

State of Florida

Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: OCTOBER 7, 1998

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF LEGAL SERVICES (JAEGER, GERVASI, REYES) *BJP*
DIVISION OF WATER AND WASTEWATER (HILL, WILLIS, CHASE, CROUCH, MERCHANT, RENDELL) *WJ*
DIVISION OF AUDITING AND FINANCIAL ANALYSIS (LESTER) *PLM*

RE: DOCKET NO. 950495-WS - APPLICATION FOR RATE INCREASE AND INCREASE IN SERVICE AVAILABILITY CHARGES BY SOUTHERN STATES UTILITIES, INC. FOR ORANGE-OSCEOLA UTILITIES, INC. IN OSCEOLA COUNTY, AND IN BRADFORD, BREVARD, CHARLOTTE, CITRUS, CLAY, COLLIER, DUVAL, HIGHLANDS, LAKE, LEE, MARION, MARTIN, NASSAU, ORANGE, OSCEOLA, PASCO, PUTNAM, SEMINOLE, ST. JOHNS, ST. LUCIE, VOLUSIA, AND WASHINGTON COUNTIES.

AGENDA: OCTOBER 13, 1998 - SPECIAL AGENDA - DECISION ON REMAND - PARTICIPATION IS DEPENDENT UPON VOTE IN ISSUE NO. 2

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\LEG\WP\950495SA.RCM

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FPSC-RECORDS/REPORTING

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CASE BACKGROUND

On June 28, 1995, Southern States Utilities, Inc., now Florida Water Services Corporation (hereinafter Florida Water, SSU or utility), a Class A utility, filed an application for approval of uniform interim and final water and wastewater rate increases for 141 service areas in 22 counties, pursuant to Sections 367.081 and 367.082, Florida Statutes, respectively. The utility also requested a uniform increase in service availability charges, approval of an allowance for funds used during construction (AFUDC) and an allowance for funds prudently invested (AFPI). August 2, 1995, was established as the official date of filing. The utility's application for increased final water and wastewater rates was based on the projected twelve-month period ending December 31, 1996. The utility requested additional annual operating revenues of \$18,137,502 for the utility's combined water and wastewater operations. These requested revenues would generate a rate of return of 10.32 percent.

On October 30, 1996, the Commission issued Order No. PSC-96-1320-FOF-WS (Final Order) on the rate proceeding. On November 1, 1996, SSU filed a notice of appeal of the Final Order with the First District Court of Appeal (First District or Court). On November 26, 1996, the Office of Public Counsel (OPC) filed its Notice of Cross-Appeal. Also, on November 27, 1997, Citrus County filed its Notice of Cross-Appeal.

On December 2, 1996, and December 31, 1996, the First District issued orders abating the appeal pending the Commission's disposition of all motions or cross-motions for reconsideration. On December 3, 1996, SSU filed a Motion to Stay Refund of Interim Rates and Reduction to AFPI Charges Pending Appeal and Motion to Release/Modify Bond Securing Refund of Interim Rates (Motion). In that Motion, SSU requested a stay of the provisions of the Final Order relating to the refund of a portion of the interim rates and the imposition of new charges for AFPI. OPC filed a response in opposition to SSU's Motion.

By Order No. PSC-97-0099-FOF-WS (Stay Order), issued on January 27, 1997, the Commission acknowledged that, pursuant to Rule 25-22.061(1)(a), Florida Administrative Code, there was a mandatory stay as to the refund of interim rates relating to Lehigh and Marco Island. However, by that same Order, the Commission denied SSU's request to stay the reduction to AFPI charges. On February 11, 1997, SSU filed a motion for reconsideration of the Stay Order related to the partial stay of AFPI charges.

By Order No. PSC-97-0374-FOF-WS, issued on April 7, 1997, the Commission ruled on: the Citrus County Board of County Commissioners, Sugarmill Woods Civic Association, Inc, Marco Island Fair Water Defense Fund Committee, Concerned Citizens of Lehigh Acres, East County Water Control District, Springhill Civic Association, Inc., Hidden Hills Country Club Association, Inc., Citrus Park Homeowners Association, and the Harbour Woods Civic Association (denoted hereinafter as Marco, et al.) November 14, 1996 Motion for Reconsideration; SSU's November 26, 1996 Cross-Motion for Reconsideration; and OPC's January 15, 1997 Motion for Reconsideration. Also, on its own motion, the Commission reconsidered and corrected certain errors in regard to AFPI charges, private fire protection charges, and plant capacity charges/main extension charges.

Finally, by Order No. PSC-97-0613-FOF-WS, issued on May 29, 1997, the Commission ruled on SSU's February 11, 1997 motion for reconsideration of the Stay Order and OPC's March 3, 1997 motion requesting the full Commission to reconsider the prehearing officer's denial of its request for the prehearing officer to establish a schedule for filing motions for reconsideration. In this last Order, the Commission reconsidered its previous decisions on stays of AFPI charges and allowed SSU to implement its alternate stay proposal, to continue charging, subject to refund, the higher of any AFPI charges. Through this mechanism, the Commission recognized that AFPI charges were severable and the potential for backbilling was minimized.

With the issuance of this last Order, the Commission disposed of all motions for reconsideration and any requests for stays, and briefs were filed with the First District. Subsequently, the First District issued its opinion on June 10, 1998. Southern States Utilities n/k/a Fla. Water Services Corp. v. Florida Public Service Commission, 714 So. 2d 1046 (Fla. 1st DCA 1998) [Southern States II]. Sugarmill Woods Civic Association timely filed a motion for rehearing, clarification, and certification of this opinion. By opinion dated August 5, 1998, the Court denied this motion, and, on August 21, 1998, issued its mandate. A summary of Southern States II follows.

Southern States II

In issuing its mandate, the Court, acting *en banc*, affirmed and approved the capband rate structure and the Commission's decision declining to make a downward adjustment in rate base to reflect the price the utility paid for Lehigh Acres. In approving the capband rate structure, the Court said, "whenever the PSC has jurisdiction to set water and sewer rates for multiple systems,

inter-system functional relatedness is no prerequisite to the PSC's setting rates that are uniform across a group of systems." Id. at 1051. In so holding, the Court specifically overruled Citrus County v. SSU, 656 So. 2d 1307 (Fla. 1st DCA 1995), finding there was "no statutory basis for [its] earlier conclusion that uniform rates -- particularly within groups of systems that have comparable costs of providing service -- must depend on a finding that 'facilities and land . . . used to provide . . . water and wastewater services are functionally related.'" Id. at 1049 (quoting Citrus County at 1311).

Although it upheld the capband rate structure, the Court reversed the Commission on: 1. the apparent change in Commission policy, with inadequate evidentiary support, whereby the Commission, for eight wastewater treatment plants, changed to the use of annual average daily flows (AADF) in the numerator of the used and useful equation -- however, the Court gave the Commission the discretion to reopen the record and present evidence, if any existed, supporting this apparent policy change (AADF Issue) Id. at 1055-56; 2. the apparent change in Commission policy, again with insufficient evidence in the record, whereby the Commission used the lot count method in determining used and useful percentages for the water distribution and wastewater collection systems serving mixed use areas, but, again, gave the Commission the discretion to reopen the record and present evidence, if it could, supporting this apparent policy change (Lot Count Methodology Issue) Id. at 1056-57; and 3. that portion of the Order which, based on a used and useful analysis, would exclude a portion of the prudently incurred construction costs for reuse facilities from rate base (Reuse Issue) Id. at 1057-58.

The court also acknowledged that the Commission had "confessed error in canceling the previously allowed AFPI charges," and in using AADF in the numerator of the used and useful equation for three wastewater treatment plants when the permit was not based on AADF. Further, because a refund on the rate structure question was no longer being required in Docket No. 920199-WS, the Court concluded that the Commission should revisit its decision to reduce (by \$4.8 million) the utility's investment in equity "in light of the status of ongoing litigation on that issue." Id. at 1058-59. Finally, the Commission has also acknowledged that for the Marco Island facilities, the Commission incorrectly ordered a refund that was larger than the amount made subject to refund. In regards to the interim rate refund issue, the Court stated, "Because issues pertaining to refunds may well be moot, once the PSC sets new permanent rates on remand, addressing these issues at this juncture would be premature." Id. at 1049.

Actions Following Mandate

For the AADF and Lot Count Methodology Issues, Staff filed a recommendation for the September 1, 1998 Agenda Conference, wherein staff recommended that the Commission has the discretion to reopen the record on both issues. However, after much discussion, and questions about the dollar amounts associated with each issue on remand, the Commission voted to defer action on the recommendation. The Commission also directed Staff to file a recommendation addressing the entire remand matter (all issues on remand) for a special agenda conference to be held during the week of October 12-16, 1998. Finally, the Commission directed staff to do an analysis on the costs and benefits of reopening the record and to meet with the parties regarding settlement of the entire matter on remand.

Settlement meetings were held on September 8, 11, 16, and 23, 1998. The four settlement meetings and the offers of settlement are discussed in greater detail in Issue No. 3.

Also, on September 22, 1998, the City of Marco Island filed its Petition to Intervene. On September 30, 1998, Florida Water filed its opposition on Marco Island's Petition to Intervene. This recommendation addresses all outstanding pleadings and what action the Commission should take on the Court's reversal and remand of the Commission's Final Order in this docket.

DISCUSSION OF ISSUES

ISSUE 1: Should the Petition to Intervene filed by the City of Marco Island be granted?

RECOMMENDATION: Yes, the Petition to Intervene should be granted, but only in the city's capacity as a customer. (JAEGER)

STAFF ANALYSIS: In its Petition to Intervene (Petition) filed on September 18, 1998, the City of Marco Island (City) requests intervention in this proceeding. In support thereof, it alleges, among other things, that it is a customer of Florida Water and it attached a bill in the amount of \$192.33 for service received from Florida Water for the period June 8, 1998, through August 6, 1998. The City cites to Rule 25-22.039, Florida Administrative Code, for the Commission's authority to grant intervention.

Florida Water, pursuant to Rules 28-106.204 and 28-106.103, Florida Administrative Code, timely filed its response to the Petition on September 30, 1998. In its response, Florida Water claims that the Petition for Intervention is untimely whether you use the uniform rule (Rule 28-106.205, Florida Administrative Code requires the filing of a petition twenty days in advance of hearing), or Rule 25-22.039, Florida Administrative Code (which requires the filing of a petition five days in advance of hearing). Florida Water further claims that the Petition of the City in this case is distinguishable from the petitions filed in Docket No. 920199-WS which were denied by the Commission as untimely, but then reversed in Southern States Utilities, Inc. v. Florida Public Service Commission, 704 So. 2d 555 (Fla. 1st DCA 1997) [Southern States]. In Southern States, the First District directed the Commission to consider any petitions for intervention filed by groups subject to a potential surcharge in Docket No. 920199-WS. Florida Water argues that the decision in Southern States was based on the fact that the decision in GTE Florida Inc. v. Clark, 668 So. 2d 971 (Fla. 1996) [GTE II], had only just been issued and that these petitioners had no way of knowing that they faced a surcharge. Florida Water cites the specific language from that case as follows:

We find that the PSC erred in denying these petitions as untimely in the circumstances of this case, where the issue of a potential surcharge and the applicability of the *Clark* case did not arise until the remand proceeding. (emphasis supplied by the utility)

Florida Water argues that everyone has now had ample notice of the applicability of the GTE II case and the possibility of surcharges, and that, therefore, the reasoning and the directive of the Court in Southern States is no longer applicable.

The Commission received an exception from Rule 28-106.205, Florida Administrative Code, and, therefore, still follows its own Rule 25-22.039, Florida Administrative Code. A strict reading of that rule indicates that the City's Petition is untimely.

However, pursuant to staff's reading of the Southern States decision, staff believes the City's Petition should be granted. Staff believes that the Court in Southern States said intervention should be allowed "where the issue of a potential surcharge and the applicability of the Clark [GTE II] case did not arise until the remand proceeding." (emphasis supplied by staff) Until the Commission is reversed on appeal and a remand is issued, the parties do not know if they face a surcharge situation. Based on this language, staff believes that the City could not know it faced a surcharge situation until after the remand, and pursuant to the Court's holding is entitled to be granted intervenor status. Staff does not believe that the Court based its decision on the newness of the GTE II case, but on the fact that those entities who potentially faced a surcharge situation should be allowed to participate as parties.

Rule 25-22.039, Florida Administrative Code, requires persons seeking intervention to have a substantial interest in the proceeding. Further, in Agrico Chemical Company v. Department of Environmental Regulation, 406 So. 2d 478, 482 (Fla. 2d DCA 1979), the Court stated that in order for a protestant to have standing, he must demonstrate that he will suffer injury in fact of sufficient immediacy to entitle him to a hearing under Section 120.57, Florida Statutes, and that his injury will be of a type or nature which the proceeding is designed to protect.

The City has shown that it is a customer of Florida Water. Further, it faces increased rates and surcharges (for the Equity Adjustment Error, and the Reuse Issue, and potentially for the AADF Error for the Three Facilities, AADF Issue and Lot Count Methodology Issue). Therefore, staff believes that the City's substantial interests will be affected by the outcome of this proceeding. Clearly, if the Commission decides to reopen the record on the AADF Issue and the Lot Count Methodology Issue, intervention should be granted. However, even if the Commission declines to reopen the record, staff believes that the opinion and directive of the First District in Docket No. 920199-WS are

applicable. Therefore, based on the pleadings submitted to date, staff recommends that the Petition to Intervene be granted.

However, in the Petition, it is unclear whether the City is seeking intervention based on its representative capacity. The City indicates that it is in the best interests of all of the Marco Island customers for the City to represent their interests. By letter dated September 15, 1998, Frederick C. Kramer indicated that the Marco Island Fair Water Defense Fund Committee, Inc. (already an intervenor in this Docket), would look to the City to advise them on how to proceed in the settlement proceedings. From a review of the Petition and from discussions with counsel for the City, staff has been unable to determine if the City seeks intervention in a representative capacity.

In the limited proceeding of Aloha Utilities, Inc., Docket No. 950615-SU, the utility questioned the standing of Representative Fasano to participate as a party. The Commission decided that he did have standing as a customer, and indicated that he should be allowed to continue to participate as a party. However, the panel assigned to that case indicated that his participation was in his capacity as a customer and not in his capacity as a representative.

Staff believes that the City stands in much the same position as Representative Fasano did in Docket No. 950615-SU. If the City were not a customer, staff believes that there would be some question as to whether the City would face injury in fact of sufficient immediacy to meet the standing test. However, because the City is a customer, staff recommends that the Commission grant intervention on that basis. All parties should furnish copies of future pleadings and other documents that are hereafter filed in this proceeding to John R. Jenkins, Esq., Rose, Sundstrom and Bentley, LLP, 2548 Blairstone Pines Drive, Tallahassee, Florida, 32301 (representing City of Marco Island).

ISSUE 2: Should parties be allowed to participate?

RECOMMENDATION: Yes. Participation should be limited to ten minutes for each party. (JAEGER)

STAFF ANALYSIS: Typically, post-remand recommendations have been noticed as "Parties May Not Participate," with participation limited to Commissioners and staff. However, in this case, staff believes that the Commission will be considering new matters related to but not addressed at hearing. In addition, given the nature of the issues which have been raised, staff believes that participation by the parties would be helpful to the Commission. Therefore, staff recommends that participation at the agenda conference be allowed, but limited to ten minutes for each party.

ISSUE 3: What is the appropriate action for the Commission to take on Florida Water Service Corporation's Joint Offer of Settlement and Sugarmill Woods Civic Association's Counter-offer to Proposed Settlement?

RECOMMENDATION: The Commission should not unilaterally accept the utility's offer since it was specifically rejected by one of the parties. The counter-offer of Sugarmill Woods was presented to the parties, not the Commission, and therefore, requires no action by the Commission. (HILL, JAEGER, WILLIS)

STAFF ANALYSIS: Following the September 1, 1998 Agenda Conference, and pursuant to the Commission's directive, staff and the parties met and attempted to reach a settlement. Staff offered a proposal for settlement that was discussed at the first meeting. At the second meeting, the utility proposed a stipulation that was the subject of all subsequent meetings. After settlement meetings concluded without success, the utility filed the proposal with the Commission as a Joint Offer of Settlement and Proposal for Disposition of Mandate on Remand (Joint Offer). Also, Sugarmill Woods presented to the parties its own Counter-offer to utility's Offer of Settlement. Below is a discussion of the settlement meetings and Sugarmill Woods' Counter-offer and, staff's recommendation with respect to Florida Water's Offer of Settlement.

SETTLEMENT NEGOTIATIONS

The first settlement meeting on September 8, 1998, was attended by representatives of the utility, OPC, the Marco Island Fair Water Defense Fund Committee, Inc (A. Ramsey), the Marion Oaks Homes Association and City of Keystone Heights (V. Kaufman), the Sugarmill Woods Civic Association (M. Twomey), the City of Marco Island (M. Friedman) and staff. As a starting point of discussion staff offered the following perspective and proposed settlement:

From our perspective it appeared that "risk" existed on all sides and that all parties had incentive to reach an agreement. Our analysis of the dollars supported this perspective. In short, staff suggested that it believed strongly that it could "win" the remand issues at hearing if the record were reopened, that churn would erode the utility's ability to realize recovery of all surcharge monies, that the outcome of other dockets such as the Gain on Sale docket were also uncertain and the potential existed for a reduction in rates as opposed to an increase. In support of this staff offered the following:

The "confess error" items were approximately \$600,000.

The "other" items (equity and reuse) amounted to about \$500,000.

The two items we could go to hearing on (lot count and flows) were worth \$800,000 and \$500,000 respectively.

The total of all of the above was approximately \$2.4 million on a going forward basis and twice that (it has been two years) or \$4.8 million in surcharge monies. Or, roughly \$5 million. Therefore, if staff failed at everything the best the utility could hope for was about \$5 million.

On the other hand, if we were successful on remand and won both issues, this would reduce the utility's entitlement by \$1.3 million to roughly \$3.7 million. Also, since the court has already said the utility can only surcharge those customers that actually received the benefit, every surcharge customer that moves and discontinues service represents monies lost to the utility. Therefore, going to hearing and stringing this out for another two years could mean a loss to the utility of between 10-25 percent of the surcharge dollars. Therefore, the increase the utility might anticipate would be closer to \$3 million rather than \$5 million.

Finally, staff estimated the money at risk to the stockholders of the utility for the gain on sale of their facilities in Orange County to be right at \$4 million. Since no party has any idea of what the final outcome of all these proceedings will actually be, staff believed the potential existed for the utility to win all on remand but lose the gain on sale resulting in a net increase in revenues of only about \$1 million; or could lose on remand and gain on sale resulting in a net reduction in revenues of about \$1 million.

Therefore, since staff believed all parties were exposed to risk of varying degrees, and it was in the best interest of all that a settlement be reached. To that end the staff proposed:

1. There be no surcharges;
2. There be no attorney's fees;
3. There be no additional rate case expense;
4. Rates be increased on a prospective basis approximately \$2.4 million;

5. This docket be closed and the Gain on Sale docket be closed; and
6. The parties would address the issues of lot count and flows the next time the utility files for rate relief.

As expected, all of the parties except the utility thought the offer a good one. Discussions continued and it was agreed that all parties would consider the potential risk and we would meet again. **It is important to note that staff, like the parties, did not have solid numbers to work with at these meetings and for the initial meeting these numbers were purely speculative.** Staff's numbers were much more accurate three days later.

A second settlement meeting was held on September 11, 1998. The same parties, except for the City of Marco Island, participated. At this point, staff had more accurate numbers and, therefore, a better idea of the potential risk. In discussions with some of the parties about the advisability of settling, staff gave these more accurate numbers to some parties who asked for them. Staff did not, however, share these numbers with the utility. Staff's estimated dollar value of the issues and risk to the customers as of the second meeting were as follows:

The "confess error" and "other" items were worth about \$1,331,973, combined (however, this number actually included the amount for the 50-basis point reduction). The two items the Commission could go to hearing on (lot count and flows in the numerator of the used and useful equation) were calculated to be worth \$1,435,984 and \$529,406, respectively.

The total of all of the above was approximately \$3,297,363 on a going forward basis and approximately twice that, or \$6,594,726, in surcharges. Staff thought that these new, more accurate numbers increased the potential risk involved in going to hearing.

At the beginning of the second meeting, representatives of Florida Water stated that they too recognized the benefits to all of reaching an agreement and, to that end, offered the following stipulation:

1. An across the board increase in the rates on a prospective basis to increase annual revenues by \$2.2 million, plus an additional \$600,000 for the regulatory asset (for a total of \$2.8 million annual revenue increase) will be approved;

2. A regulatory asset in the amount of \$4.4 million will be created. The utility will begin amortization of the regulatory asset the earlier of its next rate case or 3 years, and, on such date, the regulatory asset shall be included in the rate base, and water and wastewater rates automatically and correspondingly increased;
3. There will be no surcharges;
4. There will be no additional rate case expense related to rate case expense incurred following the mandate issued by the First District in Case No. 96-4227;
5. Florida Water will not file a motion for attorney fees;
6. The Commission will close the gain on sale docket, Docket No. 980744-WS, shareholders will retain the gain on sale, and the issue would not be reconsidered;
7. There will be a subsequent meeting held as soon as possible to discuss the refund requirement in Docket No. 920199-WS related to the Spring Hill facility; and
8. A docket will be opened on rulemaking to consider rules regarding the calculation of used and useful, AFPI, AFUDC, and margin reserve.

All parties listened to the offer of settlement, sought clarification on some items and left with the understanding that certain information would be needed to evaluate the offer and that staff would help the parties as best they could. A third meeting was scheduled for the following week. Staff provided an outline of this settlement offer to all parties and provided data as best it could. In addition, we began our own analysis of the settlement offer and the costs associated with continuing, as directed by the Commission at the last agenda conference on this matter.

Staff's Analysis of Florida Water's Settlement Offer

In evaluating this offer, staff attempted to quantify the possible outcomes based on whether the Commission decides to reopen the record on the AADF and lot count methodology issues. These are

the only issues on remand for which the Commission has been allowed a choice as to how to proceed. The utility is entitled to the additional revenue associated with the other issues, which were mentioned previously, either due to the Court's remand decision or because the Commission has confessed error.

As previously stated, the numbers as of mid-September were as follows:

Lot count	=	\$1,435,984
AADF	=	529,406
Other issues (Equity adjustment error, reuse error, and error for 3 facilities)	=	<u>1,331,973</u>
Total	=	\$3,297,363

The total surcharge amount in question would be approximately twice the total annual revenue or \$6,594,726 since the rates have been in effect for approximately two years.

Below are estimates of possible outcomes in order, starting with best case scenario (original Commission decision on AADF and lot count are upheld) to worst case scenario (Commission loses those issues on subsequent appeal). The scenarios in between are provided to illustrate the impact if the ultimate resolution of these issues lies between these extremes. Any number of outcomes between the extremes are possible and any person or party can "guess" what they might "win" or "lose" in going to hearing and, therefore, decide whether the utility's offer is acceptable to them. That is certainly the approach staff took.

<u>Possible Outcomes</u>	<u>Annual Increase</u>	<u>Surcharge</u>
Best Case (Win all issues at hearing and later appeal)	\$1,331,973	\$2,663,946
Win ½ lot count and all AADF	2,031,973	4,063,946
Win \$500,000 in Lot Count and all AADF	2,231,973	4,463,946
Win \$300,000 in Lot Count and all AADF	2,431,973	4,863,946
Win \$200,000 in Lot Count and all AADF	2,531,973	5,063,946
Win all AADF but no lot count	2,731,973	5,463,946
Do Not go to hearing or go to hearing and lose all issues	3,297,363	6,594,726

It should be noted that the additional rate case expense associated with going to hearing and any possible subsequent appeals is not included in the above figures. Staff conservatively estimates that Florida Water would incur additional rate case expense for reopening the record and a second appeal of about \$200,000. This includes \$50,000 for outside legal expenses, \$40,000 for notices, \$50,000 for discovery, \$50,000 for witnesses, and \$10,000 for miscellaneous. Spreading this amount over the four-year amortization period, the annual revenue requirement would be increased by \$50,000.

Based on the revenue estimates in the above analysis, staff believed that the utility's proposal was reasonable and in the long run best interest of all of Florida Water's customers. While all of the options listed are possible, some are more probable than others. It took the court nearly five years to recognize that our ratemaking statute (Section 367.081, Florida Statutes) is not dependent on the jurisdictional statute (Section 367.171(7), Florida Statutes). In truth, it could take us five years or more to satisfactorily explain the used and useful methodologies and actually be upheld by the courts. Therefore, given the complexity of the issues, even with additional testimony in the record, it is likely that the Commission's position on the lot count and AADF issues will not be totally upheld in a subsequent appeal the first time. On the other hand, staff believes that with additional record support, the Commission's initial decision on these issues could be upheld in part.

One reasonable outcome could be that the lot count methodology is not upheld in the Court but the AADF issue is. If this were the case, the additional annual revenue the utility would be entitled

to would be approximately \$2,731,973 which is basically the revenue increase contained in the utility's proposal (\$2.8 million). In addition, under that scenario, the surcharge amount as of October, 1998 would be approximately \$5.4 million. The amount of the regulatory asset the utility is proposing be created (\$4.4 million) compares favorably to this amount.

Another reasonable outcome could be that the Commission could ultimately support \$500,000 of the increase attributable to the lot count methodology and all of that associated with the AADF issue. In that case, the utility would be entitled to roughly an additional \$2.2 million in annual revenue and \$4.5 in a surcharge amount. This also compares favorably to the utility's proposed settlement of \$2.8 million in revenue and \$4.4 million as a regulatory asset. Because of all of the above, staff entered the third meeting with the opinion that the utility's offer was indeed in the long run in the best interest of all of the utility's customers.

The third meeting was held on September 16, 1998, as scheduled. At this meeting, representatives of all the entities participated and discussed the utility's offer thoroughly. Also, State Representative Nancy Argenziano, whose district includes Citrus and parts of Hernando and Marion Counties, participated by telephone.

In supporting its proposed stipulation, the utility stated that it calculates that the \$2,800,000 prospective increase in rates represents an approximate 4.82 percent increase -- however, it was not made clear whether that was over the final rates approved in the Final Order, or after the increase in rates for the 1997 and 1998 price-index (including the 4-year rate reductions from prior rate cases) and the increase for the removal of the reduction of 50 basis points on the cost of equity. Also, the utility calculates that the increase in rates for amortization of the proposed \$4.4 million regulatory asset over five years (\$880,000 per year) represents approximately a 1 percent increase. In truth, the exact percentages will work out to whatever they are and would be different depending on which rates are used. The critical numbers are the annual revenue amounts, which is what staff used in evaluating the offer.

At this third meeting, some parties indicated that, in order to make a decision on the utility's proposed stipulation, they needed to know what their clients' exposure would be if the Commission either reopened the record and lost on both the AADF issue and the lot count methodology issue or decided not to reopen

the record. Therefore, on September 18, 1998, staff calculated and provided all parties with this information.

A fourth (and last) settlement meeting was held on September 23, 1998. All entities from the third meeting, including Representative Argenziano, participated in this meeting. At this settlement meeting, the City of Marco Island, the Marco Island Fair Water Defense Fund Committee, Inc., and staff all indicated that they could accept the proposed stipulation. Also, Ms. Kaufman, representing Marion Oaks Homes Association and the City of Keystone Heights indicated that she looked with favor on the proposed stipulation, but that she did not yet have authority to approve it. However, Mr. Twomey, representing the Sugarmill Woods Civic Association specifically rejected the utility's proposed stipulation. Sugarmill Woods has consistently objected to paying rates based on costs not directly related to the provision of service by the Sugarmill Woods water and wastewater systems. It appears that this guiding principle was the major obstacle to the acceptance of the Florida Water proposal for Sugarmill Woods. Also, the OPC stated that it would need more information before it could take a position. Therefore, with the conclusion of this meeting, the parties had not agreed to the utility's proposed stipulation, and no settlement was reached.

At the conclusion of the September 23, 1998 settlement meeting, staff noted that settlement discussions had reached an apparent impasse and left it to the parties to initiate any additional discussions or meetings on the matter. The staff also noted that it had its own deadlines to meet concerning preparing a recommendation to the Commission for the disposition of overturned and remanded issues in this case. Thus, further discussions of the Florida Water settlement offer appeared to be over.

OFFERS OF SETTLEMENT

While no further settlement discussions including all parties have taken place, Florida Water has officially filed a Joint Offer of Settlement and Sugarmill Woods has served a counter proposal on all parties.

Sugarmill Woods' Counter-Offer To Proposed Settlement

As previously stated, Sugarmill Woods has consistently objected to paying rates based on costs not directly related to the provision of service by the Sugarmill Woods water and wastewater systems. It appears that this guiding principle was the major obstacle to the acceptance of the Florida Water proposal for

Sugarmill Woods. However, in the spirit of compromise on September 28, 1998, Michael B. Twomey representing the Sugarmill Woods Civic Association, requested a meeting with staff to present a counter proposal to the Florida Water settlement offer. Staff agreed to meet with Mr. Twomey that afternoon to receive the draft counter-offer. No other parties were present. At the meeting staff informed Mr. Twomey that it would review all offers of settlement, but did not offer comment on his proposal at that time. On September 29, 1998, Mr. Twomey served his counter-offer on the parties.

The Sugarmill Woods proposal contains three significant new elements while maintaining four provisions of the initial offer by Florida Water. First, Sugarmill Woods proposes a recalculation of the base facility charge (BFC) that would make it sensitive to consumption. The proposed BFC would be based on a formula that attempts to capture the demand on the system of an individual customer's usage in relation to the norm for customers in that particular system. For example, the average demand for a Sugarmill Woods customer was determined in a prior case to be 500 gallons/day (gpd) per ERC. Thus, as staff understands the proposal, if an individual's usage in a particular month is 600 gpd then the BFC for that month would be the baseline BFC established at 500 gpd, plus an additional 20% to account for the additional 100 gpd of usage in the prior period. Sugarmill Woods further proposes that these increases be imposed on all systems without regard to existing caps.

Second, Sugarmill Woods proposes a prospective 4.7 percent increase on BFCs, but no increases to gallonage charges. Again these increases would be made without regard to existing caps.

Third, Sugarmill Woods proposes that there be no recalculation of used and useful percentages until the next rate case for any system involved in the instant case. Additionally, no party to the settlement would initiate or participate in any intervening rulemaking proceeding that would serve to establish a procedure or methodology for determining used and useful percentages for any of the utility systems involved in this case.

Finally, Sugarmill Woods would accept the following elements contained in the utility's proposal:

- A. There will be no surcharges;
- B. There will be no additional rate case expense;

- C. The utility will not file for attorney's fees; and
- D. The Commission will close the gain on sale docket, Docket No. 980744-WS, the utility shareholders will retain the gain on sale, and the issue will not be reconsidered.

The staff appreciates the efforts of Mr. Twomey and the customers of Sugarmill Woods to bring a compromise alternative to the negotiations. The proposal offers an interesting perspective on a long standing concern in Commission rate setting methodology.

The concept of an adjusted BFC that takes into account a customer's usage has some intuitive appeal as it attempts to address the existing inequities inherent in the current Commission practice of using American Water Works Association (AWWA) design standards to set rates among varying meter sizes. More simply stated, meter sizes greater than 5/8" x 3/4" are rated for rate setting purposes as meter equivalents. For example, a 4-inch meter is equivalent to fourteen 5/8" x 3/4" meters using the AWWA guidelines. It is not uncommon for a meter of this size to serve more than 14 condo units or businesses. This frequently leads to a disproportionate share of BFCs being allotted to single family residential or individually metered customers while condominium or apartment dwellers pay significantly less in BFCs. In systems where mixed use exists, these inequities can be quite apparent. The effect of the Sugarmill Woods proposal is to relate actual system demand through consumption in an effort to instill greater equity to the BFC. The result is to shift revenue recovery from average volume or below average volume consumers regardless of meter size to those customers with greater than average consumption related to meter size.

Staff does not have the necessary billing detail to calculate the revenue impact to the utility of this component of Sugarmill Woods's proposal. If implemented without lowering the baseline BFC, the proposal would have the potential of causing the utility to overearn. It should also be noted that this proposal would make a larger share of overall utility revenues subject to consumption levels and, therefore, make revenue flows less stable and predictable. In a similar vein, the proposal changes the fundamental underpinnings of the BFC by altering the allocation and cost recovery between fixed and variable elements.

Staff's final observation relating to the Sugarmill Woods' proposal is that it will add complexity and fundamentally alter an already complicated rate structure. Because a portion of the BFC

will vary every month it will make it difficult for the utility and the Commission to explain to customers any specific bill should there be a complaint.

Staff believes the Sugarmill Woods proposal constitutes significant restructuring of the approved rate structure. Because rate structure in this case was upheld by the First District, staff would not recommend that the Commission adopt the proposal of Sugarmill Woods without the full participation and consent of all parties. Further, the counter-offer of Sugarmill Woods was presented to the parties, not the Commission; and therefore, requires neither acceptance nor rejection by the Commission.

Florida Water's Offer

On October 2, 1998, Florida Water filed, on behalf of itself and the Marco Fair Water Rate Defense Committee, their Joint Offer of Settlement and Proposal for Disposition of Mandate on Remand (Joint Offer). This joint offer tracks almost exactly the offer that Florida Water initially made and discussed at the September 11, 1998 settlement meeting. The Joint Offer clarifies that the prospective rate increase (\$2,800,000, or 4.8 percent increase in annual revenues) would go into effect no later than November 13, 1998, and that the increase for the \$4.4 million regulatory asset (a one percent increase spread over five years) would go into effect no later than October 13, 2001. Further, the Joint Offer clarifies that: "the increases in water and wastewater rates . . . shall be implemented pursuant to either percentage increases or equal rate increases (by meter size) to existing rates, whichever method is approved by the Commission. Florida Water proposes that the Commission, even without approval of all the parties, accept this same offer as full disposition of the remand proceedings.

As stated earlier, in evaluating the utility's offer of settlement during negotiations, which is basically identical to the Joint Offer, staff attempted to quantify the possible outcomes based on whether the Commission decides to reopen the record on the AADF and lot count methodology issues. Another factor staff considered in evaluating the proposed settlement was the time and cost of continuing litigation and the ongoing exposure of the customers to a growing surcharge amount. Staff believed that the risk involved in continuing to expose the customers to a growing surcharge liability as well as added rate case expense seriously mitigated the benefit of reopening the record and continuing the litigation on these two issues.

However, based on its recommendations in Issue 4, staff believes that the growing surcharge amount can be stopped by allowing the utility to increase its rates by the amounts that are in dispute and hold those amounts subject to refund. Further, since the utility's offer of settlement entails an across the board increase in rates, staff is concerned that this could be considered a change in the approved capband rate structure, which was upheld by the court. Acceptance of the Joint Offer would certainly change both the amount of subsidization among the service areas and the methodology used in calculating the capbands.

In remanding this case back to the Commission, staff believes that the Court would have contemplated that the corrections would have been made using the same methodology used by the Commission and approved by the First District. Additionally, the creation of a regulatory asset would, in effect, spread the collection of the surcharge amount over the current customers, which could be considered contrary to the GTE and Southern States decisions. Staff does not believe the Commission should make these decisions unilaterally without the support of all the parties. Therefore, staff believes that any Order accepting a Joint Offer which does not include all the parties would be vulnerable to attack on appeal as not complying with the remand and mandate of the First District.

This problem could be corrected by issuing any Order accepting the Joint Offer as proposed agency action and giving all parties a clear point of entry into yet another Section 120.57, Florida Statutes, hearing. Also, staff notes that if the Commission were to approve a stipulation proposed by a certain party or parties, which proposed stipulation had not been agreed to by all parties, Section 120.569, Florida Statutes, would require that such decision be rendered as proposed agency action (PAA). Undoubtedly, a party or parties which did not agree with the stipulation as proposed, would file a protest to such a PAA Order, forcing the matter to go to hearing, and thereby defeating the purpose for approval of the proposed stipulation. Therefore, Staff believes that it would be totally fruitless to approve any offer of settlement that has not been approved by all parties, as any such Order would be protested, and the Commission would be in the same position it is now. Based on all the above, staff recommends that the Commission should reject the Joint Offer.

ISSUE 4: In light of the decision and mandate of the First District Court of Appeal, what is the appropriate action the Commission should take?

RECOMMENDATION: Staff recommends that the Commission take the following action:

(a) Authorize the utility to implement rates on a going forward basis for those items for which the Commission admitted error and for which the Court reversed without giving discretion to reopen the record. Allow the utility to surcharge its customers over a two-year period to recover the lost revenues due to these items, as discussed in Issue 6.

(b) Reopen the record to take additional testimony on the use of the lot count methodology and AADF in the used and useful analysis. Authorize the utility to implement a rate increase to reflect the difference in the used and useful methodologies at issue (AADF and lot count), as discussed in Issue 5. Further, the utility should be allowed to surcharge its customers for the difference in the rates during the time since the final rates in this case were implemented, as discussed in Issue 6. The rate increase and surcharge associated with the issues going to hearing should be implemented subject to refund.

(c) Defer the decision with regard to the refund of interim rates and the appropriate AFPI charges, as discussed in Issue 7, until a final decision is reached on the issues that will be the subject of hearing. (HILL, JAEGER, REYES, GERVASI, CHASE, RENDELL, CROUCH, MERCHANT, LESTER)

STAFF ANALYSIS: The First District specifically reversed the Commission on the following three issues:

1. Use of AADF in the numerator of the used and useful equation when the Department of Environmental Protection (DEP) states the denominator, the permitted capacity of the plant, in terms of AADF (AADF Issue);
2. Use of the lot count methodology in mixed use service areas (Lot Count Methodology Issue); and
3. Reducing the amount of reuse facilities in rate base by the amount of the reuse

facilities found to be non-used and useful
(Reuse Issue).

In addition to the above specific reversals, the following issues must also be addressed:

4. Mistaken use of AADF in numerator for three systems when the denominator was not stated in terms of AADF (whether the Commission decides to use MMADF for all systems, or not, these three systems should use MMADF) (AADF Error for Three Facilities);
5. Because a refund based on rate structure is no longer required in Docket No. 920199-WS, the adjustment to equity in this case should be removed, and the cost of capital should be increased accordingly (Equity Adjustment Error);
6. Mistaken reduction in AFPI charges (AFPI Error); and
7. Whether any interim refunds are now required. However, any interim refunds should not be greater than amounts held subject to refund (Interim Refund Issue).

Also, because the Court has stated that the Commission has erred in setting final rates and erroneously caused the utility to not collect revenues to which it was entitled, staff believes that, pursuant to the holdings in GTE II and Southern States, an immediate surcharge situation exists, which will be discussed in Issue 6.

Staff has organized the discussion of the seven issues above into the following three categories:

I. Issues in which the Commission has no choice and must correct in accordance with the Court decision, including (a) Reuse Used and Useful, (b) Admitted Errors, and (c) Equity Adjustment;

II. Issues in which the Commission was reversed but allowed the discretion to reopen the record for further evidence, including (a) AADF, and (b) Lot Count Methodology; and

III. Issues that cannot be resolved until the final disposition of all other issues, including (a) any interim refunds, and (b) AFPI charges.

Items contained in Categories I and II are discussed in this issue of the recommendation. Items in Category III will be the subject of Issue 7. Also, the issue of the applicability of surcharges will be addressed in Issue 6.

Staff has attached Schedule No. 1 at the back of the recommendation which calculates the revenue impact of each of the remand adjustments. The schedule starts with the revenue requirements from the Final Order and incrementally shows the impact (revenue and percentage increases) of the different issues on remand. The top section of the schedule (lines 1-16) reflects the prospective revenue requirements. In this half, a subtotal (line 8) is provided to reflect the revenue increase from the required remand adjustments above the Final Order. The prospective revenue requirements have been increased to add back the 50-basis point reduction to the return on equity (ROE) that was discontinued in September 1998 (two years from the implementation of the rates in the Final Order). The bottom half of the schedule reflects the surcharge revenue requirements for the two possible scenarios. The surcharge revenue requirements do not include the added back 50 basis points on ROE since this was not a Commission error that should be surcharged.

DISCUSSION OF REMAND ISSUES

I. Issues In Which Commission Has No Choice

(a) Reuse Issue

In its opinion filed June 10, 1998, the First District reversed the Commission's used and useful adjustments to reuse facilities. The Court quoted the provisions of Sections 403.064(10) and 367.0817(3), Florida Statutes. Section 403.064(10), Florida Statutes, states in pertinent part that: "Pursuant to Chapter 367, the Florida Public Service Commission shall allow entities under its jurisdiction which . . . implement reuse projects . . . to recover the full, prudently incurred cost of such . . . facilities through their rate structure. (emphasis supplied)

Further, Section 367.0817(3), Florida Statutes, states in pertinent part that: "All prudent costs of a reuse project shall be recovered in rates. . . . The commission shall allow a utility to

recover the costs of a reuse project from the utility's water, wastewater, or reuse customers or any combination thereof as deemed appropriate by the commission." (emphasis supplied)

Interpreting these provisions, the Court concluded that "in order to comply with the statutory mandate requiring that the entire cost of a prudently constructed reuse facility be recovered in rates, such a reuse facility must be treated as if it were one hundred percent used and useful." The Court went on to "reverse the order under review to the extent it excludes a portion of the construction costs for reuse facilities from rate base." Southern States II, at 1058.

In reviewing the opinion, staff believes that the full prudently incurred cost of the reuse facilities, without any adjustment for used and useful, must be allowed to be recovered through the utility's rates.

(b) Admitted Errors In Used And Useful Calculations

Also, staff notes that the Final Order showed that AADF had been used in the numerator of the used and useful equation for the Beacon Hills, Holiday Haven, and Jungle Den facilities. After the Final Order was issued, staff discovered that these three systems were permitted based on MMADF, and that the numerator should likewise reflect MMADF. Therefore, the Commission confessed error on these three systems.

For one system, Beacon Hills, the staff, though stating it had used AADF, actually used MMADF. Therefore, although we confessed error, the error was only in the language and not in the figures actually used. Therefore, there is no revenue change for Beacon Hills. For Holiday Haven and Jungle Den, use of the MMADF will increase the used and useful percentage and cause a concomitant requirement for an increase in revenues.

(c) Equity Adjustment Error

In its Final Order, issued October 30, 1996, the Commission reduced Florida Water's common equity in its capital structure by \$4.8 million. This adjustment was based on the testimony of OPC witness Dismukes, who stated that common equity should be reduced to reflect the reduction to 1996 net income caused by the refund mandated by Order No. PSC-95-1292-FOF-WS, issued October 19, 1995, in Docket No. 920199-WS. This order required Florida Water to refund approximately \$8.2 million, which would logically reduce net

income and common equity during 1996. Florida Water offered no argument in its brief regarding this specific adjustment.

As of October 30, 1996, when the Commission issued its Final Order in Docket No. 950495-WS, the Commission's position, as stated in Order No. PSC-95-1292-FOF-WS (in Docket No. 920199-WS), was that the refund would be made without a surcharge, which would have had the effect of reducing net income and common equity. However, this Order was subsequently reversed on appeal. Southern States. Subsequent to that decision, the Commission issued Order No. PSC-98-0143-FOF-WS, in Docket No. 920199-WS, which required no refunds or surcharges. An appeal of Order No. PSC-98-0143-FOF-WS is pending.

Regarding the common equity adjustment, the Court has now directed that the Commission revisit the issue in light of current litigation. Even if the Court ultimately rejects the decision to require no refunds and no surcharges, it would appear that the only other viable option is refunds with surcharges. In any event, the adjustment to equity is no longer appropriate. Therefore, in the capital structure for Docket No. 950495-WS, staff has removed the \$4.8 million reduction to common equity, and the cost of capital was increased accordingly. Based on this adjustment, the utility would be entitled to an additional \$195,251 in annual revenues.

For the issues discussed in Category I, staff believes that the Commission has no choice but to increase rates prospectively to allow for the additional revenues. The rates that will recover the additional revenues under the capband methodology are contained in Issue 5. Also, as mentioned, because the Court determined that the Commission erred with regard to these issues, pursuant to GTE II and Southern States, a surcharge situation exists, which is discussed in Issue 6.

II. Issues In Which The Commission Was Reversed But Given The Discretion To Reopen The Record

In its opinion, the Court reversed the Commission on the following two issues stating that there was inadequate evidentiary support for these apparent changes in policy. However, the Court gave the Commission the discretion to reopen the record and present evidence.

(a) Use Of AADF In The Determination Of Used And Useful

The First District reversed the portion of the Final Order which calculated the used-and-useful percentage using AADF in the

numerator, citing the lack of sufficient record support and the prior decision in Florida Cities Water Co. v. Public Service Commission, 705 So. 2d 620 (Fla. 1st DCA 1998). The First District viewed this as a Commission policy shift which, like the Florida Cities case, "was essentially unsupported 'by expert testimony, documentary opinion, or other evidence appropriate to the nature of the issue involved'". Southern States II at 1055. Citing Section 120.68(7), Florida Statutes, the Court then concluded that the Commission had departed "from the essential requirements of law", and that the Commission "must, on remand, give a reasonable explanation, if it can, supported by record evidence (which all parties must have an opportunity to address) as to why average daily flow in the peak month was ignored." Id. at 1055. The Court went on to say, "While we do not rule out the possibility that evidence can be adduced on remand to show that calculating a used and useful fraction by comparing average annual daily flows to plant capacity as stated on operating permits is preferable to use the PSC's prior practice, we nevertheless conclude that remand for the taking of such evidence (if it exists) is necessary." Id. at 1056.

In its Final Order, the Commission used AADF (based on DEP permits) in calculating used and useful, as opposed to MMADF. Originally, DEP permitted wastewater treatment plants without designating whether the capacity was based on AADF or MMADF, or some other flow. Staff generally found that the DEP permit was based upon MMADF, and used that flow criteria in the numerator.

However, the DEP permits issued for some of the wastewater plants of Florida Water stated the permitted capacity of the wastewater plant in terms of AADF. Based on this change, staff recommended, and the Commission approved, the use of AADF in the numerator. Other than the permit itself, there was no evidence as to what flows should be used in the numerator of the used and useful fraction when the permit was issued based on AADF.

(b) Use Of Lot Count Methodology In Determining Used and Useful

The First District also found that the "Evidence of record in the present case does not support or explain the PSC's switch to the lot count method for evaluating systems serving mixed use areas." The First District noted that, in prior cases, the Commission had determined that the lot count method was not appropriate for determining used and useful percentages of investment in distribution and collection systems serving mixed use areas. It concluded that, "For this policy shift, too, the PSC

must give a reasonable explanation on remand and adduce supporting evidence, if it can, to justify a change in policy required by no rule or statute. That failing, the PSC should adhere to its prior practices in calculating used and useful percentages. . . ." Id. at 1057.

In its Final Order, the Commission applied the lot count methodology to determine the used and useful percentages for Florida Water's water transmission and distribution and wastewater collection lines for each of its service areas. This was a departure from the methodology used in previous Florida Water rate cases. In those instances, an ERC to ERC or ERC to lot comparison was used which resulted in higher used and useful percentages for some systems.

ANALYSIS ON WHETHER TO REOPEN THE RECORD

Section 120.68(7), Florida Statutes, provides in pertinent part:

(7) The court shall remand a case to the agency for further proceedings consistent with the court's decision or set aside agency action, as appropriate, when it finds that:

. . .

(e) The agency's exercise of discretion was:

. . .

3. Inconsistent with officially stated agency policy or a prior agency practice, if deviation therefrom is not explained by the Agency . . .

Upon reviewing the Court's opinion and Section 120.68(7), Florida Statutes, Staff believes that the Commission has two legally supportable options: (1) it may decline to reopen the record on the two issues set forth above and accept the utility's position; or (2) it may reopen the record and have the parties put on testimony as to which flows should be used in the numerator of the used and useful equation and the appropriateness of the lot count methodology in mixed use areas.

In an effort to assist the Commission in making the determination as to whether the record should be reopened for these issues, the following analysis is offered:

OPTION 1: DO NOT REOPEN RECORD

ADVANTAGES

1. Swift resolution
2. No additional rate case expense from a hearing
3. Obviates the risk of motion for attorney's fees
4. Likely to be upheld on appeal
5. Surcharge amount stops growing

DISADVANTAGES

1. May result in mismatch of flows in the numerator of the used and useful equation with flows in the denominator that would result in the utility's collection of \$529,406 in annual revenues (\$15,691 for water and \$513,715 for wastewater)*
2. May result in the collection of an additional \$1,435,984 (\$894,735 for water and \$541,249 for wastewater)* associated with the lot count issue on remand
3. Would result in the customers paying the maximum amount of surcharge on these issues

* See Schedule No. 1

<u>OPTION 2: REOPEN RECORD</u>	
<u>ADVANTAGES</u>	<u>DISADVANTAGES</u>
<ol style="list-style-type: none">1. Commission would have the opportunity to match numerator and denominator flows in the used and useful equation to prevent mismatching2. If the Commission is correct, there will be no surcharges associated with these issues3. Opportunity to clarify the policy in each rate case so that incorrect practice is not cited as precedent4. If the Commission is correct on the AADF and the lot count issues, the utility will not collect \$529,406 of revenues associated with AADF and \$1,435,984 of revenues associated with lot count. <p style="text-align: center;">See Schedule No.1</p>	<ol style="list-style-type: none">1. Delay2. Additional rate case expense and other costs associated with the hearing3. Possibility of motion for attorney fees4. Uncertainty of outcome on appeal5. If rates are not implemented, surcharge amount continues to grow.

As mentioned in the discussion of the analysis of the utility's proposed settlement, one of the factors staff considered in evaluating the proposal was the time and cost of continuing to litigate and the ongoing exposure of the customers to a growing surcharge amount. The risk involved in continuing to expose the customers to a growing surcharge liability as well as added rate case expense seriously mitigates the benefit of reopening the record and continuing the litigation on these two issues. However, if the customers' exposure to the growing surcharge is stopped,

staff believes (absent a settlement agreement among the parties) that reopening the record to take testimony on these issues is appropriate.

Upon consideration of all points illustrated above, Staff recommends that the Commission reopen the record for the very limited purpose of taking testimony on what flows should be used in the numerator of the used-and-useful equation when the DEP states the denominator, the permitted capacity of the wastewater plant, based on AADF; and reopen the record to present evidence on what is the best methodology for calculating the used and useful percentages for the water distribution and wastewater collection systems. In addition, staff recommends that the utility be allowed to implement a rate increase to reflect the difference in the used and useful methodologies at issue (AADF and lot count). This is discussed in Issue 5. Further, staff recommends that the utility be allowed to surcharge its customers for the difference in the rates during the time since the final rates in this case were implemented, as discussed in Issue 6. The rate increase and surcharge associated with the issues going to hearing should be implemented subject to refund. In this way, the potential surcharge amount would not increase, and if it is determined that the Commission's initial decision on these issues was correct, a refund of the overage collected during the pendency of the litigation can be ordered.

Staff notes that this recommendation is consistent with the Commission's recent action in the Florida Cities case where the Commission voted to reopen the record on the AADF issue. The Commission's decision to reopen the record in that case has been affirmed by the First District. Florida Cities Water Co. v. Florida Public Service Commission, 705 So. 2d 620 (Fla. 1st DCA 1998), aff'd per curiam. Staff believes that the language cited in the Southern States II opinion even more clearly gives the Commission the option to reopen the record on these two issues. The First District specifically makes references to the need for additional justification for this apparent change in Commission policy and has, again, essentially invited the Commission to take additional evidence. Further, in its Joint Offer, the utility admits (paragraph 12, page 4), that the First District authorized the Commission to reopen the record on these two issues.

It should be noted, for informational purposes, that no surcharges will be applicable in the Florida Cities case. This is due to the fact that Florida Cities implemented its PAA rates prior to hearing. The PAA revenue requirement is higher than the revenue requirement that may result from the hearing. Therefore, Florida

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Cities is already collecting the revenues disallowed in its final order.

ISSUE 5: If the Commission approves staff's recommendation in Issue 4, what are the appropriate rates for Florida Water Services Corporation on a prospective basis?

RECOMMENDATION: If the Commission approves staff's recommendation in Issue 4, the appropriate rates for Florida Water Services Corporation on a prospective basis are shown on Schedules 2A and 2B. The part of the rate increase associated with the issues that will be determined at hearing should be held subject to refund. Florida Water Services Corporation should be required to file a corporate undertaking in the amount of \$1,713,684. The current bond in the amount of \$3,553,766 may be released. The utility should file revised tariff sheets and a proposed customer notice, for approval by staff, to reflect the appropriate rates within 14 days of the date of the Order. The utility should be placed on notice that failure to implement the prospective rates will cause it to forfeit its right to collect surcharges beyond this point. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to 25-30.475(1), Florida Administrative Code. The rates should not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of notice. (CHASE, RENDELL, GERVASI)

STAFF ANALYSIS: Based on staff's recommendation in the prior issue, the total revenue requirement on a going forward basis is \$34,592,833 for the water system and \$26,795,617 for the wastewater system, including corrections for those issues reversed and for which the Commission confessed error plus adjustments for the two issues going to hearing. Recalculating the rates using these revised revenue requirements and employing the capband rate structure, which was upheld by the First District in Southern States II, results in the rates for each service area that are shown on Schedules 2A (water) and 2B (wastewater).

Recalculating the rates using the capband rate structure applied to the new revenue requirements has produced a different grouping for bands and affected the number of capped systems. A comparison of which service areas were contained in the water and wastewater bands in the Final Order rates calculated in this case and those in this recommendation is provided in Schedules 4A and 4B. A discussion of how the capband rates are calculated will help explain why a shift in bands is inevitable.

The capband rate structure is a variation of the modified stand alone (MSA) rate structure. Under the MSA rate structure, a

stand alone rate for each service area is first calculated. Using these stand alone rates, bills at 10,000 gallons for water (and 6,000 gallons for wastewater) are then compared to an affordability benchmark of \$52 for water service and \$65 for wastewater service. The rates of all service areas whose stand alone rates would produce a bill greater than these benchmarks are then recalculated such that the resulting bills would be equal to the benchmarks. This creates a revenue deficiency for the "capped" service areas which is allocated among the remaining facilities. The last step of the MSA rate structure, is the calculation of individual rates for all of those service areas not capped.

The capband rate structure differs from the MSA only in the mechanics of that last step. Under capband, rather than calculating a separate rate for each of these service areas, the remaining facilities are grouped by similar cost and a uniform rate is calculated for each group (or band). To approximate similar cost, we used a bill at 10,000 gallons for water service and 6,000 gallons for wastewater service, which is the same threshold used to establish the capped or benchmark bills. The bands are set at natural breaks designed to group homogeneous facilities.

This capband rate structure was upheld by the First District as discussed in the Southern States II opinion. Therefore, in calculating rates based on the new revenue requirement, staff strictly adhered to the capband methodology described above. In our opinion, to do otherwise would be a change in rate structure and could be subject to a subsequent appeal.

In calculating the recommended rates, staff went through all the steps described above using the staff recommended revenue requirement discussed in the previous issue, including calculating individual system rates, capping at the benchmark bills, spreading the revenue deficiency to all remaining service areas, grouping the remaining facilities by similar costs, and finally setting uniform rates within the bands. This process ensures that we are not changing rate structure in any way from that upheld by the First District in Southern States II. Inherent in this conclusion is that the capband methodology is what was upheld by the court, and not the number of bands created or which service areas were contained in any given band. Some may mistakenly consider it a change in rate structure, it is not. Staff believes this methodology to be the only way to maintain the integrity of the initial Commission decision on rate structure as well as the integrity and spirit of the Court's decision. In effect, these are the rates that would have been produced if the revenue requirement

in this recommendation were the one decided by the Commission in its original decision.

Florida Water has had several rate changes since the Final Rates in this case were implemented in September, 1996. These changes include: several four-year rate reductions, two indexes, and the elimination of the 50 basis point reduction in the return on equity. The four-year rate reductions correspond to the elimination of rate case expense for Docket Nos. 920655-WS, 920199-WS and 970083-WS, and were calculated consistent with the methodology approved in Order No. PSC-97-0284-FOF-WS, issued March 12, 1997. Also, the utility implemented price indexes in 1997 and 1998, which were applied consistent with the methodology approved in the Final Order in this case. Further, the 50-basis point adjustment to return on equity ordered by the Commission in this case expired in September, 1998, and the utility filed tariffs to remove this adjustment.

For reasons discussed in Issue 4, staff is recommending that the Commission implement a rate change for the issues which the Court specifically reversed, as well as those issues which staff is recommending be taken to hearing for further evidence. Column 1 of Schedules 2A and 2B summarize the rates reflecting both sets of remand adjustments as well as the removal of the 50-basis point adjustment to equity. The second column reflects the remand rates plus the above mentioned 4 year rate reductions and the 1997 index increase. The last column contains staff's recommended rates on a prospective basis with the addition of the 1998 index increase over the rates shown on Column 2.

The part of the rate increase associated with the issues that will be determined at hearing should be held subject to refund. Staff has calculated this amount to be approximately \$1,713,684. This assumes a 10-month period in order to conduct the hearing and make a final determination at a subsequent agenda. This time period also takes into consideration 90 days for any potential refunds determined by the Commission. The Division of Auditing and Financial Analysis has conducted a review of Florida Water's current financial situation and has determined that the utility can support a corporate undertaking. Therefore, Florida Water should be required to file a corporate undertaking in the amount of \$1,713,684. The current bond in the amount of \$3,553,766 may be released.

The utility should be required to file revised tariff sheets and proposed customer notice to reflect the appropriate rates within 14 days of the date of the Order. The utility should be

placed on notice that failure to implement the prospective rates will cause it to forfeit its right to collect surcharges beyond this point. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to 25-30.475(1), Florida Administrative Code. The rates should not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of notice.

For illustrative purposes, staff has also calculated the rates corresponding only to the issues on which the Court specifically reversed the Commission, including the admissions of error, the reuse used and useful, and the correction of the equity component for the refund associated with Docket No. 920199-WS. These are shown on Schedules 3A and 3B. These rates would only apply if the Commission decides not to increase rates, subject to refund, for the issues which staff is recommending be taken to hearing.

As indicated in Order No. PSC-97-0374-FOF-WS, issued April 7, 1997, staff used a different mathematical methodology to calculate the wastewater gallonage charge than the one used by the utility; however, the results are exactly the same. The wastewater gallonage charges shown on Schedules 2B and 3B are the basic gallonage charges for each service area, which represent an average wastewater gallonage charge for illustrative purposes. These average charges will be differentiated by customer class. The actual gallonage charges will be determined by Florida Water. This was addressed in Marco et. al's motion for reconsideration of the Final Order.

ISSUE 6: Are surcharges applicable, and, if so, what are the appropriate amount of surcharges that the utility should be allowed to charge?

RECOMMENDATION: Florida Water should be allowed to implement two surcharges. The first surcharge relates to the issues for which either the Commission admitted error or for which it was reversed by the Court without any discretion to reopen the record. The second surcharge covers the items which will be decided at hearing and should be collected subject to refund. The utility should be allowed to collect both surcharges over a two year period which is the length of time the rates have been in effect. Pursuant to GTE no new customers should be required to pay a surcharge. The utility should file a corporate undertaking in the amount of \$3,601,022. This is in addition to the corporate undertaking addressed in Issue 5. If Florida Water elects to file one corporate undertaking, separate amounts should be listed with language that indicates which portion of revenues each amount relates to. The tariff sheets filed pursuant to the rate increases authorized in Issue 5, should include the surcharge rates applicable to each service area. The utility should be placed on notice that failure to implement the surcharges will cause it to forfeit its right to collect surcharges. The notice to customers required in Issue 5 should include a reference to the surcharges. (REYES, CHASE, RENDELL)

STAFF ANALYSIS: As discussed previously, in Southern States II, the First District specifically reversed the Commission on three issues and remanded two other issues for further disposition, citing inadequate record support. In Issues 4 and 5, staff is recommending that the Commission reopen the record on the two issues remanded for further action and take additional evidence. The issue of surcharge arises in this case based on the holdings in GTE II and Southern States.

In GTE Florida Inc. v. Deason, 642 So.2d 545 (Fla. 1994), the Supreme Court reversed in part and affirmed in part a prior Commission order which denied GTE recovery of certain costs which the Court found to be clearly recoverable and for which it was an abuse of discretion for the Commission to deny recovery. On remand, the Commission only allowed recovery of the disputed expenses on a prospective basis beginning nine months after the mandate issued. GTE appealed this decision.

In GTE II, the Supreme Court again reversed the Commission's order and mandated that GTE be allowed to recover its erroneously

disallowed expenses from the date the erroneous order was issued through a surcharge. In so holding, the Court stated that "utility ratemaking is a matter of fairness. Equity requires that both ratepayers and utilities be treated in a similar manner." Id. at 972. Therefore, where an erroneous rate order is entered, "[i]t would be clearly inequitable for either utilities or ratepayers to benefit, thereby receiving a windfall, from an erroneous PSC order." Id. at 973. The surcharge sanctioned by the Court was "to recover costs already expended that should have been lawfully recoverable in the PSC's first order." Id. The Court subsequently has reaffirmed the equitable underpinnings enunciated in GTE II. See Southern States.

SURCHARGE LIABILITY ASSOCIATED WITH ISSUES REVERSED BY COURT

In this case, there are three issues in which the Court determined that the Commission erred: Used and Useful for Reuse Facilities, Equity Adjustment, and Admitted Errors. Pursuant to GTE II and Southern States, the utility must be allowed to collect a surcharge for these errors. The surcharge should be calculated for the period beginning from the date the rates containing the errors were implemented until the date the corrected rates are implemented. Because staff is recommending in Issues 4 and 5 that the corrected rates be implemented at this time and the Final Order rates were implemented in September, 1996, the period of time to which the surcharge applies is approximately two years. Staff recommends that the surcharge be collected over this same length of time. Finally, pursuant to GTE II, the surcharges should be administered with the same standard of care afforded to refunds, and no new customers should be required to pay a surcharge. GTE II at 973. The surcharge rates, which will be calculated by staff, would not take into consideration the 50-basis point reduction to the return on equity.

Although staff has calculated that the amount related to this surcharge is approximately \$290,422 for water and \$1,873,596 for wastewater, the actual amount should be calculated by Florida Water. This amount would be the difference in the calculated rates and the rates implemented from the Final Order applied to actual consumption for the two-year period.

SURCHARGE LIABILITY ASSOCIATED WITH HEARING ISSUES

In addition to the surcharge related to the three issues in which the Court held that the Commission erred, there is a potential surcharge associated with the two issues that were remanded based on insufficient record evidence. If the utility

ultimately prevails on these issues, pursuant to GTE it will be entitled to collect a surcharge to recover the lost revenues. For these two issues, staff believes the potential surcharge period begins when the rates pursuant to the Final Order were implemented and ends when new rates are implemented correcting the errors if it is determined that the Commission erred. If the Commission approves staff's recommendation in Issues 4 and 5 and implements rates to reflect the difference in the used and useful methodologies at issue (AADF and lot count), the amount of the surcharge will stop accumulating.

Because the implementation of new rates now will stop the accumulation of the potential surcharge liability on a going forward basis, staff believes the Commission should address the potential surcharge liability related to those issues going to hearing that has accumulated to date. Staff recommends that the utility be allowed to surcharge its customers for the period of time the rates have been in effect based on the difference between the rates that were approved by the Final Order and those necessary to reflect the utility's position on the AADF and lot count issues. The estimated amount of this surcharge is \$1,636,542 for water service and \$1,964,480 for wastewater service. These estimated amounts are based on the increase in the revenue requirement associated with these issues and the length of time the rates have been in effect. Since the actual surcharge amount is based on the customers' usage during this two-year period, the actual amount would have to be calculated by the utility.

The utility also should be allowed to collect the surcharge related to the issues going to hearing over a two-year period, which is the same length of time that the rates have been in effect. However, since the final disposition of these issues is unknown, staff recommends that the surcharge related to these issues be collected from the customers subject to refund.

Staff believes that with regards to the issues going to hearing implementing rates subject to refund and allowing surcharges, also subject to refund, for the time the lower rates have been in effect is consistent with and responsive to the Courts' rulings in GTE II and Southern States. This recommendation is also consistent with staff's recent legislative recommendation designed to mitigate the impact of surcharges on customers. While the immediate effect is that the customers pay the highest rate while the litigation continues, there will be no future liability for a surcharge. The liability has shifted to the utility which will hold the disputed amount subject to refund.

Staff has calculated the surcharge amount related to the issues to be addressed at hearing to be approximately \$3,601,022, which covers a two-year period. A review of Florida Water's financial statements indicates that the utility could support a corporate undertaking in this amount. Therefore, Florida Water should file a corporate undertaking in the amount of \$3,601,022. This is in addition to the corporate undertaking addressed in Issue 5. If Florida Water elects to file one corporate undertaking, separate amounts should be listed with language that indicates which portion of revenues each amount relates to.

SURCHARGE RATES

The rates applicable to both surcharges which will be used to calculate the specific amounts by customer will be calculated by staff and available to all parties. The tariff sheets filed pursuant to the rate increases authorized in Issue 5 should include the surcharge rates applicable to each service area. The utility should be placed on notice that failure to implement the surcharges will cause it to forfeit its right to collect surcharges. The notice to customers required in Issue 5 should include a reference to the surcharges.

ISSUE 7: What items should the Commission not take action on at this time?

RECOMMENDATION: The Commission should not take action on the final revenue requirement determination, and all items that would change because of the evidence obtained at hearing, including rate base, rate case expense, operating expenses, final service rates, final surcharges, interim refunds, and AFPI charges and refunds. These items should be addressed at the point when the Commission makes its decision on the final recommendation in this docket. (MERCHANT, RENDELL)

STAFF ANALYSIS: In Issue 4, staff is recommending that the Commission hold another evidentiary hearing to resolve the remaining two issues on remand from the Court. As such, staff believes that it is inappropriate at this time to consider the final impact and going forward revenues and rates for this docket. Many items will change as a direct result of making changes to used and useful adjustments and additional rate case expense. This includes rate base, depreciation expense, property taxes, regulatory assessment fees and income taxes, which are components of the revenue requirement. Also as a direct result, service rates to customers, including final surcharges, will change. Specifically, staff believes that interim refunds and AFPI charges and refunds should not be considered at this time. We have discussed these issues below as they were issues specifically appealed and addressed by the court.

INTERIM REFUNDS

Florida Water appealed the Commission's decision on interim refunds arguing that such refunds should have been set on a company-wide basis. OPC cross-appealed, and took the opposite view that interim refunds should have been ordered on a system-specific basis. Further, the Commission admitted error that it ordered a higher interim refund to Marco Island than the amount of interim revenues held subject to refund. The court did not find it necessary to address either side's argument "[b]ecause issues pertaining to refunds may well be moot, once the PSC sets new permanent rates on remand. . . ." Southern States II, at 1049. When the Commission votes on permanent rates, this issue should be readdressed to determine whether any interim refunds are appropriate using the same methodology the Commission used in the Final Order.

ALLOWANCE FOR FUNDS PRUDENTLY INVESTED

There were two issues regarding AFPI appealed in this case. Florida Water sought to restate the value of assets deemed not used and useful in prior cases by adding back accumulated depreciation. The Commission disallowed this request because the utility failed to request AFPI in two prior rate cases. The court upheld the Commission's approach, finding that they found no basis for disturbing the PSC's exercise of discretion in this regard. Accordingly, no adjustment is necessary on remand.

The second issue on appeal regarding AFPI dealt with the Commission's confessed error in canceling previously allowed AFPI charges and approving new charges that were lower than those previously authorized. Those higher charges were implemented, subject to refund, in Order No. PSC-97-0613-FOF-WS, issued May 29, 1997. The differences in revenue between the pre-rate case AFPI tariff and the charges approved by the Commission in the Final Order were to be placed monthly in an interest-bearing escrow account.

After the remand, used and useful adjustments for some facilities have changed materially, or may change depending on the outcome of the hearing. Also, because of removing the adjustment to equity for the rate-structure refund from Docket No. 920199-WS, the overall rate of return has changed. When used and useful plant goes up, the amount of non-used and useful plant included in the AFPI calculation is reduced which results in the AFPI rates being reduced.

If the Commission approves surcharges to recover the higher used and useful, then it must also require a refund of the difference between the resulting new lower AFPI charges and the higher AFPI charges that were actually collected during that period of time. To do otherwise would allow the utility to receive a double recovery. Also, staff notes that the persons paying for service rates and AFPI may or may not be the same. Therefore, staff believes that it would be inappropriate and discriminatory to net the difference from the amount of the surcharge from the customers.

DOCKET NO. 950495-WS
OCTOBER 7, 1998

ISSUE 8: Should this docket be closed?

RECOMMENDATION: No, the docket should remain open pending final disposition of the remand.

STAFF ANALYSIS: Pending the final disposition of the remand, the docket should remain open. (JAEGER)

Southern States Utilities, Inc.
Summary of Change in Revenue For Remand Issues
Test Year Ended December 31, 1996

Docket No. 950495-WS
Schedule No. 1

<u>PROSPECTIVE REVENUE REQUIREMENTS</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
1 Final Order Revenue Requirements	\$33,389,617	\$24,701,470	\$58,091,087
2 Correct Equity Adjustment for Refund	\$33,506,349	\$24,779,989	\$58,286,338
3 \$ Increase	\$116,732	\$78,519	\$195,251
4 % Increase	0.35%	0.32%	0.34%
2 Remove 50 Basis Point Reduction to ROE	\$33,634,480	\$24,831,495	\$58,465,975
3 \$ Increase	\$128,131	\$51,506	\$179,637
4 % Increase	0.38%	0.21%	0.31%
5 Correct for Used & Useful Errors & Reuse	\$33,682,407	\$25,740,653	\$59,423,060
6 \$ Increase	\$47,927	\$909,158	\$957,085
7 % Increase	0.14%	3.66%	1.64%
8 TOTAL REQUIRED \$ INCREASE ABOVE FINAL ORDER	\$292,790	\$1,039,183	\$1,331,973
% Increase	0.88%	4.21%	2.29%
9 MMADF	\$33,698,098	\$26,254,368	\$59,952,466
10 \$ Increase	\$15,691	\$513,715	\$529,406
11 % Increase	0.05%	2.00%	0.89%
12 Lots ¹ Count to Lots to ERCs	\$34,592,833	\$26,795,617	\$61,388,450
13 \$ Increase	\$894,735	\$541,249	\$1,435,984
14 % Increase	2.66%	2.06%	2.40%
15 MAXIMUM POTENTIAL \$ INCREASE ABOVE FINAL ORDER	\$1,203,216	\$2,094,147	\$3,297,363
16 Total % Increase	3.60%	8.48%	5.68%
<u>SURCHARGE REVENUE REQUIREMENTS</u>			
<i>(The amounts below include the 50 basis pt. reduction on ROE from Final Order)</i>			
17 Final Order Revenue Requirements	\$33,389,617	\$24,701,470	\$58,091,087
Corrected for Equity Adj. for Refund, U/U Errors & Reuse			
18 Surcharge Revenue Requirement	\$33,534,828	\$25,638,268	\$59,173,096
19 Annual Surcharge Revenue (Line 18-17)	\$145,211	\$936,798	\$1,082,009
20 Time Frame: 2 years	2	2	2
21 Surcharge for Equity Adj., U/U Errors & Reuse	\$290,422	\$1,873,596	\$2,164,018
22 MMADF & Lots to ERCs (Combined)			
23 Surcharge Revenue Requirement	\$34,353,099	\$26,620,508	\$60,973,607
24 Incremental Annual Surcharge Revenue (Line 22-17)	\$818,271	\$982,240	\$1,800,511
25 Time Frame: 2 years	2	2	2
26 Total Incremental Surcharge	\$1,636,542	\$1,964,480	\$3,601,022
27 Total Potential Surcharge for 2 Years	\$1,926,964	\$3,838,076	\$5,765,040

SOUTHERN STATES UTILITIES, INC.
 DOCKET NO. 940495-WS
 SCHEDULE OF WATER RATES
 NOTE: \$52 cap at 10,000 gallons

Schedule 2A

Water Service Areas	Rates with total Remand Adjustments		Rates with 4 yr. Rate Reductions & 1997 Index		Staff Recommended Prospective Rates (with 1998 Index)	
	BFC	Gallorage	BFC	Gallorage	BFC	Gallorage
	Amelia Island	\$6.42	\$0.79	\$6.42	\$0.79	\$6.48
Apache Shores	\$5.80	\$4.62	\$5.79	\$4.61	\$5.84	\$4.66
Apple Valley	\$7.50	\$1.53	\$7.53	\$1.54	\$7.60	\$1.55
Bay Lake Estates	\$16.60	\$3.54	\$16.66	\$3.55	\$16.81	\$3.59
Beacon Hills	\$7.50	\$1.53	\$7.53	\$1.54	\$7.60	\$1.55
Beecher's Point	\$14.90	\$3.71	\$15.02	\$3.74	\$15.15	\$3.77
Buenaventura Lakes	\$7.50	\$1.53	\$7.53	\$1.54	\$7.60	\$1.55
Burnt Store	\$13.80	\$3.82	\$13.91	\$3.85	\$14.04	\$3.89
Carlton Village	\$17.10	\$3.49	\$17.18	\$3.51	\$17.33	\$3.54
Chuluota	\$9.99	\$3.73	\$10.02	\$3.74	\$10.11	\$3.77
Citrus Park	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
Citrus Springs	\$8.97	\$1.99	\$9.01	\$2.00	\$9.09	\$2.02
Crystal River High.	\$15.79	\$2.44	\$15.84	\$2.45	\$15.99	\$2.47
Daetwyler Shores	\$9.71	\$2.76	\$9.71	\$2.76	\$9.79	\$2.78
Deep Creek	\$13.50	\$3.85	\$13.63	\$3.89	\$13.75	\$3.92
Deltona	\$6.87	\$1.26	\$6.84	\$1.25	\$6.90	\$1.27
Dol Ray Manor	\$15.79	\$2.44	\$15.84	\$2.45	\$15.99	\$2.47
Druid Hills	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
East Lake Harris Est.	\$7.80	\$4.42	\$7.83	\$4.44	\$7.90	\$4.48
Fern Park	\$9.71	\$2.76	\$9.71	\$2.76	\$9.79	\$2.78
Fern Terrace	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
Fisherman's Haven	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
Fountains,	\$17.20	\$3.48	\$17.33	\$3.51	\$17.49	\$3.54
Fox Run	\$18.60	\$3.34	\$18.72	\$3.36	\$18.89	\$3.39
Friendly Center	\$14.50	\$3.75	\$14.53	\$3.76	\$14.66	\$3.79
Geneva Lake Est.	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
Golden Terrace	\$9.30	\$4.27	\$9.32	\$4.28	\$9.40	\$4.32
Gospel Island Est.	\$16.20	\$3.58	\$16.31	\$3.60	\$16.45	\$3.64
Grand Terrace	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
Harmony Homes	\$18.30	\$3.37	\$18.38	\$3.38	\$18.54	\$3.41
Hermits Cove	\$8.70	\$4.33	\$8.72	\$4.34	\$8.80	\$4.38
Hobby Hills	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
Holiday Haven	\$9.50	\$4.25	\$9.51	\$4.25	\$9.59	\$4.29
Holiday Heights	\$18.20	\$3.38	\$18.27	\$3.39	\$18.44	\$3.42
Imperial Mobile Terr.	\$9.71	\$2.76	\$9.71	\$2.76	\$9.79	\$2.78
Intercession City	\$22.40	\$2.81	\$22.47	\$2.82	\$22.68	\$2.84
Interlachen Lake Est./Park Manor	\$9.99	\$3.73	\$10.02	\$3.74	\$10.11	\$3.77
Jungle Den	\$6.00	\$4.60	\$5.98	\$4.59	\$6.04	\$4.63
Keystone Club Est.	\$9.99	\$3.73	\$10.02	\$3.74	\$10.11	\$3.78
Keystone Heights	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
Kingswood	\$9.71	\$2.76	\$9.71	\$2.76	\$9.79	\$2.78
Lake Ajay Est.	\$23.70	\$2.83	\$23.86	\$2.85	\$24.07	\$2.87
Lake Brantley	\$17.60	\$3.44	\$17.69	\$3.46	\$17.85	\$3.49
Lake Conway Park	\$15.79	\$2.44	\$15.84	\$2.45	\$15.99	\$2.47
Lake Harriet Est.	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
Lakeside	\$16.40	\$3.56	\$16.56	\$3.59	\$16.71	\$3.63
Lakeview Villas	\$13.70	\$3.83	\$13.77	\$3.85	\$13.89	\$3.88
Lehigh	\$9.99	\$3.73	\$10.02	\$3.74	\$10.11	\$3.77
Leilani Heights	\$8.97	\$1.99	\$9.06	\$2.01	\$9.14	\$2.03
Leisure Lakes	\$7.40	\$4.46	\$7.40	\$4.46	\$7.46	\$4.50
Marco Island	\$22.40	\$2.81	\$22.46	\$2.82	\$22.66	\$2.84
Marco Shores	\$12.30	\$3.97	\$12.39	\$4.00	\$12.50	\$4.03
Marion Oaks	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01

SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 940495-WS
SCHEDULE OF WATER RATES
 NOTE: \$52 cap at 10,000 gallons

Schedule 2A

Water Service Areas	Rates with total Remand Adjustments		Rates with 4 yr. Rate Reductions & 1997 Index		Staff Recommended Prospective Rates (with 1998 Index)	
	BFC	Gallonge	BFC	Gallonge	BFC	Gallonge
	Meredith Manor	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05
Morningview	\$16.70	\$3.53	\$16.79	\$3.55	\$16.94	\$3.58
Oak Forest	\$9.71	\$2.76	\$9.71	\$2.76	\$9.79	\$2.78
Oakwood	\$9.71	\$2.76	\$9.71	\$2.76	\$9.79	\$2.78
Palisades Country Club	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
Palm Port	\$11.50	\$4.05	\$11.52	\$4.06	\$11.62	\$4.09
Palm Terrace	\$9.71	\$2.76	\$9.71	\$2.76	\$9.79	\$2.78
Palm Valley	\$18.80	\$3.32	\$18.98	\$3.35	\$19.15	\$3.38
Palms Mobile Home Park	\$6.90	\$4.51	\$6.94	\$4.53	\$7.00	\$4.57
Picciola Island	\$9.71	\$2.76	\$9.71	\$2.76	\$9.79	\$2.78
Pine Ridge	\$6.87	\$1.26	\$6.87	\$1.26	\$6.93	\$1.27
Pine Ridge Est.	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
Piney Woods	\$15.79	\$2.44	\$15.84	\$2.45	\$15.99	\$2.47
Point O' Woods	\$12.20	\$3.98	\$12.23	\$3.99	\$12.34	\$4.03
Pomona Park	\$15.79	\$2.44	\$15.84	\$2.45	\$15.99	\$2.47
Postmaster Village	\$22.40	\$2.81	\$22.47	\$2.82	\$22.68	\$2.84
Quail Ridge	\$19.90	\$3.21	\$20.05	\$3.23	\$20.23	\$3.26
Remington Forest	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
River Grove	\$9.99	\$3.73	\$10.02	\$3.74	\$10.11	\$3.77
Rosemont/Rolling Green	\$22.40	\$2.81	\$22.47	\$2.82	\$22.68	\$2.84
Salt Springs	\$15.79	\$2.44	\$15.78	\$2.44	\$15.92	\$2.46
Samira Villas	\$14.60	\$3.74	\$14.64	\$3.75	\$14.77	\$3.78
Silver Lake Estates/W. Shores	\$6.87	\$1.26	\$6.84	\$1.25	\$6.90	\$1.27
Silver Lake Oaks	\$14.40	\$3.76	\$14.48	\$3.78	\$14.61	\$3.81
Skycrest	\$13.20	\$3.88	\$13.25	\$3.89	\$13.37	\$3.93
Spring Gardens	\$7.50	\$1.53	\$7.53	\$1.54	\$7.60	\$1.55
Stone Mountain	\$25.10	\$2.69	\$25.29	\$2.71	\$25.52	\$2.73
St. John's Highlands	\$8.30	\$4.37	\$8.30	\$4.37	\$8.38	\$4.41
Sugar Mill	\$9.40	\$4.26	\$9.42	\$4.27	\$9.50	\$4.31
Sugar Mill Woods	\$6.87	\$1.26	\$6.87	\$1.26	\$6.93	\$1.27
Sunny Hills	\$10.70	\$4.13	\$10.73	\$4.14	\$10.83	\$4.18
Sunshine Parkway	\$36.50	\$1.55	\$36.84	\$1.56	\$37.17	\$1.58
Tropical Park	\$9.99	\$3.73	\$10.02	\$3.74	\$10.11	\$3.77
University Shores	\$6.87	\$1.26	\$6.84	\$1.25	\$6.90	\$1.27
Valencia Terrace	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
Venetian Village	\$9.99	\$3.73	\$10.02	\$3.74	\$10.11	\$3.78
Welaka/Saratoga Harbor	\$9.40	\$4.26	\$9.41	\$4.27	\$9.50	\$4.30
Westmont	\$8.97	\$1.99	\$8.97	\$1.99	\$9.05	\$2.01
Windsong	\$9.99	\$3.73	\$10.02	\$3.74	\$10.11	\$3.77
Woodmere	\$7.50	\$1.53	\$7.53	\$1.54	\$7.60	\$1.55
Wootens	\$8.50	\$4.35	\$8.54	\$4.37	\$8.62	\$4.41
Zephyr Shores	\$5.80	\$4.62	\$5.78	\$4.60	\$5.83	\$4.65

SOUTHERN STATES UTILITIES, INC.
 DOCKET NO. 950495-WS
 SCHEDULE OF WASTEWATER RATES

Schedule 2B

NOTE: \$65 cap at 6,000 gallons

Wastewater Service Areas	Rates with total Remand Adjustments		Rates with 4 yr. Rate Reductions & 1997 Index		Staff Recommended Prospective Rates (with 1998 Index)	
	BFC	Gallorage	BFC	Gallorage	BFC	Gallorage
	Amelia Island	\$16.19	\$3.72	\$16.22	\$3.73	\$16.34
Apache Shores	\$9.32	\$9.28	\$9.31	\$9.27	\$9.38	\$9.34
Apple Valley	\$16.19	\$3.72	\$16.22	\$3.73	\$16.34	\$3.75
Beacon Hills	\$16.19	\$3.72	\$16.22	\$3.73	\$16.34	\$3.75
Beecher's Point	\$19.88	\$7.52	\$20.02	\$7.57	\$20.16	\$7.63
Buenaventura Lakes	\$14.59	\$5.36	\$14.62	\$5.37	\$14.73	\$5.41
Burnt Store	\$8.50	\$3.32	\$8.53	\$3.33	\$8.59	\$3.36
Chuluota	\$20.42	\$7.43	\$20.55	\$7.48	\$20.69	\$7.53
Citrus Park	\$19.52	\$7.58	\$19.57	\$7.60	\$19.71	\$7.65
Citrus Springs	\$20.82	\$5.36	\$20.87	\$5.37	\$21.02	\$5.41
Deep Creek	\$18.46	\$4.70	\$18.56	\$4.72	\$18.69	\$4.76
Deltona	\$21.26	\$7.29	\$21.33	\$7.31	\$21.48	\$7.37
Fisherman's Haven	\$19.64	\$7.56	\$19.70	\$7.58	\$19.84	\$7.64
Florida Central Commerce Park	\$35.90	\$4.85	\$36.15	\$4.88	\$36.41	\$4.92
Fox Run	\$23.84	\$6.86	\$23.96	\$6.90	\$24.14	\$6.94
Holiday Haven	\$15.26	\$8.29	\$15.33	\$8.33	\$15.44	\$8.39
Jungle Den	\$11.48	\$8.92	\$11.52	\$8.95	\$11.60	\$9.01
Lehigh	\$18.46	\$4.70	\$18.50	\$4.71	\$18.63	\$4.74
Leilani Heights	\$14.59	\$5.36	\$14.62	\$5.37	\$14.73	\$5.41
Leisure Lakes (Covered Bridge)	\$16.19	\$3.72	\$16.22	\$3.73	\$16.34	\$3.75
Marco Island	\$18.46	\$4.70	\$18.50	\$4.71	\$18.63	\$4.74
Marco Shores	\$17.24	\$7.96	\$17.30	\$7.99	\$17.42	\$8.04
Marion Ogks	\$17.66	\$7.89	\$17.70	\$7.91	\$17.82	\$7.96
Meredith Manor	\$16.19	\$3.72	\$16.22	\$3.73	\$16.34	\$3.75
Morningview	\$22.70	\$7.05	\$22.79	\$7.08	\$22.95	\$7.13
Palm Port	\$18.86	\$7.69	\$18.95	\$7.72	\$19.08	\$7.78
Palm Terrace	\$14.59	\$5.36	\$14.62	\$5.37	\$14.73	\$5.41
Park Manor	\$27.68	\$6.22	\$27.82	\$6.25	\$28.02	\$6.30
Point O' Woods	\$16.70	\$8.05	\$16.74	\$8.07	\$16.86	\$8.13
Salt Springs	\$18.46	\$4.70	\$18.50	\$4.71	\$18.63	\$4.74
Silver Lake Oaks	\$18.68	\$7.72	\$18.76	\$7.75	\$18.90	\$7.81
South Forty	\$35.00	\$5.00	\$35.23	\$5.03	\$35.48	\$5.07
Spring Gardens	\$8.50	\$3.32	\$8.53	\$3.33	\$8.59	\$3.36
Sugar Mill	\$20.82	\$5.36	\$20.87	\$5.37	\$21.02	\$5.41
Sugar Mill Woods	\$8.91	\$2.77	\$8.87	\$2.76	\$8.93	\$2.78
Sunny Hills	\$18.38	\$7.77	\$18.43	\$7.79	\$18.57	\$7.85
Sunshine Parkway	\$48.68	\$2.72	\$49.04	\$2.74	\$49.39	\$2.76
Tropical Isles	\$35.50	\$0.00	\$35.77	\$0.00	\$36.03	\$0.00
University Shores	\$20.82	\$5.36	\$20.93	\$5.39	\$21.08	\$5.43
Venetian Terrace	\$16.19	\$3.72	\$16.22	\$3.73	\$16.34	\$3.75
Venetian Village	\$20.82	\$5.36	\$20.98	\$5.40	\$21.13	\$5.44
Woodmere	\$20.82	\$5.36	\$20.87	\$5.37	\$21.02	\$5.41
Zephyr Shores	\$10.64	\$9.06	\$10.63	\$9.05	\$10.70	\$9.12

DOCKET NO. 950495-WS
 OCTOBER 7, 1998

SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 940495-WS
SCHEDULE OF WATER RATES
 NOTE: \$52 cap at 10,000 gallons

Schedule 3A

Water Service Areas	Rates with Admissions of Error and Reversal		Rates with 4 yr. Rate Reductions & 1997 Index		Errors & Reversals Prospective Rates (with 1998 Index)	
	BFC	Gallonge	BFC	Gallonge	BFC	Gallonge
	Amelia Island	\$4.92	\$1.03	\$4.92	\$1.03	\$4.96
Apache Shores	\$5.80	\$4.62	\$5.79	\$4.61	\$5.84	\$4.65
Apple Valley	\$7.39	\$1.53	\$7.42	\$1.54	\$7.49	\$1.55
Bay Lake Estates	\$16.70	\$3.53	\$16.77	\$3.54	\$16.92	\$3.57
Beacon Hills	\$7.39	\$1.53	\$7.42	\$1.54	\$7.49	\$1.55
Beecher's Point	\$14.90	\$3.71	\$15.02	\$3.74	\$15.15	\$3.77
Buenaventura Lakes	\$7.39	\$1.53	\$7.42	\$1.54	\$7.49	\$1.55
Burnt Store	\$13.80	\$3.82	\$13.91	\$3.85	\$14.03	\$3.88
Carlton Village	\$17.10	\$3.49	\$17.18	\$3.51	\$17.33	\$3.54
Chuluota	\$9.48	\$3.56	\$9.51	\$3.57	\$9.60	\$3.60
Citrus Park	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
Citrus Springs	\$7.39	\$1.53	\$7.42	\$1.54	\$7.49	\$1.55
Crystal River High.	\$13.55	\$2.76	\$13.60	\$2.77	\$13.72	\$2.79
Daetwyler Shores	\$10.38	\$2.59	\$10.38	\$2.59	\$10.47	\$2.61
Deep Creek	\$13.50	\$3.85	\$13.63	\$3.89	\$13.75	\$3.92
Deltona	\$7.09	\$1.20	\$7.06	\$1.20	\$7.12	\$1.21
Dol Ray Manor	\$13.55	\$2.76	\$13.60	\$2.77	\$13.72	\$2.79
Druid Hills	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
East Lake Harris Est.	\$7.80	\$4.42	\$7.83	\$4.44	\$7.90	\$4.48
Fern Park	\$10.38	\$2.59	\$10.38	\$2.59	\$10.47	\$2.61
Fern Terrace	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
Fisherman's Haven	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
Fountains	\$17.20	\$3.48	\$17.33	\$3.51	\$17.49	\$3.54
Fox Run	\$18.60	\$3.34	\$18.72	\$3.36	\$18.89	\$3.39
Friendly Center	\$14.50	\$3.75	\$14.53	\$3.76	\$14.66	\$3.79
Geneva Lake Est.	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
Golden Terrace	\$9.20	\$4.28	\$9.22	\$4.29	\$9.30	\$4.33
Gospel Island Est.	\$16.20	\$3.58	\$16.31	\$3.60	\$16.46	\$3.63
Grand Terrace	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
Harmony Homes	\$19.20	\$3.36	\$19.28	\$3.37	\$19.45	\$3.40
Hermits Cove	\$8.70	\$4.33	\$8.72	\$4.34	\$8.80	\$4.38
Hobby Hills	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
Holiday Haven	\$9.50	\$4.25	\$9.51	\$4.25	\$9.60	\$4.29
Holiday Heights	\$18.30	\$3.37	\$18.37	\$3.38	\$18.53	\$3.41
Imperial Mobile Terr.	\$10.38	\$2.59	\$10.38	\$2.59	\$10.47	\$2.61
Intercession City	\$21.79	\$2.73	\$21.86	\$2.74	\$22.06	\$2.76
Interlachen Lake Est./Park Manor	\$9.48	\$3.56	\$9.51	\$3.57	\$9.60	\$3.60
Jungle Den	\$6.00	\$4.60	\$5.98	\$4.59	\$6.03	\$4.63
Keystone Club Est.	\$13.55	\$2.76	\$13.60	\$2.77	\$13.72	\$2.79
Keystone Heights	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
Kingswood	\$10.38	\$2.59	\$10.38	\$2.59	\$10.47	\$2.61
Lake Ajay Est.	\$23.70	\$2.83	\$23.86	\$2.85	\$24.07	\$2.88
Lake Brantley	\$17.60	\$3.44	\$17.69	\$3.46	\$17.85	\$3.49
Lake Conway Park	\$13.55	\$2.76	\$13.60	\$2.77	\$13.72	\$2.79
Lake Harriet Est.	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
Lakeside	\$16.40	\$3.56	\$16.56	\$3.59	\$16.71	\$3.62
Lakeview Villas	\$13.70	\$3.83	\$13.77	\$3.85	\$13.89	\$3.88
Lehigh	\$9.48	\$3.56	\$9.51	\$3.57	\$9.60	\$3.60
Leilani Heights	\$9.16	\$1.98	\$9.25	\$2.00	\$9.33	\$2.02
Leisure Lakes	\$7.40	\$4.46	\$7.40	\$4.46	\$7.47	\$4.50
Marco Island	\$21.79	\$2.73	\$21.85	\$2.74	\$22.05	\$2.76
Marco Shores	\$12.30	\$3.97	\$12.39	\$4.00	\$12.50	\$4.04
Marion Oaks	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00

SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 940495-WS
SCHEDULE OF WATER RATES
 NOTE: \$52 cap at 10,000 gallons

Schedule 3A

Water Service Areas	Rates with Admissions of Error and Reversal		Rates with 4 yr. Rate Reductions & 1997 Index		Errors & Reversals Prospective Rates (with 1998 Index)	
	BFC	Gallonage	BFC	Gallonage	BFC	Gallonage
	Meredith Manor	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24
Morningview	\$16.70	\$3.53	\$16.79	\$3.55	\$16.94	\$3.58
Oak Forest	\$10.38	\$2.59	\$10.38	\$2.59	\$10.47	\$2.61
Oakwood	\$10.38	\$2.59	\$10.38	\$2.59	\$10.47	\$2.61
Palisades Country Club	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
Palm Port	\$11.50	\$4.05	\$11.52	\$4.06	\$11.62	\$4.10
Palm Terrace	\$10.38	\$2.59	\$10.38	\$2.59	\$10.47	\$2.61
Palm Valley	\$18.80	\$3.32	\$18.98	\$3.35	\$19.15	\$3.38
Palms Mobile Home Park	\$6.90	\$4.51	\$6.94	\$4.53	\$7.00	\$4.57
Picciola Island	\$10.38	\$2.59	\$10.38	\$2.59	\$10.47	\$2.61
Pine Ridge	\$4.92	\$1.03	\$4.92	\$1.03	\$4.96	\$1.04
Pine Ridge Est.	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
Piney Woods	\$13.55	\$2.76	\$13.60	\$2.77	\$13.72	\$2.79
Point O' Woods	\$12.20	\$3.98	\$12.23	\$3.99	\$12.34	\$4.03
Pomona Park	\$13.55	\$2.76	\$13.60	\$2.77	\$13.72	\$2.79
Postmaster Village	\$21.79	\$2.73	\$21.86	\$2.74	\$22.06	\$2.76
Quail Ridge	\$19.90	\$3.21	\$20.05	\$3.23	\$20.23	\$3.26
Remington Forest	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
River Grove	\$9.48	\$3.56	\$9.51	\$3.57	\$9.60	\$3.60
Rosemont/Rolling Green	\$21.79	\$2.73	\$21.86	\$2.74	\$22.06	\$2.76
Salt Springs	\$10.38	\$2.59	\$10.38	\$2.59	\$10.47	\$2.61
Samira Villas	\$9.48	\$3.56	\$9.51	\$3.57	\$9.60	\$3.60
Silver Lake Estates/W. Shores	\$7.09	\$1.20	\$7.06	\$1.20	\$7.12	\$1.21
Silver Lake Oaks	\$14.40	\$3.76	\$14.48	\$3.78	\$14.61	\$3.81
Skycrest	\$13.20	\$3.88	\$13.25	\$3.89	\$13.37	\$3.92
Spring Gardens	\$7.39	\$1.53	\$7.42	\$1.54	\$7.49	\$1.55
Stone Mountain	\$25.10	\$2.69	\$25.29	\$2.71	\$25.52	\$2.73
St. John's Highlands	\$8.30	\$4.37	\$8.30	\$4.37	\$8.37	\$4.41
Sugar Mill	\$9.40	\$4.26	\$9.42	\$4.27	\$9.50	\$4.31
Sugar Mill Woods	\$4.92	\$1.03	\$4.92	\$1.03	\$4.96	\$1.04
Sunny Hills	\$10.70	\$4.13	\$10.73	\$4.14	\$10.83	\$4.18
Sunshine Parkway	\$36.50	\$1.55	\$36.84	\$1.56	\$37.17	\$1.57
Tropical Park	\$9.48	\$3.56	\$9.51	\$3.57	\$9.60	\$3.60
University Shores	\$7.09	\$1.20	\$7.06	\$1.20	\$7.12	\$1.21
Valencia Terrace	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
Venetian Village	\$9.48	\$3.56	\$9.51	\$3.57	\$9.60	\$3.60
Welaka/Saratoga Harbor	\$9.40	\$4.26	\$9.41	\$4.27	\$9.49	\$4.31
Westmont	\$9.16	\$1.98	\$9.16	\$1.98	\$9.24	\$2.00
Windsong	\$9.48	\$3.56	\$9.51	\$3.57	\$9.60	\$3.60
Woodmere	\$7.39	\$1.53	\$7.42	\$1.54	\$7.49	\$1.55
Wootens	\$8.50	\$4.35	\$8.54	\$4.37	\$8.62	\$4.41
Zephyr Shores	\$5.80	\$4.62	\$5.78	\$4.60	\$5.83	\$4.64

SOUTHERN STATES UTILITIES, INC.
 DOCKET NO. 950495-WS
 SCHEDULE OF WASTEWATER RATES
 NOTE: \$65 cap at 6,000 gallons

Schedule 3B

Wastewater Service Areas	Rates with Admissions of Error and Reversal		Rates with 4 yr. Rate Reductions & 1997 Index		Errors & Reversals Prospective Rates (with 1998 Index)	
	BFC	Gallorage	BFC	Gallorage	BFC	Gallorage
	Amelia Island	\$15.19	\$3.49	\$15.22	\$3.50	\$15.33
Apache Shores	\$9.32	\$9.28	\$9.31	\$9.27	\$9.38	\$9.34
Apple Valley	\$15.19	\$3.49	\$15.22	\$3.50	\$15.33	\$3.53
Beacon Hills	\$15.19	\$3.49	\$15.22	\$3.50	\$15.33	\$3.53
Beecher's Point	\$19.88	\$7.52	\$20.02	\$7.57	\$20.16	\$7.62
Buenaventura Lakes	\$17.74	\$4.01	\$17.78	\$4.02	\$17.91	\$4.05
Burnt Store	\$8.09	\$3.16	\$8.12	\$3.17	\$8.18	\$3.19
Chuluota	\$20.41	\$7.43	\$20.54	\$7.48	\$20.69	\$7.53
Citrus Park	\$19.16	\$5.92	\$19.20	\$5.93	\$19.34	\$5.97
Citrus Springs	\$19.16	\$5.92	\$19.20	\$5.93	\$19.34	\$5.97
Deep Creek	\$16.11	\$5.58	\$16.19	\$5.61	\$16.31	\$5.65
Deltona	\$21.26	\$7.29	\$21.33	\$7.31	\$21.48	\$7.36
Fisherman's Haven	\$19.64	\$7.56	\$19.70	\$7.58	\$19.84	\$7.63
Florida Central Commerce Park	\$35.89	\$4.85	\$36.14	\$4.88	\$36.40	\$4.92
Fox Run	\$23.84	\$6.86	\$23.96	\$6.90	\$24.13	\$6.95
Holiday Haven	\$15.26	\$8.29	\$15.33	\$8.33	\$15.44	\$8.39
Jungle Den	\$11.48	\$8.92	\$11.52	\$8.95	\$11.60	\$9.01
Lehigh	\$16.11	\$5.58	\$16.15	\$5.59	\$16.27	\$5.63
Leilani Heights	\$17.74	\$4.01	\$17.78	\$4.02	\$17.91	\$4.05
Leisure Lakes (Covered Bridge)	\$15.19	\$3.49	\$15.22	\$3.50	\$15.33	\$3.53
Marco Island	\$17.74	\$4.01	\$17.77	\$4.02	\$17.90	\$4.05
Marco Shores	\$17.23	\$7.96	\$17.29	\$7.99	\$17.41	\$8.05
Marion Oaks	\$17.66	\$7.89	\$17.70	\$7.91	\$17.83	\$7.97
Meredith Manor	\$15.19	\$3.49	\$15.22	\$3.50	\$15.33	\$3.53
Morningview	\$22.69	\$7.05	\$22.77	\$7.08	\$22.93	\$7.13
Palm Port	\$18.86	\$7.69	\$18.95	\$7.72	\$19.09	\$7.78
Palm Terrace	\$17.74	\$4.01	\$17.78	\$4.02	\$17.91	\$4.05
Park Manor	\$27.68	\$6.22	\$27.82	\$6.25	\$28.02	\$6.29
Point O' Woods	\$16.70	\$8.05	\$16.74	\$8.07	\$16.86	\$8.13
Salt Springs	\$17.74	\$4.01	\$17.78	\$4.02	\$17.91	\$4.05
Silver Lake Oaks	\$18.68	\$7.72	\$18.76	\$7.75	\$18.89	\$7.81
South Forty	\$35.00	\$5.00	\$35.23	\$5.03	\$35.48	\$5.07
Spring Gardens	\$8.09	\$3.16	\$8.12	\$3.17	\$8.18	\$3.19
Sugar Mill	\$19.16	\$5.92	\$19.20	\$5.93	\$19.34	\$5.97
Sugar Mill Woods	\$7.69	\$2.39	\$7.65	\$2.38	\$7.70	\$2.40
Sunny Hills	\$18.38	\$7.77	\$18.43	\$7.79	\$18.56	\$7.85
Sunshine Parkway	\$48.68	\$2.72	\$49.04	\$2.74	\$49.39	\$2.76
Tropical Isles	\$35.50	\$0.00	\$35.77	\$0.00	\$36.03	\$0.00
University Shores	\$16.11	\$5.58	\$16.19	\$5.61	\$16.31	\$5.65
Venetian Terrace	\$15.19	\$3.49	\$15.22	\$3.50	\$15.33	\$3.53
Venetian Village	\$19.16	\$5.92	\$19.31	\$5.96	\$19.45	\$6.00
Woodmere	\$19.16	\$5.92	\$19.20	\$5.93	\$19.34	\$5.97
Zephyr Shores	\$10.64	\$9.06	\$10.63	\$9.05	\$10.71	\$9.12

DOCKET NO. 950495-WS
 OCTOBER 7, 1998

Southern States Utilities, Inc.
 Docket No. 950495-WS
 Test year ended December 31, 1996
 Summary Schedule of Bill @10,000 gallons

Schedule 4A

Water Service Area	Final Order Bill @ 10,000 Gal.
Bands	
Amelia Island	\$15.10
Pine Ridge	\$15.10
Sugar Mill Woods	\$15.10
University Shores	\$18.94
Deltona	\$18.94
Silver Lake Est./Western Shores	\$18.94
Buenaventura Lakes	\$22.69
Apple Valley	\$22.69
Beacon Hills	\$22.69
Spring Gardens	\$22.69
Woodmere	\$22.69
Citrus Springs	\$22.69
Keystone Heights	\$28.83
Grand Terrace	\$28.83
Marion Oaks	\$28.83
Geneva Lake Estates	\$28.83
Westmont	\$28.83
Remington Forest	\$28.83
Palisades Country Club	\$28.83
Hobby Hills	\$28.83
Meredith Manor	\$28.83
Lake Harriet Estates	\$28.83
Pine Ridge Estates	\$28.83
Leilani Heights	\$28.83
Fisherman's Haven	\$28.83
Citrus Park	\$28.83
Druid Hills	\$28.83
Valencia Terrace	\$28.83
Fern Terrace	\$28.83
Oakwood	\$36.15
Oak Forest	\$36.15
Palm Terrace	\$36.15
Kingswood	\$36.15
Picciola Island	\$36.15
Daetwyler Shores	\$36.15
Salt Springs	\$36.15
Imperial Terrace	\$36.15
Fern Park	\$36.15
Venetian Village	\$41.46
Lake Conway Park	\$41.46
Dol Ray Manor	\$41.46
Pomona Park	\$41.46
Crystal River Highlands	\$41.46
Keystone Club Estates	\$41.46
Piney Woods	\$41.46
River Grove	\$44.84
Tropical Park	\$44.84
Samira Villas	\$44.84
Windsong	\$44.84
Lehigh	\$44.84
Marco Island	\$44.84
Interlachen Lake Est./Park Manor	\$44.84
Chuluota	\$44.84
Rolling Green/Rosemont	\$48.64
Postmaster Village	\$48.64
Intercession City	\$48.64

Water Service Area	Recomm. Rates Bill @ 10,000 Gal.
Bands	
Amelia Island	\$14.32
University Shores	\$19.47
Pine Ridge	\$19.47
Silver Lake Estates/W. Shores	\$19.47
Sugar Mill Woods	\$19.47
Deltona	\$19.47
Spring Gardens	\$22.80
Buenaventura Lakes	\$22.80
Woodmere	\$22.80
Apple Valley	\$22.80
Beacon Hills	\$22.80
Hobby Hills	\$28.87
Geneva Lake Est.	\$28.87
Grand Terrace	\$28.87
Remington Forest	\$28.87
Westmont	\$28.87
Pine Ridge Est.	\$28.87
Palisades Country Club	\$28.87
Keystone Heights	\$28.87
Lake Harriet Est.	\$28.87
Meredith Manor	\$28.87
Leilani Heights	\$28.87
Marion Oaks	\$28.87
Fisherman's Haven	\$28.87
Citrus Springs	\$28.87
Valencia Terrace	\$28.87
Citrus Park	\$28.87
Fern Terrace	\$28.87
Druid Hills	\$28.87
Palm Terrace	\$37.31
Oakwood	\$37.31
Kingswood	\$37.31
Oak Forest	\$37.31
Picciola Island	\$37.31
Imperial Mobile Terr.	\$37.31
Daetwyler Shores	\$37.31
Fern Park	\$37.31
Salt Springs	\$40.19
Lake Conway Park	\$40.19
Crystal River High.	\$40.19
Dol Ray Manor	\$40.19
Pomona Park	\$40.19
Piney Woods	\$40.19
Tropical Park	\$47.29
Venetian Village	\$47.29
River Grove	\$47.29
Windsong	\$47.29
Lehigh	\$47.29
Interlachen Lake Est./Park Man	\$47.29
Chuluota	\$47.29
Keystone Club Est.	\$47.29
Intercession City	\$50.50
Postmaster Village	\$50.50
Rosemont/Rolling Green	\$50.50
Marco Island	\$50.50

Southern States Utilities, Inc.
 Docket No. 950495-WS
 Test year ended December 31, 1996
 Summary Schedule of Bill @10,000 gallons

Schedule 4A

Water Service Area	Final Order Bill @ 10,000 Gal.
Capped Service Areas	
Apache Shores	\$52.00
Bay Lake Estates	\$52.00
Beecher's Point	\$52.00
Burnt Store	\$52.00
Carlton Village	\$52.00
Deep Creek	\$52.00
East Lake Harris Estates	\$52.00
Fountains	\$52.00
Fox Run	\$52.00
Friendly Center	\$52.00
Golden Terrace	\$52.00
Gospel Island Estates	\$52.00
Harmony Homes	\$52.00
Hermits Cove	\$52.00
Holiday Haven	\$52.00
Holiday Heights	\$52.00
Jungle Den	\$52.00
Lake Ajay Estates	\$52.00
Lake Brantley	\$52.00
Lakeside	\$52.00
Lakeview Villas	\$52.00
Leisure Lakes	\$52.00
Marco Shores	\$52.00
Morningview	\$52.00
Palm Port	\$52.00
Palm Valley	\$52.00
Palms Mobile Home Park	\$52.00
Point O' Woods	\$52.00
Quail Ridge	\$52.00
Silver Lake Oaks	\$52.00
Skycrest	\$52.00
Stone Mountain	\$52.00
St. John's Highlands	\$52.00
Sugar Mill	\$52.00
Sunny Hills	\$52.00
Sunshine Parkway	\$52.00
Welaka/Saratoga Harbour	\$52.00
Wootens	\$52.00
Zephyr Shores	\$52.00

Water Service Area	Recomm. Rates Bill @ 10,000 Gal.
Capped Service Areas	
Apache Shores	\$52.00
Bay Lake Estates	\$52.00
Beecher's Point	\$52.00
Burnt Store	\$52.00
Carlton Village	\$52.00
Deep Creek	\$52.00
East Lake Harris Est.	\$52.00
Fountains	\$52.00
Fox Run	\$52.00
Friendly Center	\$52.00
Golden Terrace	\$52.00
Gospel Island Est.	\$52.00
Harmony Homes	\$52.00
Hermits Cove	\$52.00
Holiday Haven	\$52.00
Holiday Heights	\$52.00
Jungle Den	\$52.00
Lake Ajay Est.	\$52.00
Lake Brantley	\$52.00
Lakeside	\$52.00
Lakeview Villas	\$52.00
Leisure Lakes	\$52.00
Marco Shores	\$52.00
Morningview	\$52.00
Palm Port	\$52.00
Palm Valley	\$52.00
Palms Mobile Home Park	\$52.00
Point O' Woods	\$52.00
Quail Ridge	\$52.00
Samira Villas	\$52.00
Silver Lake Oaks	\$52.00
Skycrest	\$52.00
Stone Mountain	\$52.00
St. John's Highlands	\$52.00
Sugar Mill	\$52.00
Sunny Hills	\$52.00
Sunshine Parkway	\$52.00
Welaka/Saratoga Harbor	\$52.00
Wootens	\$52.00
Zephyr Shores	\$52.00

Southern States Utilities, Inc.
 Docket No. 950495-WS
 Test year ended December 31, 1996
 Summary Schedule of Wastewater Bills at 6,000 gallons

Schedule 4B

Wastewater Service Area	Final Order Bill @ 6,000 Gallons
Bands	
Sugar Mill Woods	\$21.44
Spring Gardens	\$26.44
Burnt Store	\$26.44
Leisure Lakes	\$34.63
Marco Island	\$34.63
Meredith Manor	\$34.63
Valencia Terrace	\$34.63
Beacon Hills	\$34.63
Apple Valley	\$34.63
Amelia Island	\$34.63
Leilani Heights	\$45.40
Lehigh	\$45.40
Buenaventura Lakes	\$45.40
Palm Terrace	\$45.40
Salt Springs	\$45.40
Deep Creek	\$49.90
University Shores	\$49.90
Sugar Mill	\$53.84
Woodmere	\$53.84
Venetian Village	\$53.84
Citrus Springs	\$53.84
Citrus Park	\$53.84

Wastewater Service Area	Recomm. Rates Bill @ 6,000 Gallons
Bands	
Sugar Mill Woods	\$25.53
Spring Gardens	\$28.42
Burnt Store	\$28.42
Leisure Lakes (Covered Bridge)	\$38.51
Venetian Terrace	\$38.51
Amelia Island	\$38.51
Meredith Manor	\$38.51
Beacon Hills	\$38.51
Apple Valley	\$38.51
Salt Springs	\$46.66
Marco Island	\$46.66
Deep Creek	\$46.66
Lehigh	\$46.66
Leilani Heights	\$46.75
Palm Terrace	\$46.75
Buenaventura Lakes	\$46.75
Sugar Mill	\$52.98
Woodmere	\$52.98
Venetian Village	\$52.98
Citrus Springs	\$52.98
University Shores	\$52.98

Capped Service Areas	
Apache Shores	\$65.00
Beecher's Point	\$65.00
Chuluota	\$65.00
Deltona	\$65.00
Fisherman's Haven	\$65.00
Florida Central Commerce Park	\$65.00
Fox Run	\$65.00
Holiday Haven	\$65.00
Jungle Den	\$65.00
Marco Shores	\$65.00
Marion Oaks	\$65.00
Morningview	\$65.00
Palm Port	\$65.00
Park Manor	\$65.00
Point O' Woods	\$65.00
Silver Lake Oaks	\$65.00
South Forty	\$65.00
Sunny Hills	\$65.00
Sunshine Parkway	\$65.00
Zephyr Shores	\$65.00

Capped Service Areas	
Apache Shores	\$65.00
Beecher's Point	\$65.00
Chuluota	\$65.00
Citrus Park	\$65.00
Deltona	\$65.00
Fisherman's Haven	\$65.00
Florida Central Commerce Park	\$65.00
Fox Run	\$65.00
Holiday Haven	\$65.00
Jungle Den	\$65.00
Marco Shores	\$65.00
Marion Oaks	\$65.00
Morningview	\$65.00
Palm Port	\$65.00
Park Manor	\$65.00
Point O' Woods	\$65.00
Silver Lake Oaks	\$65.00
South Forty	\$65.00
Sunny Hills	\$65.00
Sunshine Parkway	\$65.00
Zephyr Shores	\$65.00