St. Augustine Shores?

A. Yes. According to SSU's response to OPC's Interrogatory 215, United Florida Utilities Corporation (UFU), a wholly-owned subsidiary of Topeka and a sister company to

Southern States, sold substantially all of the assets of the UFU's St. Augustine Shores water and sewer utility division to St. Johns County, Florida as of August 22, 1991. [Southern States Utilities, Inc., Response to OPC Interrogatory 215.] According to Minnesota Power and Light Company's (MPL) Annual Report, the net after-tax gain associated with this sale was $4.2 million. The sale of St. Augustine Shores was the result of a condemnation by St. Johns County.

Q. Are you proposing that a portion of the gain on this sale be passed along to Southern States customers?

A. Yes, I am. The Company is likely to claim that the proceeds from the gain on the sale do not belong to the customers regulated by the Florida Public Service Commission, since the St. Augustine system was not under the Commission's jurisdiction. In fact, when Public Counsel requested information concerning the sale of St. Augustine Shores, the Company initially objected to providing the information claiming:

> The St. Augustine Shores system was regulated by St. Johns County at the time of the County's condemnation. Southern States is not seeking recovery of any 1991 costs or investment in the St. Augustine

> system from customers serviced by systems regulated by the Florida Public Service Commission, particularly those served by the 127 systems included in this proceeding. The information requested is not relevant and is not likely to lead to the production of admissible evidence in this proceeding. For these reasons, Southern States objects to this discovery request. [Southern States Utilities, Inc., Response to OPC Audit Request 22.]

Unlike Southern States, I believe that information concerning the sale of St. Augustine Shores is very relevant to this proceeding. While Southern States claims that no costs are being borne by the remaining FPSC regulated systems, this is not completely accurate. Because of the sale, Southern States, as well as the other systems, are absorbing the A&G and general plant costs that would have been allocated to St. Augustine Shores had it not been sold. Thus, indirectly through the allocation of common costs, Southern States' customers are paying for a portion of the costs that would have been allocated to St. Augustine Shores.

Q. Why do you believe that the gain on the sale of St. Augustine Shores should benefit Southern States customers?

A. In my opinion, there are several reasons why this gain should be shared with ratepayers. First, the Company has continually argued over the years that the acquisition of small water and wastewater systems throughout Florida is beneficial to all customers because of alleged economies of scale. [Southern States Utilities, Inc., Exhibit FLL-3.] Continuing with the Company's logic indicates that the associated benefits (gains) of the sales of regulated water and wastewater systems should be shared with customers.

Second, as I explained above, unless adjustments are made to SSUSI's A&G, general plant, and customer costs, SSU's customers will incur a higher level of A&G, general plant, and customer costs as a result of the sale.

Third, in past proceedings this Commission has required utilities to share with ratepayers the gain on the sale of utility property. For example, in Docket No. 82007-EU the Commission stated:

In Docket Nos. 81002-EU (FPL) and

> 810136 (Gulf Power), we determined that gains or losses on the disposition of property devoted to, or formerly devoted to, public service should be recognized above-the-line. We consider it appropriate to treat this gain in the same manner .... [Florida Public Service Commission, Docket No. 820007-EU, Order No. 11307, p. 26.]

The Commission should continue with it past precedent and attribute the gain on the sale of this system to ratepayers.

For these reasons, I believe the Commission should impute to the benefit of Southern States customers a portion of the gain on the sale of St. Augustine Shores.

Q. Have you developed a recommendation concerning the amount of the gain that should be attributed to Southern States' customers?

A. Yes. Using the number of customers as a basis to distribute the gain between the various systems, I determined that Southern States filed FPSC systems' share of the gain is $1,932,332 for water and $668,304 for wastewater. I recommend that the gain be amortized over four years, so the adjustments to increase test year net operating income would be $483,083 for water and $167,076 for wastewater.

Q. Have you attributed any of this gain to stockholders?

A. Yes, I have. I essentially attributed the portion of the gain that would have been allocated to St. Augustine Shores had it still been a part of the SSU family. The portion of the gain that I attributed to the Company's stockholders was $118,162.

Q. The Company had a gain on the sale of University Shores property. Should this also be moved above the line for ratemaking purposes?

A. Yes. During the test year the Company received a pre-tax gain of $229,703 associated with condemned property at the University Shores system. In response to OPC's Interrogatory 113, the Company stated that this property was previously included in rate base as 100% used and useful. For the reasons addressed above, I believe that this gain should also be shared with ratepayers.

Specifically, I believe that 98% of this gain should be moved above the line. The remainder should be given to SSU's stockholders. The percentage given to stockholders is based upon the percentage of SSU's efforts devoted to the acquisition and sale of various water, wastewater, and gas systems.

I have estimated the after tax gain to be $144,000. Of this amount $141,120 should be moved above the line and attributed to the Company's University Shores wastewater customers. Using a four year amortization this produces an adjustment to test year Net Operating Income of $35,280.

Q. Do you have an alternative recommendation if the Commission does not adopt your primary recommendation?

A. Yes. If the Commission treats these gains as non-utility or does not pass them along to ratepayers then I believe that, at a minimum, the associated dollars should be removed from the equity portion of SSU's capital structure. This would reduce the Company's equity ratio and overall cost of capital.

Q. Let's turn to the fourth section of your testimony. What are your concerns about the Company's calculation of margin reserve?

A. In calculating its requested margin reserve the Company used historical growth in ERCs, generally over the last five years. In reviewing the information supplied by the Company in the MFRs, it appeared that in several instances the historical growth in ERCs may not be reflective of the growth that would occur during the next year and a half. Under these circumstances, the Company's requested margin reserve would be excessive.

To evaluate the reasonableness of the Company's estimates of future ERCs and the historical growth rates relied upon to make this projection, I examined the historical growth in ERCs compared to the growth actually projected by the Company over the next three years. This comparison, shown on Schedule 4 of my exhibit, indicates that in many instances the Company's historical growth rates are not indicative of what it projects for the future.

For example, as shown on page 1 of Schedule 4, the Company's five year historical growth rate for the Beacon Hills water system is 12.25%. The individual yearly growth rates suggest that the past may not be representative of the future. For the year 1988 the growth rate was 22.80%, for 1989 it was 13.01%, for 1990 it was 6.72%, and for 1991 it was 6.48%. This trend suggests that the Company's growth in ERCs is declining. Hence, it would not be appropriate to include in the estimate of future growth the high percentages that were achieved during the years 1988 and 1989. In fact, over the next three years the Company only projects the ERCs for this system to grow by 4.7%.

Based upon the Company's projections, the historic growth in ERCs will not continue in the future. Under these circumstances, I do not believe the margin reserve should be calculated using the average historic growth rate. Instead, it would be more appropriate to use the Company's projections. As shown on Schedule 5, for the Beacon Hills water system, the average June 31, 1993, number of ERCs the Company projects it will serve is 2,853. This compares to the number used to determine margin reserve of 3,084--a difference of 231 ERCs. If this lower number of ERCs is used in the margin reserve calculations, SSU's used and useful percentages drop from 69% to 64% for supply wells. Similarly, if the analogous calculations are performed for the wastewater system, the Company's used and useful percentages drop from 64% to 59% for its treatment and disposal plant and effluent disposal lines. In my opinion, when the Company's historic growth rate is not indicative of the future, it would be more appropriate to use the actual projected number of ERCs to determine the used and useful percentages with margin reserve.

Another example where the Company's historic growth does not appear to be at all consistent with the Company's projection is Spring Hill. For this water system, the historic average growth rate was 8.75%. A review of Schedule 4 shows that the growth for this system has been declining. The Company's projected growth rate for the next three years is only 5.62%. Based upon its historic growth rate the Company used 28,148 ERCs for purposes of determining margin reserve. However, as shown on Schedule 5, the Company only projects that it will be serving 26,900 ERCs--a difference of 1,248 ERCs.

If this lower number of projected ERCs is used to determine the Company's margin reserve, the used and useful percentages for this water system drop from 93% to 88% for the supply well and from 85% to 84% for the distribution system. For the Spring Hill wastewater system the same calculations show that the used and useful percentage fall from 51% to 49% for the treatment and disposal plant and effluent disposal lines.

Schedule 4 of my exhibit shows the historic growth rates used by the Company compared to the Company's projected growth rate for each system for which the Company is requesting a margin reserve. As shown on this schedule, the vast majority of the systems have a lower projected growth rate than the five year average growth rate. Schedule 5 depicts the number of ERCs the Company projects (shown under the OPC column) it will be serving over the next 18 months (or 12 months depending upon the Company's margin reserve request) compared to the number that results from applying the historic five year growth rate to test year ERCs. Again, for the vast majority of these systems, the Company's projections are less than what it used to calculate its margin reserve. In my opinion, where there is an important difference between the Company's projections and what the 5-year average growth rate produces, the Commission should use the projected number of ERCs, shown under the OPC column, on Schedule 5 to calculate margin reserve.

Specifically, in my opinion, the projected number of ERCs should be used for the following water systems: Amelia Island, Beacon Hills, Beechers Point, Burnt Store, Carlton Village, Deltona, Fountains, Gospel Island, Lake Ajay Estates, Marion Oaks, Palisades, Pine Ridge, Quail Ridge, Rolling Green, Spring Hill, Sunny Hills, University Shores, Venetian Village, and Zephyr Shores.

For the wastewater systems, the projected number of ERCs should be used for the following systems: Beacon Hills, Burnt Store, Florida Commerce Park, Fox Run, Marco Shores, Point 'O Woods, Salt Springs, Spring Hill, and Zephyr Shores.

Q. Let's turn to the fifth section of your testimony concerning various adjustments necessary to reflect known and measurable changes beyond the test year and other events not reflected in the test year. What is the first adjustment that you recommend?

A. The first adjustment that I recommend concerns the merger of SSU and its sister companies. Since the Company has not quantified the cost savings associated with the merger, I believe that at a minimum the Commission should remove from test year expenses the costs incurred to effectuate the merger.

According to Southern States' response to OPC's Interrogatory 177, $11,640 of costs associated with the merger of SSU, UFU, VGU and DUI into SSU were captured and expensed during the test year. Prior to April 1991, the costs associated with the merger were booked to account 186.500, a deferral account established to collect these charges. In a memo written by Ms. Judy Kimball, the policy was changed and SSUSI's employees were informed that the costs associated with the merger were to be expensed, rather than capitalized.

It would appear that with the exception of the legal fees associated with the merger, the costs incurred by SSUSI, were not tracked after April 1991. Thus, to the extent that any costs were incurred, these would enter the normal expense accounts and it would be very difficult and time consuming to identify expenses incurred after April 1991. Nevertheless, it would appear fairly certain that expenses were incurred, although the amount is not known.

Q. How do you recommend that these merger costs be treated for ratemaking purposes?

A. I recommend that the Commission exclude these costs from test year expenses, for several reasons. First, the Company has not recognized any savings in the test year associated with the merger. Certainly, the Topeka Group or MPL would not have considered the merger if no cost savings were anticipated. In fact, in its petition to the Commission for restructuring, the Company expounded on the efficiencies associated with several facets of its operations:

> The merger of Petitioners as proposed herein will result in

> numerous efficiencies associated with regulatory oversight (one annual report, one set of internal and external audits, etc.), record-keeping (one set of books and records, etc.), customer service procedures (billing, collections, etc.) and corporate and regulatory procedures (one tariff, one rate application, one set of minimum filing requirements.) [Petition of Southern States Utilities, Inc., Deltona Utilities, Inc. and United Florida Utilities Corporation for Approval of Restructuring, Docket No. 910662-WS, p. 7.]

Second, there is a mismatch between the expenses incurred during the test year and the benefits to be derived as a result of the merger. The merger did not occur until 1992 and any benefits associated with it would not be included in the test year results used by the Company.

Third, the costs associated with the merger should be considered nonrecurring and as such should not be included in the rates that will be charged customers on an annual and ongoing basis.

Q. Have you determined what portion of the costs of the merger were allocated to Southern States and should be removed from the test year?

A. Yes. As shown on Schedule 8, I have determined that $5,385 should be removed from the Company's water operations and that $1,862 should be removed from the wastewater operations.

Q. What is the next adjustment you recommend?

A. The next adjustment concerns an additional write-down of the Deltona Lakes land values after the end of the test year. According to the Company, an additional $30,000 was written down to the acquisition adjustment account in 1992. [Southern States Utilities, Inc., Harter Deposition, p. 69.] Since this amount is known and measurable and consistent with the land write-downs included in the test year, I believe the Deltona Lakes land should be reduced by an additional $30,000.

Q. What is the next adjustment?

A. During early 1992 the Company consolidated several of its customer service offices. As a result, certain expenses incurred during the test year will not arise in the future. Accordingly, adjustments should be made to the test year to reflect these cost savings.

In January 1992, the Company completed a study concerning these office consolidations with the associated cost savings. [Southern States Utilities, Inc., Response to OPC Document Request 37.] During depositions the Company indicated that several of the proposed office consolidations had taken place as planned. [Southern States Utilities, Inc., Haggerty Deposition, pp. 6-9.] Accordingly, I have used the estimated nonlabor cost savings provided by the Company to determine the necessary adjustments to reflect a more normal going forward level of expense.

Q. What offices were closed or consolidated and what adjustments are you recommending?

A. According to the deposition of Ms. Haggerty, the following office consolidations took place: Amelia Island and Keystone Heights were closed and combined with Jacksonville; the Deep Creek customer service office was closed and combined with Venice Gardens; the Sugarmill Woods customer service office was closed and combined with Spring Hill; and the Citrus Springs customer service offices were closed and combined with Marion Oaks.

The adjustments that I recommend concerning these consolidations are taken directly from the Company's report; however, the figures were annualized. The Company indicated that the savings appearing in the report were only for the part of the year after the consolidation took place. Thus, for example, the Company estimated that it could save $9,365 in 1992, by closing Amelia Island and Keystone Heights by April 1992. This cost savings is only for nine months. I annualized the amount by dividing by 9 to arrive at a monthly figure of $1,041. I then multiplied this result by 12. For this particular consolidation the annualized cost savings is $12,487. Similar calculations for the other consolidations amount to $29,547 for Deep Creek and VGU, $24,120 for Spring Hill and Sugarmill Woods, and $10,871 for Citrus Springs and Marion Oaks. For all four consolidations a total cost savings of $70,024 is indicated.

It is unclear whether or not these expenses would be directly charged to the individual systems or if they were allocated. Based upon their description (rent, postage, purchased power, and telephone expenses) one would expect that they would be directly incurred. However, since the Company repooled customer service costs and reallocated them to all systems I recommend that the Commission also allocate these cost savings to all systems, unless the Company can show that they were directly charged during the test year. Schedule 8 of my exhibits depicts the amount of the adjustment for the filed SSU systems.

Q. Would you address your next adjustment?

A. Yes. The Company failed to include in test year revenue effluent sales that occurred at Deltona Lakes. [Southern States Utilities, Inc., Response to OPC Interrogatory 324.] Accordingly, the revenue associated with these sales, $9,308, should be included in the Deltona Lakes test year revenues.

Q. Let's turn to the sixth section of your testimony concerning expenses that should not be charged to ratepayers and discounts which were booked below the line. Would you discuss the discounts issue first?

A. Yes. In September 1990, SSUSI implemented a policy whereby the discounts lost or taken for early payment would be recorded below the line to account 420.00. In my opinion, these discounts should be recorded above the line for ratemaking purposes. The Company's ratepayers provide the funds to pay these invoices in a timely manner and as such, they should receive the benefit of any discounts received by the Company.

According to the trial balance, Southern States booked $9,061 of discounts to account 420.00. In my opinion, the Commission should reduce test year expenses by $5,641--the amount allocated to SSU's filed systems.

Q. What is the next adjustment you recommend?

A. In response to OPC's Interrogatory 30, Southern States indicated that charitable contributions in the amount of $1,975 were expensed on Southern States' books and subsequently allocated to the systems based upon the number of customers. The Company is apparently not disputing that these costs should be removed from test year expenses, since it stated: "The Company does not seek recovery of charitable contributions in this filing." [Southern States Utilities, Inc., Response to OPC Interrogatory 30.] In addition, at the deposition, the Company indicated that $500 for a Blue Key Sponsorship should also be treated as a charitable contribution. Accordingly, this amount should be removed from test year expenses, unless they Company can show that it was removed though a journal entry. [Southern States Utilities, Inc., Kimball Deposition, p. 16.] In total, charitable contributions amounted to $2,457. For the Southern States filed systems this amounts to $1,541.

Q. What is the next group of adjustments that you propose?

A. The next group of adjustments relate to costs which in my opinion should not be passed along to ratepayers. If the Company or SSUSI wishes to continue to incur these costs, they should be absorbed by stockholders not ratepayers. In particular, I do not believe that customers should effectively pay dues to the various chambers of commerce that SSUSI belongs to, nor should they pay for related functions attended by SSUSI personnel. During 1991, SSUSI incurred the following dues and related fees for various chambers of commerce:

Florida Chamber of Commerce - Dues	$ 586.00
Apopka Area Chamber of Commerce - Dues	300.00
Seminole County Chamber of Commerce - Dues	550.00
Apopka Chamber of Commerce - Breakfast	7.00
Apopka Chamber of Commerce - Various Functions	365.50
Apopka Chamber of Commerce - Planning Retreat	35.00
Total	$1,843.50

In past proceedings the Commission has disallowed chamber of commerce membership dues. For example, in Docket No. 810002-EU, the Commission stated as follows concerning chamber of commerce dues:

> ...it is our opinion that these dues serve to improve the image of the Company, with direct benefits

accruing to the stockholders of the Company and with no benefits being received by ratepayers. [Florida Public Service Commission, Order No. 10306, p. 27.]

I addition, two of SSUSI's employees belong to a professional associations which I do not believe benefits ratepayers and hence these costs should not be passed on to customers. These two employees are members of the Florida Public Relations Association with an annual membership of $100 each. In addition, SSUSI also purchased a corporate membership for $300. (It is unclear why individual and corporate memberships would be needed.) SSUSI also incurred $590 for two employees to attend a conference sponsored by this group. It appears that the purpose of this association is to support the public relations efforts of its members which largely benefits stockholders not ratepayers. Accordingly, I believe that the total $3,023 expensed for commerce dues and related functions and public relations efforts should be removed from test year expenses. As shown on Schedule 8, for the Southern States filed systems this amounts to $1,882.

Q. What is your next adjustment?

A. My next adjustment concerns the Company's bad debt expense. During the test year the Company increased its bad debt expense by over $80,000. According to the Company this increase resulted from a change in methodology in determining the bad debt reserve. However, upon further inspection there appears to be some problems with the Company's estimate.

First, $30,000 of the increased bad debt expense appears to relate to M&M Utilities. The Company, however, no longer operates this system. According to the Company's response to OPC's Interrogatory 215, the M&M Utilities receivership was terminated on 11/11/91. I see no reason to require SSU's customers to absorb the bad debt expense of a utility which is no longer a part of the SSU family. The Company has removed M&M Utilities' customers from its allocation base, thus requiring SSU's remaining customers to absorb the related administrative and general expenses. There is no reason to add to this burden by also requiring them to pay for the bad debt of a utility the Company no longer operates.

Second, the Company's increase in bad debt expense also included $15,000 associated with the Deltona Gas operations that were sold. For the reasons discussed with respect to M&M utilities, I see no logical basis for allocating this bad debt expense to SSU's water and wastewater customers.

Third, $20,000 of this increased bad debt expense may be related to Citrus Sun Club Condo Association, Inc. During the test year, the Company filed suit against this customer for the $20,000 the customer owed. The lawsuit was settled and the customer has agreed to make payments to the Company for the amount owed. Accordingly, I do not believe this amount should be included in bad debt expense, since its appears likely that the Company will collect it. [Southern States Utilities, Inc., Response to OPC Interrogatory 272.] (I would note that discovery is still outstanding on this issue.)

Accordingly, summing these amounts indicates that the Company's test year bad debt expense should be reduced by $65,000. As shown on Schedule 8, the amount allocated to SSU's filed systems is $40,469.

Q. Would you please explain your next adjustment?

A. Yes. My next adjustment concerns legal fees associated with Department of Environmental Regulations (DER) fines and violations. This Commission has historically not allowed the Company to pass along to customers such fines. In fact, the Company has booked below the line $127,848 in DER fines during the test year. [Southern States Utilities, Inc., Response to OPC Interrogatory 93.]

In my opinion, ratepayers should not be charged with any legal fees associated with defending the Company in these situations. In response to an OPC Interrogatory asking the Company to state the amount of legal costs incurred during 1991, associated with EPA and DER violations, the Company indicated that it incurred legal expenses associated with fines as well as permitting issues in the amount of $16,632. The Company noted in its response that it had not specifically determined the portion of the costs related directly to contesting EPA or DER violations as opposed to other environmental-related services, i.e. permitting. [Southern States Utilities, Inc., Response to OPC Interrogatory 307.] In the absence of a showing of what portion of the $16,632 is related to penalties versus permitting, I recommend that the Commission disallow the entire amount. As shown on Schedule 8, this amounts to $10,355 for the SSU filed systems.

Q. Would you please address property taxes?

A. Yes. I have two recommendations with respect to property

> Q. All right. Given that the non-used and useful plant is not used for provisions of water and sewer to your customers, why would the taxes associated with that part of the plant be an expenses of providing water and sewer service to customers?
>
> A. I don't have a position on that at this time. [Southern States Utilities, Inc., Ludsen Deposition, p. 43.]

In response to a Staff Interrogatory the Company did provide a better explanation than the ones offered by Mr. Lewis and Mr. Ludsen.

> The Company believes that the application of the Non-Used and Useful adjustment to Property Taxes results in an excessive adjustment, since it is highly unlikely that there is any direct correlation between the non-used and useful percentages and the amount of

> property taxes assessed against the plant. For instance, if the Commission determined that a 1 million gallon per day plant is 75% used and useful, there is no evidence that the taxes on the plant would be reduced by 25% if the valuation were determined on a .75 million gallon per day plant. Also, certain counties reflect non-used and useful facilities in their computation of property taxes. These would include the counties of Charlotte, Citrus, Collier, Hernando, Hillsborough, Lee, Marion, Sarasota, Volusia, and Washington Counties. [Southern States Utilities, Inc., Response to Staff Interrogatory 27.]

Contrary to the Company, I do not believe that property taxes on non-used and useful plant should be collected from current customers. This expense is more properly collected through the AFPI charge.

The Company's treatment of property taxes associated with nonused and useful plant is inconsistent with its treatment of the investment and related depreciation, both of which have been excluded from the calculation of revenue requirements. In my opinion, the associated property taxes should also be excluded, unless the Company can show that the property appraisers in each county do not assess property taxes on nonused and useful plant. As shown on Schedule 6, using each system's composite nonused and useful percentages results in a reduction to property taxes of $283,653.

Q. Let's turn to the seventh section of your testimony concerning out of period adjustments. What adjustments do you propose that fit this category?

A. There are three adjustments that fit this category. First, during the test year, the Beacon Hills system was charged for a purchased water billing error that occurred during the previous three and one-half years. Apparently, from August 27, 1987, until January 17, 1991, the Jacksonville Suburban Utilities Corporation underbilled Southern States for purchased water due to the former's failure to properly read the Beacon Hill's meter. For this time period, Southern States was not billed for 16,587,000 gallons of purchased water. In December of 1991, the Company paid Jacksonville Suburban Utilities $14,925 for the underbilling that took place during 1987, 1988, 1989, and 1990. This amount was apparently included in the test year, but relates to a prior period. Accordingly, it should be removed for ratemaking purposes. In his deposition, Mr. Lewis agreed that the amount should be removed. [Southern States Utilities, Inc., Lewis Deposition, p. 75.]

Second, during the test year, the Company also expensed $1,447 associated with a drinking water study conducted in 1984. This deferred charge was inadvertently not amortized over 1984-86. When it was discovered, the Company wrote it off to expense during the test year. [Southern States Utilities, Inc., Response to OPC Interrogatory 266.] Ms. Kimball agreed in her deposition that this charge should not be passed on to ratepayers. The amount charged to each system can be found in Appendix M of the Company's MFRs.

Third, during the test year, the Company reclassified costs, that it had previously booked to organizational costs, to acquisition adjustment and other miscellaneous expenses accounts. The amounts that were expensed above the line should be removed from test year expenses. As shown on Schedule 7, the total for the Southern States system is $2,984.

Q. Let's turn to the eighth section of your testimony. What nonrecurring expense adjustments do you recommend?

A. There are five adjustments that fall into this category. First, during 1991, SSUSI completed the amortization of several professional studies that were deferred. The costs associated with these studies were initially charged to account 186.245 Deferred Professional Studies. Through journal entries, the Company reversed these accruals and charged them to various expense accounts. In total, SSUSI charged $24,489 to expense associated with these professional studies. Although I do not yet have complete documentation on these studies, it would appear that the costs have been fully amortized and will not recur in future years. As such, these nonrecurring costs should not be passed to ratepayers. The amount that should be removed from Southern States' test year expenses is $15,247.

Second, during the test year, the Company used Price Waterhouse to perform an audit of Southern States' employee savings plan and employee pension plan. Price Waterhouse apparently exceeded the original budget for the project. The audit company explained in part that the additional time incurred by two of the individuals working on the project was due to the fact that it was a first year engagement and that the "recurring fee should be substantially less." [Southern States Utilities, Inc., Price Waterhouse Statement, August 31, 1991.] Accordingly, since a portion of this test year charge appears to be nonrecurring, it should not be included in test year expenses. Of the total $15,505 charge, I recommend that $3,800 of this expense be removed from the test year. This amounts to one-fourth of Price Waterhouse's labor charges for these audits.

Third, $10,500 should be removed from the test year expenses of the Leilani Heights wastewater system. During 1991, the Company was required to prepare a reuse study to comply with the Indian River SWIM at Chapter 90-262 of the Laws of Florida. [Southern States Utilities, Inc., Response to OPC Interrogatory 278.] In his deposition, Mr. Wood responded that this was the first reuse study conducted for this system. As such it appears to be nonrecurring and should be removed from the test year.

Fourth, during the test year, the Company incurred $14,327 associated with services rendered due to manhole overflows and lift station failures at the Jungle Den wastewater system. [Southern States Utilities, Inc., Response to OPC Interrogatory 267.] During her deposition, Ms. Kimball testified that these expenses were nonrecurring. [Southern States Utilities, Inc., Kimball Deposition, p. 48.] Accordingly, they should be removed from test year expenses.

Fifth, during the test year, it appears that the Company incurred relocation expenses that will not be incurred at the same level in the future. According to the Company's response to OPC Interrogatory 104, during the test year, SSU spent $58,788 in relocating employees. This amount is less than the amount spent in previous years. Nevertheless, the Company has been undergoing a fairly significant reorganization over the last three years and it appears that this level of expense will not recur in the future. In fact, the Company budgeted $42,000 for relocation expenses for the year 1992. Likewise, as of July 31, 1992, the Company had only expended $6,795 on relocation efforts. [Southern States Utilities, Inc., Response to OPC Interrogatory 292.] The Company, however, explained that it anticipates additional relocation expenses during 1992.

For example, the Company expects to spend approximately $15,000 in relocating the Vice President of Finance. The Company also expects additional expenses associated with relocating some of its gas employees due to sales of its gas operations. While it is highly likely that the Company's expenses in 1992, will be greater than the amount expended to date, it appears that the recurring level of this expense will be less than the amount charged during the test year. As such, test year expenses should be reduced.

I recommend that test year expenses be reduced by $22,000. I derived this number by using both the budgeted amount and the information concerning the amount expended to date. Concerning the former, I took the difference between the 1992 budgeted amount and the test year actual figure, which amounts to $16,788. Concerning the latter, I added to the amount expended to date, the $15,000 the Company expects to spend to relocate the Vice President. I also added an additional $10,000 for other possible relocation expenses. This totaled approximately $32,000. The difference between this amount and the actual test year amount is $28,788. I then averaged the $28,788 and $16,788 figures to arrive at my recommended $22,000 adjustment.

Q. Does this complete your direct testimony, prefiled on October 5, 1992?

A. Yes, it does.

APPENDIX

OF

KIMBERLY H. DISMUKES

APPENDIX I

QUALIFICATIONS

Q. What is your educational background?

A. I graduated from Florida State University with a Bachelor of Science degree in Finance in March, 1979. I received an M.B.A. degree with a specialization in Finance from Florida State University in April, 1984.

Q. Would you please describe your employment history in the field of Public Utility Regulation?

A. In March of 1979 I joined Ben Johnson Associates, Inc., a consulting firm specializing in the field of public utility regulation. While at Ben Johnson Associates, I held the following positions: Research Analyst from March 1979 until May 1980; Senior Research Analyst from June 1980 until May 1981; Research Consultant from June 1981 until May 1983; Senior Research Consultant from June 1983 until May 1985; and Vice President from June 1985 until April 1992. In May 1992, I joined the Florida Public Counsel's Office, as a Legislative Analyst III.

Q. Would you please describe the types of work that you have performed in the field of Public Utility Regulation?

A. Yes. My duties have ranged from analyzing specific issues in a rate proceeding to managing the work effort of a large staff in rate proceedings. I have prepared testimony, interrogatories and production of documents, assisted with the preparation of cross-examination, and assisted counsel with the preparation of briefs. Since 1979 I have been actively involved in more than 155 regulatory proceeding throughout the United States.

I have analyzed cost of capital and rate of return issues, revenue requirement issues, public policy issues, and rate design issues, involving telephone, electric, gas, water and wastewater, and railroad companies.

In the area of cost of capital, I have analyzed the following parent companies: American Electric Power Company, American Telephone and Telegraph Company, American Water Works, Inc., Ameritech, Inc., CMS Energy, Inc., Columbia Gas System, Inc., Continental Telecom, Inc., GTE Corporation, Northeast Utilities, Pacific Telecom, Inc., Southwestern Bell Corporation, United Telecom, Inc., and U.S. West. I have also analyzed individual companies like Connecticut Natural Gas Corporation, Duke Power Company, Idaho Power Company, Kentucky Utilities Company, Southern New England Telephone Company, and Washington Water Power Company.

Q. Have you previously assisted in the preparation of testimony concerning revenue requirements?

A. Yes. I have assisted on numerous occasions in the preparation of testimony on a wide range of subjects related to the determination of utilities' revenue requirements and related issues.

I have assisted in the preparation of testimony and exhibits concerning the following issues: abandoned project costs, accounting adjustments, affiliate transactions, allowance for funds used during construction, attrition, cash flow analysis, construction monitoring, construction work in progress, contingent capacity sales, cost allocations, decoupling revenues from profits, cross-subsidization, demand-side management, depreciation methods, divestiture, excess capacity, feasibility studies, financial integrity, financial planning, incentive regulation, jurisdictional allocations, non-utility investments, fuel projections, merges and acquisitions, pro forma adjustments, projected test years, prudence, tax effects of interest, working capital, off-system sales, reserve margin, royalty fees, separations, settlements, and resource planning.

Companies that I have analyzed include: Alascom, Inc. (Alaska), Arizona Public Service Company, Arvig Telephone Company, AT&T Communications of the Southwest (Texas), Blue Earth Valley Telephone Company (Minnesota), Bridgewater Telephone Company (Minnesota), Carolina Power and Light Company, Central Maine Power Company, Central Power and Light Company (Texas), Central Telephone Company (Missouri and Nevada), Consumers Power Company (Michigan), C&P Telephone Company of Virginia, Continental Telephone Company (Nevada), C&P Telephone of West Virginia, Connecticut Light and Power Company, Danube Telephone Company (Minnesota), Duke Power Company, East Otter Tail Telephone Company (Minnesota), Easton Telephone Company (Minnesota), Eckles Telephone Company (Minnesota), El Paso Electric Company (Texas), General Telephone Company of Florida, Georgia Power Company, Kentucky Power Company, Kentucky Utilities Company, KMP Telephone Company (Minnesota), Idaho Power Company, Oklahoma Gas and Electric Company (Arkansas), Kansas Gas & Electric Company (Missouri), Kansas Power and Light Company (Missouri), Lehigh Utilities, Inc. (Florida), Mad Hatter Utilities, Inc. (Florida), Mankato Citizens Telephone Company (Minnesota), Michigan Bell Telephone Company, Mid-Communications Telephone Company (Minnesota), Mid-State Telephone Company (Minnesota), Mountain States Telephone and Telegraph Company (Arizona and Utah), Northwestern Bell Telephone Company (Minnesota), Potomac Electric Power Company, Public

Service Company of Colorado, Puget Sound Power & Light Company (Washington), South Central Bell Telephone Company (Kentucky), Southern States Utilities, Inc. (Florida), Southern Union Gas Company (Texas), Southern Bell Telephone & Telegraph Company (Florida, Georgia, and North Carolina), Southern Union Gas Company, Southwestern Bell Telephone Company (Oklahoma, Missouri, and Texas), St. Georgia Island Utility, Ltd., Tampa Electric Company, Texas-New Mexico Power Company, Tucson Electric Power Company, Twin Valley-Ulen Telephone Company (Minnesota), United Telephone Company of Florida, Virginia Electric and Power Company, Washington Water Power Company, and Wisconsin Electric Power Company.

Q. What experience do you have in rate design issues?

A. My work in this area has primarily focused on issues related to costing. For example, I have assisted in the preparation of class cost-of-service studies concerning Arkansas Energy Resources, Cascade Natural Gas Corporation, El Paso Electric Company, Potomac Electric Power Company, Texas-New Mexico Power Company, and Southern Union Gas Company. I have also examined the issue of avoided costs, both as it applies to electric utilities and as it applies to telephone utilities.

Q. Have you testified before regulatory agencies?

A. Yes. I have testified before the Arizona Corporation

Commission, the Connecticut Department of Public Utility Control, the Florida Public Service Commission, the Georgia Public Service Commission, the Missouri Public Service Commission, the Public Utility Commission of Texas, and the Washington Utilities and Transportation Commission. My testimony dealt with revenue requirement, financial, and class cost of service issues concerning AT&T Communications of Southwest (Texas), Cascade Natural Gas Corporation (Washington), Central Power and Light Company (Texas), Connecticut Light and Power Company, El Paso Electric Company (Texas), Kansas Gas & Electric Company (Missouri), Kansas Power and Light Company (Missouri), Houston Lighting & Power Company (Texas), Mountain States Telephone and Telegraph Company (Arizona), Southern Bell Telephone and Telegraph Company (Florida and Georgia), Puget Sound Power & Light Company (Washington), and Texas Utilities Electric Company.

I have also testified before the Public Utility Regulation Board of El Paso, concerning the development of class cost-of-service studies and the recovery and allocation of the corporate over head costs of Southern Union Gas Company and before the National Association of Securities Dealers concerning the market value of utility bonds purchased in the wholesale market.

Q. Have you been accepted as an expert in these jurisdictions?
A. Yes.
Q. Do you belong to any professional organizations?
A. Yes. I am a member of the Eastern Finance Association, the Financial Management Association, the Southern Finance Association, the Southwestern Finance Association, and the National Society of Rate of Return Analysts.

EXHIBITS

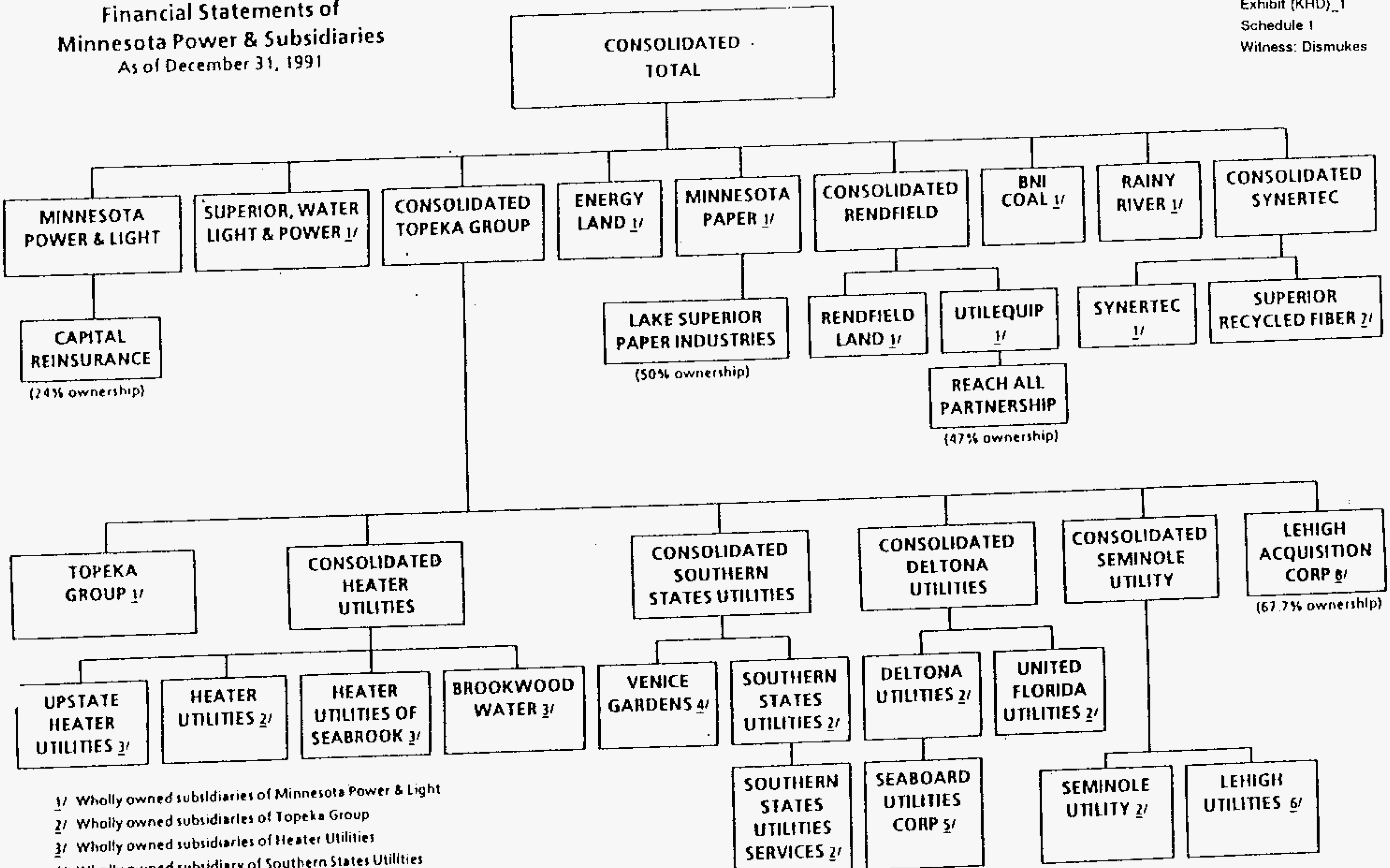
OF

KIMBERLY H. DISMUKES

SSU
Docket No. 902199-WS
Exhibit (KHD)_1
Schedule 1
Witness: Dismukes

Diagram of Consolidation of Financial Statements of Minnesota Power & Subsidiaries

As of December 31, 1991



1/ Wholly owned subsidiaries of Minnesota Power & Light
2/ Wholly owned subsidiaries of Topeka Group
3/ Wholly owned subsidiaries of Heater Utilities
4/ Wholly owned subsidiary of Southern States Utilities
5/ Wholly owned subsidiary of Deltona Utilities
6/ Wholly owned subsidiary of Seminole Utilities
7/ Wholly owned subsidiary of Synertec Utilities
8/ Two-thirds owned by Topeka Group

Southern States Utilities

Comparison of Allocation Alternatives

SSU
Docket No. 920199-WS
Exhibit (KHD)__1
Schedule 2
Witness: Dismukes
Page 1 of 2

	WATER						SEWER					
Systems	Direct Labor	Percent of Total	ERCs	Percent of Total	Customers	Percent of Total	Direct Labor	Percent of Total	ERCs	Percent of Total	Customers	Percent of Total
Amelia Island	$30,798	0.92%	1,733	1.16%	1,157	0.95%	55,324	1.64%	1,567	1.05%	1,005	0.82%
Apache Shores	6,677	0.20%	160	0.11%	161	0.13%	6,218	0.18%	116	0.08%	112	0.09%
Apple Valley	11,229	0.33%	939	0.63%	917	0.75%	1,041	0.03%	175	0.12%	166	0.14%
Bay Lake Estates	3,468	0.10%	64	0.04%	65	0.05%						
Beacon Hills	32,887	0.98%	2,612	1.74%	2,602	2.13%	58,355	1.73%	2,461	1.64%	2,470	2.02%
Beecher's Point	2,872	0.08%	80	0.05%	39	0.03%	6,193	0.18%	46	0.03%	16	0.01%
Burnt Store	28,574	0.85%	560	0.37%	186	0.15%	22,112	0.66%	382	0.26%	150	0.12%
Carlton Village	2,935	0.09%	96	0.06%	103	0.08%						
Chuluota	18,408	0.55%	654	0.44%	644	0.53%	11,542	0.34%	129	0.09%	132	0.11%
Citrus Park	8,708	0.26%	335	0.22%	353	0.29%	14,974	0.45%	255	0.17%	259	0.21%
Citrus Springs Utilities	42,474	1.26%	1,825	1.22%	1,649	1.35%	15,768	0.47%	703	0.47%	678	0.55%
Crystal River Highland	5,541	0.16%	66	0.04%	67	0.05%						
Daetwyler Shores	4,068	0.12%	133	0.09%	129	0.11%						
Deltona Lakes Utilities	371,997	11.06%	23,094	15.42%	21,873	17.88%	206,635	6.14%	4,863	3.25%	4,468	3.65%
Dola Ray Manor	3,436	0.10%	77	0.05%	59	0.05%						
Durid Hills	4,591	0.14%	330	0.22%	252	0.21%						
East Lake Harris Estate	1,723	0.05%	170	0.11%	171	0.14%						
Fern Park	3,556	0.11%	179	0.12%	184	0.15%						
Fern Terrace	1,923	0.06%	121	0.08%	123	0.10%						
Fisherman's Haven	3,799	0.11%	133	0.09%	137	0.11%	8,480	0.25%	142	0.09%	146	0.12%
FL Central Comm. Pk		0.00%		0.00%		0.00%	48,269	1.44%	122	0.08%	24	0.02%
Fountians	3,463	0.10%	4	0.00%	8	0.01%						
Fox Run	14,469	0.43%	90	0.06%	92	0.08%	10,818	0.32%	90	0.06%	90	0.07%
Friendly Center	1,387	0.04%	20	0.01%	20	0.02%						
Golden Terrace	4,715	0.14%	116	0.08%	105	0.09%						
Gospel Island Estates	4,108	0.12%	8	0.01%	8	0.01%						
Grand Terrace	1,579	0.05%	66	0.04%	66	0.05%						
Harmoney Homes	3,021	0.09%	63	0.04%	64	0.05%						
Hermits Cover	3,541	0.11%	173	0.12%	178	0.15%						
Hobby Hills	3,469	0.10%	94	0.06%	102	0.08%						
Holiday Haven	3,407	0.10%	102	0.07%	113	0.09%	11,861	0.35%	102	0.07%	96	0.08%
Holiday Heights	3,667	0.11%	53	0.04%	53	0.04%						
Imperial Moblie Terrac	3,596	0.11%	241	0.16%	245	0.20%						
Intercession City	18,148	0.54%	238	0.16%	256	0.21%						
Interlachen Lake Estate	5,467	0.16%	211	0.14%	216	0.18%						
Jungle Den	1,299	0.04%	113	0.08%	116	0.09%	13,187	0.39%	113	0.08%	115	0.09%
Keystone Heights	25,869	0.77%	1,132	0.76%	983	0.80%						
Kingswood	1,621	0.05%	60	0.04%	63	0.05%						
Lake Ajay Estates	3,654	0.11%	38	0.03%	35	0.03%						
Lake Brantley	3,548	0.11%	65	0.04%	66	0.05%						
Lake Conway Park	3,824	0.11%	84	0.06%	85	0.07%						
Lake Harriet Estates	4,424	0.13%	273	0.18%	285	0.23%						
Lakeview Villas	2,271	0.07%	13	0.01%	13	0.01%						
Lehigh	196,215	5.83%	9,112	6.08%	7,795	6.37%	168,013	5.00%	7,411	4.95%	6,094	4.98%
Leilani Heights	10,278	0.31%	386	0.26%	391	0.32%	20,096	0.60%	393	0.26%	387	0.32%
Leisure Lakes	1,083	0.03%	242	0.16%	244	0.20%	34	0.00%	228	0.15%	229	0.19%
Marco Island	308,788	9.18%	13,989	9.34%	5,460	4.46%	190,911	5.68%	5,353	3.57%	1,942	1.59%

Source: Southern States, MFR Volume 1, Books 2 and 3

Southern States Utilities

Comparison of Allocation Alternatives

SSU
Docket No. 920199–
Exhibit (KHD)__1
Schedule 2
Witness: Dismukes

	WATER						SEWER					
Systems	Direct Labor	Percent of Total	ERCs	Percent of Total	Customers	Percent of Total	Direct Labor	Percent of Total	ERCs	Percent of Total	Customers	Percent of Total
Marco Shores Utiltiies	$24,537	0.73%	410	0.27%	276	0.23%	$14,381	0.43%	292	0.19%	236	0.19%
Marion Oaks Utilities	54,069	1.61%	2,312	1.54%	2,212	1.81%	35,793	1.06%	1,337	0.89%	1,276	1.04%
Meredith Manor	9,160	0.27%	739	0.49%	679	0.56%	784	0.02%	33	0.02%	27	0.02%
Morningview	2,227	0.07%	45	0.03%	35	0.03%	4,431	0.13%	46	0.03%	35	0.03%
Oak Forest	5,718	0.17%	138	0.09%	138	0.11%						
Oakwood	1,820	0.05%	191	0.13%	195	0.16%						
Palisades Country Club	2,114	0.06%	3	0.00%	4	0.00%						
Palm Port	3,550	0.11%	88	0.06%	91	0.07%	4,847	0.14%	88	0.06%	90	0.07%
Palm Terrace	10,742	0.32%	1,193	0.80%	2,090	1.71%	28,927	0.86%	1,014	0.68%	1,913	1.56%
Palms Mobile Home Pk	1,457	0.04%	60	0.04%	61	0.05%						
Park Manor	2,971	0.09%	31	0.02%	30	0.02%	4,150	0.12%	31	0.02%	28	0.02%
Picciola Island	1,525	0.05%	128	0.09%	131	0.11%						
Pine Ridge Estates	3,378	0.10%	172	0.11%	172	0.14%						
Pine Ridge Utilities	20,851	0.62%	946	0.63%	400	0.33%						
Piney Woods	3,275	0.10%	165	0.11%	169	0.14%						
Point O'Woods	10,005	0.30%	329	0.22%	326	0.27%	7,463	0.22%	123	0.08%	114	0.09%
Pomona Park	3,393	0.10%	173	0.12%	161	0.13%						
Postmaser Village	10,749	0.32%	146	0.10%	152	0.12%						
Quail Ridge	1,164	0.03%	6	0.00%	11	0.01%						
River Grove	3,835	0.11%	104	0.07%	107	0.09%						
River Park	6,438	0.19%	338	0.23%	346	0.28%						
Rolling Green	3,606	0.11%	73	0.05%	76	0.06%						
Rosemont	4,913	0.15%	46	0.03%	47	0.04%						
Salt Springs	6,151	0.18%	159	0.11%	112	0.09%	15,858	0.47%	168	0.11%	110	0.09%
Samira Villas	2,088	0.06%	13	0.01%	2	0.00%						
Saratoga Harbour	2,559	0.08%	40	0.03%	40	0.03%						
Silver Lake Estates	12,946	0.38%	1,232	0.82%	935	0.76%						
Silver Lake Oaks	3,526	0.10%	27	0.02%	26	0.02%	4,435	0.13%	27	0.02%	25	0.02%
Skycrest	1,130	0.03%	111	0.07%	115	0.09%						
South Forty	0	0.00%	0	0.00%	0	0.00%	12,492	0.37%	49	0.03%	21	0.02%
Spring Hill Utilites	196,656	5.85%	24,903	16.62%	22,630	18.50%	128,451	3.82%	5,494	3.67%	4,846	3.96%
Stone Mountain	2,047	0.06%	6	0.00%	6	0.00%						
St. John's Highlands	2,629	0.08%	79	0.05%	79	0.06%						
Sugar Mill	25,396	0.76%	630	0.42%	601	0.49%	20,596	0.61%	616	0.41%	587	0.48%
Sugar Mill Woods	37,652	1.12%	4,291	2.86%	1,806	1.48%	47,081	1.40%	4,168	2.78%	1,744	1.43%
Sunny Hills	28,508	0.85%	603	0.40%	416	0.34%	24,733	0.74%	178	0.12%	175	0.14%
Sunshine Parkway	4,640	0.14%	40	0.03%	7	0.01%	5,412	0.16%	56	0.04%	6	0.00%
Tropical Park	13,045	0.39%	546	0.36%	553	0.45%						
University Shores	74,132	2.20%	2,934	1.96%	2,824	2.31%	140,526	4.18%	2,855	1.91%	2,567	2.10%
Venetian Village	3,711	0.11%	130	0.09%	131	0.11%	5,909	0.18%	83	0.06%	82	0.07%
Welaka	2,273	0.07%	90	0.06%	92	0.08%						
Western Shores	4,786	0.14%	270	0.18%	278	0.23%						
Westmont	1,768	0.05%	121	0.08%	122	0.10%						
Windsong	5,469	0.16%	105	0.07%	109	0.09%						
Woodmere	23,104	0.69%	1,495	1.00%	1,076	0.88%	91,116	2.71%	1,458	0.97%	1,040	0.85%
Wootens	1,752	0.05%	17	0.01%	17	0.01%						
Zephyr Shores	6,501	0.19%	506	0.34%	514	0.42%	16,005	0.48%	504	0.34%	501	0.41%
Total	$1,880,341	55.90%	106,531	71.11%	88,333	72.21%	$1,483,221	44.10%	43,271	28.89%	34,002	27.79%
Total Water and Sewer	$3,363,562		149,802		122,335		$3,363,562		149,802		122,335	

Source: Southern States, MFR Volume 1, Books 2 and 3

Southern States Utilities

SSU
Docket No. 920199-WS
Exhibit (KHD)__1
Schedule 3
Witness: Dismukes
Page 1 of 2

Recommended Allocation Factors Based on 50% Direct Labor/50% ERCs

	WATER					SEWER				
Systems	Direct Labor	Percent of Total	ERCs	Percent of Total	Recommended 50% Labor/ 50% ERCs	Direct Labor	Percent of Total	ERCs	Percent of Total	Recommende 50% Labor/ 50% ERCs
Amelia Island	$30,798	0.92%	1,733	1.16%	1.04%	55,324	1.64%	1,567	1.05%	1.35%
Apache Shores	6,677	0.20%	160	0.11%	0.15%	6,218	0.18%	116	0.08%	0.13%
Apple Valley	11,229	0.33%	939	0.63%	0.48%	1,041	0.03%	175	0.12%	0.07%
Bay Lake Estates	3,468	0.10%	64	0.04%	0.07%					
Beacon Hills	32,887	0.98%	2,612	1.74%	1.36%	58,355	1.73%	2,461	1.64%	1.69%
Beecher's Point	2,672	0.08%	80	0.05%	0.07%	6,193	0.18%	46	0.03%	0.11%
Burnt Store	28,574	0.85%	560	0.37%	0.61%	22,112	0.66%	382	0.26%	0.46%
Carlton Village	2,935	0.09%	96	0.06%	0.08%					
Chuluota	18,408	0.55%	654	0.44%	0.49%	11,542	0.34%	129	0.09%	0.21%
Citrus Park	8,708	0.26%	335	0.22%	0.24%	14,974	0.45%	255	0.17%	0.31%
Citrus Springs Utilities	42,474	1.26%	1,825	1.22%	1.24%	15,768	0.47%	703	0.47%	0.47%
Crystal River Highland	5,541	0.16%	66	0.04%	0.10%					
Daetwyler Shores	4,068	0.12%	133	0.09%	0.10%					
Deltona Lakes Utilities	371,997	11.06%	23,094	15.42%	13.24%	206,635	6.14%	4,883	3.25%	4.69%
Dola Ray Manor	3,436	0.10%	77	0.05%	0.08%					
Durid Hills	4,591	0.14%	330	0.22%	0.18%					
East Lake Harris Estate	1,723	0.05%	170	0.11%	0.08%					
Fern Park	3,556	0.11%	179	0.12%	0.11%					
Fern Terrace	1,923	0.06%	121	0.08%	0.07%					
Fisherman's Haven	3,799	0.11%	133	0.09%	0.10%	8,480	0.25%	142	0.09%	0.17%
FL Central Comm. Pk		0.00%		0.00%	0.00%	48,269	1.44%	122	0.08%	0.76%
Fountians	3,463	0.10%	4	0.00%	0.05%					
Fox Run	14,469	0.43%	90	0.06%	0.25%	10,818	0.32%	90	0.06%	0.19%
Friendly Center	1,387	0.04%	20	0.01%	0.03%					
Golden Terrace	4,715	0.14%	116	0.08%	0.11%					
Gospel Island Estates	4,108	0.12%	8	0.01%	0.06%					
Grand Terrace	1,579	0.05%	66	0.04%	0.05%					
Harmoney Homes	3,021	0.09%	63	0.04%	0.07%					
Hermits Cover	3,541	0.11%	173	0.12%	0.11%					
Hobby Hills	3,469	0.10%	94	0.06%	0.08%					
Holiday Haven	3,407	0.10%	102	0.07%	0.08%	11,861	0.35%	102	0.07%	0.21%
Holiday Heights	3,667	0.11%	53	0.04%	0.07%					
Imperial Moblie Terrac	3,596	0.11%	241	0.16%	0.13%					
Intercession City	18,148	0.54%	238	0.16%	0.35%					
Interlachen Lake Estate	5,467	0.16%	211	0.14%	0.15%					
Jungle Den	1,299	0.04%	113	0.08%	0.06%	13,187	0.39%	113	0.08%	0.23%
Keystone Heights	25,869	0.77%	1,132	0.76%	0.76%					
Kingswood	1,621	0.05%	60	0.04%	0.04%					
Lake Ajay Estates	3,654	0.11%	38	0.03%	0.07%					
Lake Brantley	3,548	0.11%	65	0.04%	0.07%					
Lake Conway Park	3,824	0.11%	84	0.06%	0.08%					
Lake Harriet Estates	4,424	0.13%	273	0.18%	0.16%					
Lakeview Villas	2,271	0.07%	13	0.01%	0.04%					
Lehigh	196,215	5.83%	9,112	6.08%	5.96%	168,013	5.00%	7,411	4.95%	4.97%
Leilani Heights	10,278	0.31%	386	0.26%	0.28%	20,096	0.60%	393	0.26%	0.43%
Leisure Lakes	1,083	0.03%	242	0.16%	0.10%	34	0.00%	228	0.15%	0.08%
Marco Island	308,788	9.18%	13,989	9.34%	9.26%	190,911	5.68%	5,353	3.57%	4.62%
Marco Shores Utiltiies	$24,537	0.73%	410	0.27%	0.50%	$14,381	0.43%	292	0.19%	0.31%
Marion Oaks Utilities	54,069	1.61%	2,312	1.54%	1.58%	35,793	1.06%	1,337	0.89%	0.98%
Meredith Manor	9,160	0.27%	739	0.49%	0.38%	784	0.02%	33	0.02%	0.02%
Morningview	2,227	0.07%	45	0.03%	0.05%	4,431	0.13%	46	0.03%	0.08%
Oak Forest	5,718	0.17%	138	0.09%	0.13%					
Oakwood	1,820	0.05%	191	0.13%	0.09%					
Palisades Country Club	2,114	0.06%	3	0.00%	0.03%					
Palm Port	3,550	0.11%	88	0.06%	0.08%	4,847	0.14%	88	0.06%	0.10%
Palm Terrace	10,742	0.32%	1,193	0.80%	0.56%	28,927	0.86%	1,014	0.68%	0.77%

Source: Southern States, MFR Volume 1, Books 2 and 3

Southern States Utilities

SSU
Docket No. 920199-WS
Exhibit (KHD)__1
Schedule 3
Witness: Dismukes

Recommended Allocation Factors Based on 50% Direct Labor/50% ERCs

	WATER					SEWER				
Systems	Direct Labor	Percent of Total	ERCs	Percent of Total	Recommended 50% Labor/ 50% ERCs	Direct Labor	Percent of Total	ERCs	Percent of Total	Recommende 50% Labor/ 50% ERCs
Palms Mobile Home Pk	1,457	0.04%	60	0.04%	0.04%					
Park Manor	2,971	0.09%	31	0.02%	0.05%	4,150	0.12%	31	0.02%	0.07%
Picciola Island	1,525	0.05%	128	0.09%	0.07%					
Pine Ridge Estates	3,378	0.10%	172	0.11%	0.11%					
Pine Ridge Utilities	20,851	0.62%	946	0.63%	0.63%					
Piney Woods	3,275	0.10%	165	0.11%	0.10%					
Point O'Woods	10,005	0.30%	329	0.22%	0.26%	7,463	0.22%	123	0.08%	0.15%
Pomona Park	3,393	0.10%	173	0.12%	0.11%					
Postmaser Village	10,749	0.32%	146	0.10%	0.21%					
Quail Ridge	1,164	0.03%	6	0.00%	0.02%					
River Grove	3,835	0.11%	104	0.07%	0.09%					
River Park	6,438	0.19%	338	0.23%	0.21%					
Rolling Green	3,606	0.11%	73	0.05%	0.08%					
Rosemont	4,913	0.15%	46	0.03%	0.09%					
Salt Springs	6,151	0.18%	159	0.11%	0.14%	15,858	0.47%	168	0.11%	0.29%
Samira Villas	2,088	0.06%	13	0.01%	0.04%					
Saratoga Harbour	2,559	0.08%	40	0.03%	0.05%					
Silver Lake Estates	12,946	0.38%	1,232	0.82%	0.60%					
Silver Lake Oaks	3,526	0.10%	27	0.02%	0.06%	4,435	0.13%	27	0.02%	0.07%
Skycrest	1,130	0.03%	111	0.07%	0.05%					
South Forty	0	0.00%	0	0.00%	0.00%	12,492	0.37%	49	0.03%	0.20%
Spring Hill Utilites	196,656	5.85%	24,903	16.62%	11.24%	128,451	3.82%	5,494	3.67%	3.74%
Stone Mountain	2,047	0.06%	6	0.00%	0.03%					
St. John's Highlands	2,629	0.08%	79	0.05%	0.07%					
Sugar Mill	25,396	0.76%	630	0.42%	0.59%	20,596	0.61%	616	0.41%	0.51%
Sugar Mill Woods	37,652	1.12%	4,291	2.86%	1.99%	47,081	1.40%	4,168	2.78%	2.09%
Sunny Hills	28,508	0.85%	603	0.40%	0.63%	24,733	0.74%	178	0.12%	0.43%
Sunshine Parkway	4,640	0.14%	40	0.03%	0.08%	5,412	0.16%	56	0.04%	0.10%
Tropical Park	13,045	0.39%	546	0.36%	0.38%					
University Shores	74,132	2.20%	2,934	1.96%	2.08%	140,526	4.18%	2,855	1.91%	3.04%
Venetian Village	3,711	0.11%	130	0.09%	0.10%	5,909	0.18%	83	0.06%	0.12%
Welaka	2,273	0.07%	90	0.06%	0.06%					
Western Shores	4,786	0.14%	270	0.18%	0.16%					
Westmont	1,768	0.05%	121	0.08%	0.07%					
Windsong	5,469	0.16%	105	0.07%	0.12%					
Woodmere	23,104	0.69%	1,495	1.00%	0.84%	91,116	2.71%	1,458	0.97%	1.84%
Wootens	1,752	0.05%	17	0.01%	0.03%					
Zephyr Shores	6,501	0.19%	506	0.34%	0.27%	16,005	0.48%	504	0.34%	0.41%
Total	$1,880,341	55.90%	106,531	71.11%	63.51%	$1,483,221	44.10%	43,271	28.89%	36.49%
Total Water and Sewer	$3,363,562		149,802		100.00%	$3,363,562		149,802		100.00%

Source: Southern States, MFR Volume 1, Books 2 and 3

Southern States Utilities

Comparison of Historical and
Projected Growth in ERCs

WATER

SSU
Docket No. 920199-WS
Exhibit (KHD)_1
Schedule 4
Witness: Dismukes

WATER Year	Amelia Island	Annual % Incr in ERCs	Beacon Hills	Annual % Incr in ERCs	Beechers Point	Annual % Incr in ERCs	Burnt Store	Annual % Incr in ERCs
1987	1324.0		1656.0					
1988	1410.5	6.53%	2033.5	22.80%				
1989	1488.0	5.49%	2298.0	13.01%	66.0		444.5	
1990	1563.0	5.04%	2452.5	6.72%	69.0	4.55%	500.5	12.60%
1991	1733.5	10.91%	2611.5	6.48%	79.5	15.22%	560.0	11.89%
Avg Growth thru 1991		6.99%		12.25%		9.88%		12.24%
1992	1782.5	2.83%	2783.0	6.57%	87.0	9.43%	589.0	5.18%
1993	1700.0	-4.63%	2922.0	4.99%	85.0	-2.30%	667.5	13.33%
1994	1700.0	0.00%	2996.5	2.55%	85.0	0.00%	734.0	9.96%
3 Year Growth thru 1994		-0.60%		4.70%		2.38%		9.49%

WATER Year	Carlton Village	Annual % Incr in ERCs	Citrus Springs	Annual % Incr in ERCs	Deltona Utilities	Annual % Incr in ERCs	Fountains	Annual % Incr in ERCs
1987	60.0		1466.0		15373.0			
1988	63.5	5.83%	1554.5	6.04%	18155.5	18.10%		ERR
1989	75.5	18.90%	1639.5	5.47%	20876.5	14.99%		ERR
1990	87.5	15.89%	1734.5	5.79%	22266.5	6.66%		ERR
1991	95.5	9.14%	1825.0	5.22%	23094.0	3.72%		ERR
Avg Growth thru 1991		12.44%		5.63%		10.87%		ERR
1992	102.5	7.33%	1891.0	3.62%	24293.5	5.19%		ERR
1993	105.5	2.93%	1947.5	2.99%	26237.0	8.00%		ERR
1994	108.5	2.84%	2006.0	3.00%	28336.0	8.00%		ERR
3 Year Growth thru 1994		4.37%		3.20%		7.06%		ERR

WATER Year	Gospel Island	Annual % Incr in ERCs	Inter-lachen Lake	Annual % Incr in ERCs	Lake Ajay Estates	Annual % Incr in ERCs	Marco Shores	Annual % Incr in ERCs
1987	5.0		190.5				383.5	
1988	5.0	0.00%	198.0	3.94%	14.5		378.5	-1.30%
1989	5.0	0.00%	204.5	3.28%	22.5	55.17%	404.5	6.87%
1990	6.0	20.00%	210.0	2.69%	28.0	24.44%	413.5	2.22%
1991	7.5	25.00%	210.5	0.24%	37.5	33.93%	410.0	-0.85%
Avg Growth thru 1991		11.25%		2.54%		37.85%		1.74%
1992	8.0	6.67%	213.0	1.19%	44.5	18.67%	415.0	1.22%
1993	8.0	0.00%	219.5	3.05%	46.0	3.37%	427.5	3.01%
1994	8.5	6.25%	226.0	2.96%	47.5	3.26%	440.5	3.04%
3 Year Growth thru 1994		4.31%		2.40%		8.43%		2.42%

Source: Southern States, MFR Schedules F-9 and F-10; Response to OPC Interrogatory 210.

Southern States Utilities

Comparison of Historical and
Projected Growth in ERCs

WATER

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WATER Year	Marion Oaks	Annual % Incr in ERCs	Oak Forest	Annual % Incr in ERCs	Palisades	Annual % Incr in ERCs	Palm Port	Annual % Incr in ERCs
1987	1489.0		116.0				71.0	
1988	1725.0	15.85%	130.0	12.07%			75.5	6.34%
1989	1984.5	15.04%	135.0	3.85%			81.0	7.28%
1990	2176.5	9.67%	135.0	0.00%			84.5	4.32%
1991	2311.5	6.20%	138.0	2.22%	3.0		87.5	3.55%
Avg Growth thru 1991		11.69%		4.53%		0.00%		5.37%
1992	2452.5	6.10%	144.0	4.35%	6.0	100.00%	91.5	4.57%
1993	2648.5	7.99%	148.5	3.13%	6.0	0.00%	94.0	2.73%
1994	2860.0	7.99%	153.0	3.03%	6.5	8.33%	96.5	2.66%
3 Year Growth thru 1994		7.36%		3.50%		36.11%		3.32%

WATER Year	Pine Ridge Utilities	Annual % Incr in ERCs	Point 'O Woods	Annual % Incr in ERCs	Quail Ridge	Annual % Incr in ERCs	Rolling Green	Annual % Incr in ERCs
1987	448.0						22.5	
1988	521.0	16.29%	253.0			ERR	49.0	117.78%
1989	622.0	19.39%	275.5	8.89%		ERR	56.0	14.29%
1990	774.0	24.44%	303.5	10.16%		ERR	63.5	13.39%
1991	946.0	22.22%	329.0	8.40%	6.0	ERR	72.5	14.17%
Avg Growth thru 1991		20.58%		9.15%		ERR		39.91%
1992	1089.0	15.12%	347.0	5.47%	12.0	100.00%	78.0	7.59%
1993	1203.5	10.51%	357.5	3.03%	12.5	4.17%	80.5	3.21%
1994	1324.0	10.01%	368.5	3.08%	13.0	4.00%	83.0	3.11%
3 Year Growth thru 1994		11.88%		3.86%		36.06%		4.63%

WATER Year	Saratoga Harbour & Welaka	Annual % Incr in ERCs	St. Johns Highlands	Annual % Incr in ERCs	Spring Hill Utilities	Annual % Incr in ERCs	Sugar Mill	Annual % Incr in ERCs
1987	113.5		71.0		17847.5		501.5	
1988	118.0	3.96%	73.5	3.52%	19637.0	10.03%	537.0	7.08%
1989	121.0	2.54%	78.0	6.12%	22404.5	14.09%	570.5	6.24%
1990	127.0	4.96%	79.5	1.92%	23945.5	6.88%	604.0	5.87%
1991	130.5	2.76%	78.5	-1.26%	24903.5	4.00%	630.5	4.39%
Avg Growth thru 1991		3.56%		2.58%		8.75%		5.89%
1992	132.0	1.15%	79.0	0.64%	26116.0	4.87%	649.0	2.93%
1993	136.0	3.03%	82.0	3.80%	27683.5	6.00%	669.0	3.08%
1994	140.0	2.94%	84.0	2.44%	29344.5	6.00%	689.0	2.99%
3 Year Growth thru 1994		2.37%		2.29%		5.62%		3.00%

Source: Southern States, MFR Schedules F-9 and F-10; Response to OPC Interrogatory 210.

Southern States Utilities

Comparison of Historical and
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WATER Year	Sugar Mill Woods	Annual % Incr in ERCs	Sunny Hills Utilities	Annual % Incr in ERCs	University Shores	Annual % Incr in ERCs	Venetian Village	Annual % Incr in ERCs
1987			491.0		2139.5		102.0	
1988			538.0	9.57%	2282.0	6.66%	111.0	8.82%
1989	3796.5		607.5	12.92%	2530.5	10.89%	117.5	5.86%
1990	4007.5	5.56%	619.0	1.89%	2761.0	9.11%	124.0	5.53%
1991	4291.0	7.07%	603.0	-2.58%	2933.5	6.25%	130.0	4.84%
Avg Growth thru 1991		6.32%		5.45%		8.23%		6.26%
1992	4590.5	6.98%	612.0	1.49%	4535.0	54.59%	133.0	2.31%
1993	4866.0	6.00%	630.5	3.02%	6095.0	34.40%	137.0	3.01%
1994	5158.0	6.00%	649.5	3.01%	6186.5	1.50%	141.0	2.92%
3 Year Growth thru 1994		6.33%		2.51%		30.16%		2.74%

WATER Year	Woodmere	Annual % Incr in ERCs	Wooten	Annual % Incr in ERCs	Zephyr Shores	Annual % Incr in ERCs
1987	1283.5		14.0		313.0	
1988	1471.5	14.65%	12.5	-10.71%	348.5	11.34%
1989	1483.0	0.78%	15.5	24.00%	400.5	14.92%
1990	1486.5	0.24%	15.5	0.00%	455.0	13.61%
1991	1495.5	0.61%	17.0	9.68%	505.0	10.99%
Avg Growth thru 1991		4.07%		5.74%		12.71%
1992	1525.0	1.97%	19.5	14.71%	552.5	9.41%
1993	1571.5	3.05%	20.0	2.56%	559.5	1.27%
1994	1597.5	1.65%	20.0	0.00%	576.5	3.04%
3 Year Growth thru 1994		2.23%		5.76%		4.57%

Source: Southern States, MFR Schedules F-9 and F-10; Response to OPC Interrogatory 210.

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Comparison of Historical and
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SEWER

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SEWER Year	Amelia Island	Annual % Incr in ERCs	Beacon Hills	Annual % Incr in ERCs	Burnt Store	Annual % Incr in ERCs	Citrus Springs	Annual % Incr in ERCs
1987	1281.0		1612.5				674.0	
1988	1264.0	-1.33%	1932.0	19.81%			687.5	2.00%
1989	1341.5	6.13%	2175.0	12.58%	302.5		684.5	-0.44%
1990	1418.0	5.70%	2327.5	7.01%	343.0	13.39%	688.5	0.58%
1991	1567.0	10.51%	2460.5	5.71%	382.0	11.37%	702.5	2.03%
Avg Growth thru 1991		5.25%		11.28%		12.38%		1.05%
1992	1686.0	7.59%	2609.5	6.06%	399.0	4.45%	720.5	2.56%
1993	1700.0	0.83%	2740.0	5.00%	411.0	3.01%	742.0	2.98%
1994	1700.0	0.00%	2877.0	5.00%	423.0	2.92%	764.5	3.03%
3 Year Growth thru 1994		2.81%		5.35%		3.46%		2.86%

SEWER Year	Florida Commerce Park	Annual % Incr in ERCs	Fox Run	Annual % Incr in ERCs	Jungle Den	Annual % Incr in ERCs	Leilani Heights	Annual % Incr in ERCs
1987			58.0		0.0		373.0	
1988			70.0	20.69%	104.0		386.0	3.49%
1989	59.0		79.5	13.57%	108.0	3.85%	392.0	1.55%
1990	89.0	50.85%	84.5	6.29%	111.5	3.24%	392.5	0.13%
1991	122.5	37.64%	89.5	5.92%	112.5	0.90%	392.5	0.00%
Avg Growth thru 1991		44.24%		11.62%		2.66%		1.29%
1992	128.0	4.49%	94.5	5.59%	114.5	1.78%	398.0	1.40%
1993	132.0	3.13%	97.5	3.17%	115.0	0.44%	408.5	2.64%
1994	136.0	3.03%	100.5	3.08%	115.0	0.00%	413.0	1.10%
3 Year Growth thru 1994		3.55%		3.95%		0.74%		1.71%

SEWER Year	Leisure Lakes	Annual % Incr in ERCs	Marco Shores	Annual % Incr in ERCs	Marion Oaks	Annual % Incr in ERCs	Palm Port	Annual % Incr in ERCs
1987			239.5		1228.5		70.5	
1988	204.0		268.0	11.90%	1287.5	4.80%	76.5	8.51%
1989	215.0	5.39%	262.0	-2.24%	1337.5	3.88%	82.0	7.19%
1990	222.5	3.49%	276.0	5.34%	1348.0	0.79%	85.0	3.66%
1991	228.0	2.47%	291.5	5.62%	1337.5	-0.78%	87.5	2.94%
Avg Growth thru 1991		3.78%		5.16%		2.17%		5.57%
1992	233.5	2.41%	294.5	1.03%	1363.0	1.91%	91.5	4.57%
1993	240.5	3.00%	303.5	3.06%	1404.0	3.01%	94.0	2.73%
1994	247.5	2.91%	312.5	2.97%	1446.5	3.03%	96.5	2.66%
3 Year Growth thru 1994		2.77%		2.35%		2.65%		3.32%

Source: Southern States, MFR Schedules F-9 and F-10; Response to OPC Interrogatory 210.

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SEWER

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SEWER Year	Park Manor	Annual % Incr in ERCs	Point 'O Woods	Annual % Incr in ERCs	Salt Springs	Annual % Incr in ERCs	Spring Hill	Annual % Incr in ERCs
1987	24.5				142.5		4351.5	
1988	24.0	-2.04%	57.0		181.0	27.02%	4531.5	4.14%
1989	23.5	-2.08%	78.5	37.72%	184.5	1.93%	4907.5	8.30%
1990	25.0	6.38%	104.5	33.12%	185.0	0.27%	5301.5	8.03%
1991	31.0	24.00%	123.0	17.70%	167.5	-9.46%	5494.5	3.64%
Avg Growth thru 1991		6.56%		29.51%		4.94%		6.03%
1992	34.0	9.68%	128.5	4.47%	152.5	-8.96%	5647.0	2.78%
1993	32.0	-5.88%	125.0	-2.72%	157.0	2.95%	5817.0	3.01%
1994	32.0	0.00%	125.0	0.00%	161.5	2.87%	5991.5	3.00%
3 Year Growth thru 1994		1.27%		0.58%		-1.05%		2.93%

SEWER Year	Sugar Mill	Annual % Incr in ERCs	Sugarmill Woods	Annual % Incr in ERCs	Sunny Hills	Annual % Incr in ERCs	University Shores	Annual % Incr in ERCs
1987	499.0		0.0		171.5		2019.5	
1988	517.0	3.61%	0.0	0.00%	174.0	1.46%	2219.5	9.90%
1989	553.0	6.96%	3712.5	0.00%	174.5	0.29%	2458.0	10.75%
1990	586.0	5.97%	3924.0	5.70%	174.5	0.00%	2697.0	9.72%
1991	616.0	5.12%	4168.5	6.23%	178.0	2.01%	2854.5	5.84%
Avg Growth thru 1991		5.41%		5.96%		0.94%		9.05%
1992	640.0	3.90%	4448.0	6.71%	182.5	2.53%	n/a	-100.00%
1993	659.5	3.05%	4715.5	6.01%	188.0	3.01%	n/a	ERR
1994	679.5	3.03%	4998.5	6.00%	194.0	3.19%	n/a	ERR
3 Year Growth thru 1994		3.33%		6.24%		2.91%		ERR

SEWER Year	Venetian Village	Annual % Incr in ERCs	Zephyr Shores	Annual % Incr in ERCs
1987	67.5		312.0	
1988	72.0	6.67%	349.0	11.86%
1989	77.0	6.94%	402.5	15.33%
1990	80.0	3.90%	456.0	13.29%
1991	83.0	3.75%	504.0	10.53%
Avg Growth thru 1991		5.31%		12.75%
1992	85.5	3.01%	539.0	6.94%
1993	88.0	2.92%	555.0	2.97%
1994	90.5	2.84%	571.5	2.97%
3 Year Growth thru 1994		2.93%		4.30%

Source: Southern States, MFR Schedules F-9 and F-10; Response to OPC Interrogatory 210.

Southern States Utilities

Comparison of Average ERCs at end of Margin Reserve Period

SSU
Docket No. 920199-WS
Exhibit (KHD)_1
Schedule 5
Witness: Dismukes

	WATER				SEWER	
	(1)		(2)		(3)	(4)
System	ERCs thru Margin Reserve OPC		ERCs thru Margin Reserve Company		ERCs thru Margin Reserve OPC	ERCs thru Margin Reserve Company
Amelia Island	1741.0		1914.0		1693.0	1688.0
Beacon Hills	2852.5		3084.0		2675.0	2872.0
Beecher's Point	86.0		91.0			
Burnt Store	628.0		663.0		405.0	453.0
Carlton Village	104.0		113.0			
Citrus Springs Utilities	1891.0	#	1928.0	#	731.0	713.0
Deltona Utilities	25265.0		26804.0			
Florida Commerce Park					130.0	159.0
Fountains	8.0		53.0			
Fox Run					96.0	105.0
Gospel Island Estates	8.0	#	9.0	#		
Interlachen Lake Estates	216.0		218.0			
Jungle Den					115.0	117.0
Lake Ajay Estates	44.5	#	51.0	#		
Leilani Heights					403.0	400.0
Leisure Lakes					237.0	241.0
Marco Shores	421.0		420.0		299.0	314.0
Marion Oaks	2453.0	#	2580.0	#	1383.5	1380.0
Oak Forest	144.0	#	144.0	#		
Palisades Country Club	6.0		40.0			
Palm Port	93.0		95.0		93.0	95.0
Park Manor					33.0	34.0
Pine Ridge Utilities	1089.0	#	1140.0	#		
Point O' Woods	347.0	#	359.0	#	127.0	177.0
Quail Ridge	12.0	#	25.0	#		
Rolling Green	78.0	#	83.0	#		
Salt Springs					155.0	178.0
Saratoga Harbour/Welaka	134.0		137.0			
Spring Hill Utilities	26900.0		28148.0		5732.0	5989.0
St. Johns Highlands	79.0	#	80.0	#		
Sugar Mill	659.0		686.0		650.0	666.0
Sugar Mill Woods	4590.5	#	4562.0	#	4582.0	4541.0
Sunny Hills Utilities	621.0		650.0		185.0	183.0
University Shores	5315.0		3295.0		**	3241.0
Venetian Village	135.0		142.0		87.0	90.0
Woodmere	1548.0		1583.0			
Wooten	20.0		18.0			
Zephyr Shores					547.0	600.0

Source: Columns (1) and (3) are based on OPC's calculation of average ERCs through the margin reserve period using ERCs supplied in response to OPC's interrogatory no. 210. Columns (2) and (4) are from MFR Schedule F-8.

** Response to OPC interrogatory 210R stated N/A for this system

These systems reflect 1 year growth for Margin Reserve. All others refelect 1.5 year growth.

Southern States Utilities

Non-Used & Useful Real Estate
Personal Property Tax Expense

SSU
Docket No. 920199-WS
Exhibit (KHD)_1
Schedule 6
Witness: Dismukes

		WATER			SEWER		
County	System	Property Tax-MFR	Non-Used & Useful %	Non-Used & Useful Property Taxes	Property Tax-MFR	Non-Used & Useful %	Non-Used & Useful Property Taxes
Nassau	Amelia Island	53,772	1.94%	1,043	69,696	0.53%	369
Citrus	Apache Shores	2,048	32.11%	658	1,208	29.04%	351
Seminole	Apple Valley	1,439	0.00%	0	321	0.00%	0
Osceola	Bay Lake Estates	642	0.00%	0			0
Duval	Beacon Hills	37,605	6.49%	2,441	52,464	13.35%	7,004
Putnam	Beecher's Point	555	19.65%	109	461	37.73%	174
Charlotte/Lee	Burnt Store	21,333	65.26%	13,922	38,658	85.77%	33,157
Lake	Carlton Village	Missing	12.09%	0			0
Seminole	Chuluota	6,313	0.00%	0	1,274	19.66%	250
Marion	Citrus Park	2,271	0.08%	2	8,805	0.00%	0
Citrus	Citrus Springs Utilities	54,961	62.16%	34,164	15,715	54.14%	8,508
Citrus	Crystal River Highlands	122	0.00%	0			0
Orange	Daetwyler Shores	1,200	12.92%	155			0
Volusia	Deltona Utilities	209,339	0.56%	1,172	20,720	3.09%	640
Seminole	Dol Ray Manor	115	0.00%	0			0
Seminole	Druid Hills	506	0.64%	3			0
Lake	East Lake Harris Estates	1,747	0.67%	12			0
Seminole	Fern Park	195	0.00%	0			0
Lake	Fern Terrace	910	1.48%	13			0
Martin	Fisherman's Haven	462	5.94%	27	1,152	9.56%	110
Osceola	Fountains	1,437	3.16%	45			0
Martin	Fox Run	2,351	0.00%	0	3,162	18.91%	598
Lake	Friendly Center	189	0.00%	0			0
Citrus	Golden Terrace	756	0.82%	6			0
Citrus	Gospel Island	490	15.50%	76			0
Lake	Grand Terrace	265	0.00%	0			0
Seminole	Harmony Homes	142	0.51%	1			0
Putnam	Hermits Cove	1,643	1.85%	30			0
Lake	Hobby Hills	804	26.69%	215			0
Lake	Holiday Haven	529	0.63%	3	2,041	36.38%	743
Orange	Holiday Heights	522	0.00%	0			0
Lake	Imperial Mobile Terrace	1,563	0.00%	0			0
Osceola	Intercession City	2,011	6.84%	138			0
Putnam	Interlachen Lake Estates	1,876	5.34%	100			0
Volusia	Jungle Den	112	0.00%	0	2,306	10.32%	238
Clay	Keystone Heights	11,248	15.73%	1,769			0
Brevard	Kingswood	123	0.00%	0			0
Osceola	Lake Ajay Estates	2,450	11.75%	288			0
Seminole	Lake Brantley	127	0.00%	0			0
Orange	Lake Conway	664	0.57%	4			0
Seminole	Lake Harriet Estates	400	0.00%	0			0
Clay	Lakeview Villas	885	14.73%	130			0
Martin	Leilani Heights	3,252	1.88%	61	6,327	0.00%	0
Highlands	Leisure Lakes	849	7.22%	61	1,051	5.61%	59
Collier	Marco Shores Utilities	9,127	36.48%	3,330	7,932	17.98%	1,426
Marion	Marion Oaks	59,078	45.87%	27,099	35,908	12.90%	4,632
Seminole	Meredith Manor	181	0.00%	0	1,057	0.00%	0

Source: Southern States, MFR Schedules B-15, A-5 and A-6

Southern States Utilities

Non-Used & Useful Real Estate
Personal Property Tax Expense

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		WATER			SEWER		
		Property Tax-MFR	Non-Used & Useful %	Non-Used & Useful Property Taxes	Property Tax-MFR	Non-Used & Useful %	Non-Used & Useful Property Taxes
Lake	Morningview	275	0.00%	0	531	2.37%	13
Citrus	Oak Forest	1,303	16.97%	221			0
Lake	Palisades Country Club	(8)	5.61%	(0)			0
Brevard	Oakwood	768	0.00%	0			0
Putnam	Palm Port	1,445	3.68%	53	1,665	11.07%	184
Pasco	Palm Terrace	2,423	0.35%	8	8,526	10.96%	934
Lake	Palms Mobile Home Park	440	19.26%	85			0
Putnam	Park Monor	510	10.15%	52	742	21.76%	161
Lake	Picciola Island	870	1.63%	14			0
Osceola	Pine Ridge Estates	2,302	0.00%	0			0
Citrus	Pine Ridge Utilities	5,672	57.26%	3,248			0
Lake	Piney Woods	1,263	3.58%	45			0
Citrus	Point O'Woods	3,446	3.24%	112	5,162	28.23%	1,457
Putnam	Pomona Park	2,568	29.23%	751			0
Clay	Postmaster Village	526	6.50%	34			0
Lake	Quail Ridge	(9)	1.78%	(0)			0
Putnam	River Grove	1,744	8.93%	156			0
Putnam	River Park	2,860	15.71%	449			0
Citrus	Rolling Green	1,059	3.43%	36			0
Citrus	Rosemont	1,158	3.06%	35			0
Marion	Salt Springs	1,785	1.43%	26	3,785	23.92%	905
Marion	Samira Villas	(7)	1.02%	(0)			0
Putnam	Saratoga Harbour	656	44.10%	289			0
Lake	Silver Lake Estates	3,828	0.18%	7			0
Putnam	Silver Lake Oaks	677	11.09%	75	590	62.14%	367
Lake	Skycrest	855	0.00%	0			0
Hernando	Springhill	137,199	6.29%	8,630	62,065	13.01%	8,075
Lake	Stone Mountain	133	42.70%	57			0
Putnam	St. John's Highlands	893	8.29%	74			0
Volusia	Sugar Mill	17,466	18.08%	3,158	24,537	6.66%	1,634
Citrus	Sugar Mill Woods	71,953	33.64%	24,205	126,658	48.53%	61,467
Washington	Sunny Hills Utilities	10,595	54.35%	5,758	2,969	50.10%	1,487
Lake	Sunshine Parkway	1,476	0.00%	0	1,836	28.19%	518
Osceola	Tropical Park	2,634	0.00%	0			0
Orange	University Shores	33,843	0.00%	0	66,731	10.69%	7,134
Lake	Venetian Village	686	8.36%	57	1,050	3.59%	38
Putnam	Welaka	733	20.55%	151			0
Lake	Western Shores	1,436	0.26%	4			0
Orange	Westmont	357	0.00%	0			0
Osceola	Windsong	1,953	1.07%	21			0
Duval	Woodmere	16,105	9.60%	1,546	27,342	0.00%	0
Putnam	Wooten	952	13.84%	132			0
Pasco	Zephyr Shores	3,131	1.01%	32	3,317	5.48%	182
Seminole	FL Central Commerce Park			0	6,291	48.69%	3,063
Marion	South Forty			0	5,813	20.24%	1,177
TOTAL NON-USED AND USEFUL REAL ESTATE & PERSONAL PROPERTY TAX EXPENSE			WATER =	$136,598		SEWER =	$147,055

Source: Southern States, MFR Schedules B-15, A-5 and A-6

Southern States Utilities

Acquisition Expenses Not Removed From Test Year

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Exhibit (KHD)_1
Schedule 7
Witness: Dismukes
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System	NARUC Account	Water Amount	Sewer Amount
Beacon Hills	720		$100
Citrus Park	720		150
Dol Ray Manor	620	75	
Hermits Cove	620	20	
Holiday Haven	720		409
Jungle Den	620	100	
Jungle Den	720		20
Keystone Heights	620	20	
Palm Port	720		40
Point O' Woods	720		100
River Park	620	20	
Siver Lakes	620	200	
University Shores	620	20	
University Shores	720		1,600
Venetian Village	720		110
		$455	$2,529

Source: Southern States' Response to OPC Interrogatory 6, Appendix 6-C

Southern States Utilities

Summary of Adjustmetns

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		Total SSU	Allocation to Acquisition Efforts	Net Amount to Allocate	Water Amount Filed Systems	Sewer Amount Filed Systems	Total Filed Systems
1	Gain on Sale of St. Augustine Shores	$1,050,000			$483,083	$167,076	$650,159
2	Gain on Sale of University Shores	36,000	821	35,179			35,179
3	Allocation of Acquisition Efforts						
	Administrative and General Expenses	(7,321,659)	(166,975)		(79,046)	(27,338)	(106,384)
	General Plant	(16,614,381)	(378,900)		(179,371)	(62,036)	(241,407)
	General Plant Accumulated Depreciation	5,225,175	119,163		56,412	19,510	75,922
	General Plant Depreciation Expense	(1,526,817)	(34,820)		(16,484)	(5,701)	(22,185)
	Computer Software Accumulated Depreciation	400,000	9,122		4,318	1,494	5,812
	Administrative and General Expense Adjustments	(2,093,118)	(47,735)		(22,598)	(7,815)	(30,413)
4	Costs of Merger	(11,640)	(265)	(11,375)	(5,385)	(1,862)	(7,247)
5	Deltona Land Write-Down in 1992	(30,000)					(30,000)
6	Office Consolidations	(77,024)	(1,757)	(75,267)	(35,632)	(12,323)	(47,955)
7	Effulent Sales at Deltona Lakes	9,308	0	9,308			9,308
8	Discounts Recorded Below the Line	(9,061)	(207)	(8,854)	(4,192)	(1,450)	(5,641)
9	Chairitable Contributions	(2,475)	(56)	(2,419)	(1,145)	(396)	(1,541)
10	Chamber Dues	(3,023)	(69)	(2,954)	(1,398)	(484)	(1,882)
11	Bad Debt Expense	(65,000)	(1,482)	(63,518)	(30,069)	(10,400)	(40,469)
12	Legal Costs Associated with DER/EPA	(16,632)	(379)	(16,253)	(7,694)	(2,661)	(10,355)
13	Marion Oaks Property Taxes	(4,477)					(4,477)
14	Non-Used and Useful Property Taxes				(136,598)	(147,055)	(283,653)
15	Beacon Hills-3 Year Underbilling	(14,925)					(14,925)
16	Write-Off Drinking Water Study	(1,447)					(1,447)
17	Organizational Costs Charged to Expense	(2,984)					(2,984)
18	Professional Studies	(24,489)	(558)	(23,931)	(11,329)	(3,918)	(15,247)
19	Price Waterhouse Employee Savings Audit	(3,800)	(87)	(3,713)	(1,758)	(608)	(2,336)
20	Leilani Heights Reuse Study	(10,500)					(10,500)
21	Jungel Den Nonrecurring Charge	(14,327)					(14,327)
22	Relocation Expenses	(22,000)	(502)	(21,498)	(10,177)	(3,520)	(13,697)

CERTIFICATE OF SERVICE
DOCKET NO. 920199-WS

I HEREBY CERTIFY that a correct copy of the foregoing has been furnished by U.S. Mail or hand-delivery to the following parties on this 5th day of October, 1992.

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