

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

SPECIAL COMMISSION CONFERENCE

DATE: July 31, 1996

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.

Issue A: Should the Commission grant the Intervenor's Motions to Dismiss?

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

Recommendation: The Intervenor's motions to dismiss should be denied. However, the Commission should find that there has been some level of misconduct by SSU, for which SSU should be sanctioned by a 100 basis point reduction to its return on equity.

Issue A: APPROVED The intervenor's motion to dismiss was denied.

Issue 5: DENIED Set rates based on equity of 25 basis points below mid range in recognition of less than efficient management for a period of two years. Another 25 basis points should be adjusted because of marginal satisfaction of quality of service issues.

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures for majority: Joe Forcas, Susan J. Clark, J. Terry Deane, Stuart K. King, and another signature.

Handwritten signatures for dissenting: J. Terry Deane, Susan J. Clark, Stuart K. King, and Joe Forcas.

REMARKS/DISSENTING COMMENTS: * Dissenting Votes: Issues 2-DS, GR; 29-DS; 45-CL; 48-KS; 53-DS; 62-JN; 80-DS, KS; 82-DS, KS; 92-KS; 93-DS, KS; 94-JN, DS; 95-DS, JN; 96-DS;

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Issue B: Should the Commission grant SSU's Motion for Attorneys' Fees and Costs?

Recommendation: No.

APPROVED

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

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

APPROVED

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

Primary Recommendation: The value and quality of service provided by SSU at each of its water and wastewater facilities is marginally satisfactory. The utility should be placed on notice that sanctions will be pursued in the utility's next rate case if the value and quality of service is not improved.

APPROVED

Commissioners Deason and Garcia dissented.

Alternate Recommendation: No. The value and quality of water service is considered unsatisfactory. The value and quality of wastewater service is considered satisfactory.

DENIED

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

Recommendation: The utility should be ordered to take corrective measures to improve the water quality at the Duval County water facilities and Leisure Lakes (Covered Bridge) water facility in Highlands County. Quarterly reports should be filed with the Commission explaining the corrective measures taken, sampling conducted, and the results found. Reports should be filed with the Commission until problems are corrected.

APPROVED *The recommendation was approved, but the Commission did not make a finding that the quality of service is not satisfactory.*

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

Primary Recommendation: There should be no reduction to SSU's return on equity.

DENIED - *see issue 5.*

Alternate Recommendation: Yes. The return on equity on water rate base should be assessed a penalty of 50 basis points for unsatisfactory quality of service.

DENIED

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Issue 6: Are any adjustments to rate base necessary to reduce Lehigh land for Parcel 4, Tract C, as Plant Held for Future Use (Staff Audit Disclosure No. 2)? (As Amended at Hearing)

Recommendation: Yes. Land for the water system should be reduced by \$6,288 for tract D, which is a 60% reduction of the total cost of \$10,480. Water land should also be reduced by \$22,723 for Tract C for land held for future use. The issue of original cost for parcels 1 through 3 and any subsequent related party purchases of land should be addressed in future proceedings.

APPROVED

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

Recommendation: No.

APPROVED

Issue 8: Should an adjustment be made to reclassify a portion of the Collier Property for Marco Island from rate base to non-utility property?

Recommendation: No. The entire 212 acres should remain in rate base at this time. However, should the non-development status of any portion of this land change, the Commission should direct SSU to file notice to that effect, and that this deviation be examined and made issue of in the next rate proceeding which includes the Marco Island facility.

APPROVED

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

Recommendation: No. Based on both the utility's estimate that this land will not actually be in-service until late 1997 and the fact that necessary easements had not been obtained by hearing, this transfer should not be allowed.

APPROVED

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

Recommendation: Yes. An adjustment should be made to transfer the Deltona site (\$33,000) to property held for future use.

APPROVED

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

Recommendation: Yes, the following adjustments should be made:

	WATER	WASTEWATER
Plant in Service	\$ 31,494	\$(284,536)
Land	0	(538)
Accum Depr	(290,368)	(605,930)
CIAC	(126,635)	(285,489)
CIAC Amort	87,319	245,723
TOTAL	<u>\$(298,190)</u>	<u>\$(930,770)</u>

A corresponding adjustment should be made to decrease depreciation expense for water and wastewater by \$2,217 and \$18,982, respectively. Accumulated depreciation should also be reduced, to reflect the error correction adjustment approved in Order No. PSC-96-0413-S-WS, by \$6,381 and \$233,895, for water and wastewater, respectively.

APPROVED

Issue 12: Dropped

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

Recommendation: Yes. The following adjustments should be made to plant in service:

	<u>UPIS</u>	<u>Accum. Depr.</u>	<u>Depr. Expense</u>
Project Slippage			
Water	(\$2,398,545)	\$87,834	(\$87,834)
Wastewater	(\$464,915)	\$17,562	(\$17,562)
Imperial Mobile			
Terrace Well	(\$80,858)	\$2,700	(\$2,700)
Double Bookings			
& Overaccruals	(\$520,079)	\$57,428	(\$28,736)

In addition, \$111,384 should be moved from Marco Island plant in service to Marco Shores, in order to allocate a portion of the Marco Island percolation ponds.

APPROVED

Issue 14: Are SSU's classifications of expenditures as to "growth", "regulatory", and so on, well-founded and reasonable?

Recommendation: Yes. Although some projects may have been classified under a different code, such as "safety" or "quality of service" or "general improvement" each project was evaluated to determine if it was a prudent investment.

APPROVED

Issue 15: Dropped.

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

Recommendation: Yes, in the absence of actual numbers of lots connected.

APPROVED

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

Recommendation: The appropriate methodology for calculating used and useful percentages on lines is to compare the number of lots connected to lots available.

APPROVED

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

Recommendation: Yes, for those facilities that are demonstrating growth, and that can accommodate growth. Margin reserve should be included in the following facilities which are not yet built out or are not using the total capacity of their water and/or wastewater facilities:

WATER:

Amelia Island	BayLake Est.	Beacon Hills
Buenaventura Lks.	Burnt Store	Carlton Village
Citrus Springs	Chuluota	Crystal River
Deep Creek	Deltona Lakes	Enterprise
Fishermans Haven	Fountains	Geneva Lake Est.
Gospel Island	Hobby Hills	Intercession City
Interlachen	Keystone Club	Lakeside
Lehigh	Marco Shores	Marion Oaks
Oak Forrest	Palisades	Palm Port
Pine Ridge	Piney Woods	Point O'Woods
Pomona Park	Postmaster Vil.	Quail Ridge
Reming'n Forrest	Rosemont	Silver Lakes Est.
Spring Gardens	St Johns H'lands	Sugar Mill
Sugarmill Woods	Sunshine Pkwy.	University Shores
Venetian Village	Welaka	Woodmere
Wootens		

WASTEWATER:

Amelia Island	Beacon Hills	Buenaventura Lks.
Burnt Store	Chuluota	Citrus Springs
Deep Creek	Deltona Lakes	Fl Cent/Cmrce Pk.
Lehigh	Marco Shores	Marion Oaks
Palm Port	Palm Terrace	Park Manor
Point O'Woods	South Forty	Spring Gardens
Sugar Mill	Sugarmill Woods	Sunny Hills
Sunshine Pkwy	Tropical Isle	University Shores
Venetian Village	Woodmere	

APPROVED

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

Recommendation: Twelve (12) months for water transmission and distribution facilities and wastewater collection facilities; eighteen (18) months for source of supply and pumping, water treatment, storage facilities and high service pumping; ~~thirty six (36)~~ months for wastewater treatment plant and effluent disposal are the appropriate margin reserve periods. [This is a change in Commission policy.]

eighteen (18)

MODIFIED

approved with noted modification.

Issue 19: Stipulation.

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

Recommendation: Ten (10) percent of the water pumped or purchased is an acceptable level of unaccounted for water.

APPROVED

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

Recommendation: Facilities with excessive unaccounted for water and the recommended adjustments for chemicals, purchased power and purchased water are listed in Attachment A of staff's July 24, 1996 memorandum.

APPROVED

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

Recommendation: Where populations are known with reasonable accuracy and do not vary seasonally, the EPA population based method is appropriate. This method is found in the EPA Handbook Sewer System Infrastructure Analysis and Rehabilitation. This method allows 120 gallons per capita per day (GPCD). The 120 gallons per capita per day is composed of allowances for 80 GPCD of domestic flows and 40 GPCD of allowable infiltration. A second method of determining an infiltration and/or inflow allowance is found in the Water Pollution Control Federation Manual of Practice No. 9. This manual recommends infiltration and inflow allowance of 375 to 625 gallons per inch diameter of pipe per mile per day, taking into account the type and age of the collection system. The second method is preferred because of difficulties in accurately determining service areas. Where populations are known with reasonable accuracy and do not vary seasonally, is appropriate where populations are not known with reasonable accuracy or vary seasonally, the Water Pollution Control Federation methodology is appropriate.

not

MODIFIED *approved with noted correction.*

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

Recommendation: Yes, the following wastewater facilities have been identified as having excessive infiltration and/or inflow: Burnt Store, Holiday Haven, Jungle Den, and Lehigh. Of these four, adjustments are necessary only for Holiday Haven and Jungle Den. Adjustments necessary to reflect excessive infiltration and/or inflow to Holiday Haven are 3593.1 gpd for used and useful calculation and 16.8 percent of lift station power and plant operating expenses, power and chemicals. Adjustments for Jungle Den are 7379.5 gpd for used and useful calculation and 56.5 percent of lift station power and plant operation expenses, power and chemicals.

APPROVED

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

Recommendation: No. The used and useful calculation for the transmission and distribution systems for these four facilities should be calculated using the lot count method as recommended in Issue 41.

APPROVED

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

Recommendation: No other adjustments need to be made other than the recommended used and useful adjustments for water components and wastewater treatment and disposal at Marco Island.

APPROVED

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

Recommendation: The Burnt Store water plant capacity should be changed from 333 gpm to 378 gpm.

APPROVED

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

Recommendation: The correct plant capacity to be used is 500,000 gpd.

APPROVED

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

Recommendation: No. Water mains installed but not connected to the existing distribution system were prudent investments but are non-used and useful and should not be included in rate base.

APPROVED

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

Recommendation: If appropriate, an adjustment to the Buenaventura Lakes rate base for the wetlands reuse system can be employed in the general used and useful issues in this docket.

APPROVED

Commissioner Mason dissented.

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

Recommendation: Yes, if the utility has fire hydrants in place such that fire flows can be delivered; otherwise, no. Further, fire flow should be incorporated into demands for facilities with storage available when calculating used and useful for storage and high service pumping. As recommended under Issue 37, for high service pumping, fire flows should be included only when using the maximum day demand as opposed to a peak demand. For those water facilities without storage, fire flows should be incorporated in demand for supply wells and water treatment equipment. It is appropriate, and consistent with prior Commission practice, not to incorporate fire flow in calculating used and useful on transmission and distribution mains; however, the utility's investment in fire hydrants has been considered 100% used and useful.

APPROVED

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

Recommendation: Yes, a singular maximum day demand, exclusive of any abnormal events such as fire flows and line breaks, is the appropriate flow to use when calculating used and useful. This differs from past Commission policy.

APPROVED

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

Recommendation: The Commission should use the most recent operating capacity permitted by the Department of Environmental Protection for used and useful calculations.

APPROVED

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

Recommendation: Yes, it is appropriate to remove one component from the total capacity of such like components in determining the firm, reliable capacity available.

APPROVED *as clarified: The Commission should recognize and allow the utility to calculate used and useful on wells, high service pumps, and water treatment components through the use of firm reliable capacities for each, as opposed to total capacities for these components or firm reliable capacity on only one component.*

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

Recommendation: Yes. Further, such storage should be added to the numerator of the storage calculation, rather than removed from the denominator, and is applicable only to large facilities.

APPROVED

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Issue 35: What peaking factor should be allowed for peak domestic hour demands in finished water storage used and useful calculations?
Recommendation: The appropriate peaking factor to use in deriving peak hour demands is two. Peak hour demand is then calculated as two times the maximum day demand.

APPROVED

Issue 36: Should 10% of the finished water storage be treated as dead storage?
Recommendation: Yes, for ground storage. No, for elevated storage.

APPROVED

Issue 37: For high service pumps used and useful calculations, should the maximum daily flows or peak hourly flows be used for peak demands?
Recommendation: For peak demands, either maximum day demand plus fire flow or peak hour demand alone should be used when calculating used and useful for high service pumps, whichever results in the higher used and useful percentage.

APPROVED

Issue 38: Should facility lands, hydro tanks, and auxiliary power be considered 100% used and useful without analysis?
Recommendation: No; for those situations where a utility has clearly oversized land, then analysis should be conducted. Hydropneumatic tanks and auxiliary power, however, need not be analyzed in order to achieve 100% used and useful. SSU land, hydro tanks, and auxiliary power should be considered 100% used and useful.

APPROVED

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

Recommendation: The appropriate flow data to use is the flow upon which the DEP Operating Permit is based. Since only the newer DEP operating permits contain the most recent and accurate information describing the flows upon which operating capacity is based, when such information is not available, the average daily flow in the maximum month should be used.

APPROVED

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

Recommendation: Yes, iron filtration should be considered water treatment plant. The appropriate used and useful percentage is derived in the same manner as other water treatment plant on a facility by facility basis.

APPROVED

Issue 41: Will be addressed with Issue 16.

Issue 145 should be considered before Issue 42.

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

Recommendation: Additional components required to achieve a level of treatment qualifying for reuse, as approved by the DEP, should be considered reuse components. Reuse and what is considered to be reuse components should be evaluated on a case by case basis. Used and useful percentages should be applied to reuse components in a similar manner as those applied to standard treatment. That is, percentages calculated as a function of capacity required by actual usage versus capacity constructed or permitted by FDEP. Reuse is beneficial because it contributes to a reduction in the demand of water from aquifers and other water resources. Components such as percolation ponds or injection wells do not contribute to a reduction of demand on water resources, therefore should not be eligible for reuse consideration. If a WWTP and its components are considered 100% used and useful excluding reuse components, that portion used for reuse should also be considered to be 100% used and useful. Recommended used and useful percentages for SSU's reuse facilities are listed under Issue 45.

APPROVED

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

Recommendation: Yes. The approved non-used and useful percentages should be 37.43% and 22.33% for water and wastewater lines, respectively. Non-used and useful wastewater advances should also be decreased by \$424,119. No adjustment should be made to non-used and useful water advances. The net non-used and useful adjustments should be a decrease to water rate base of \$670,056 and a decrease to wastewater rate base of \$289,397.

APPROVED

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

Recommendation: This Commission must consider three separate scenarios in this situation. The first occurs when customer demands are lower than in the previous rate proceeding thus creating a lower used and useful percentage. Under this scenario, the percentage found in the previous proceeding is the appropriate percentage to use, provided that no new plant component(s) have been added. The second scenario occurs when plant component(s) have been added, and a used and useful percentage on the new capacity yields a lower percentage than the last proceeding. In this scenario, the new used and useful percentage is appropriate if the resulting plant in service (UPIS) is greater than the UPIS granted in the last proceeding. The third scenario allows for errors in the Commission's previous methodology or calculation of used and useful percentages. Under this scenario, the new used and useful percentage should be used, even if previous investment is affected.

On its own motion, the Commission reconsidered the initial vote approving this issue and decided no vote is necessary.

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

Primary Recommendation: The percentages highlighted in Attachment B of staff's July 24, 1996 memorandum are the appropriate used and useful percentages.

DENIED

Alternate Recommendation: Where the newly calculated used and useful is lower than the Commission authorized in the last rate proceeding, and good reason exists to lower the percentage, the newly calculated percentage should be used. Consistent with the recommendation in Issue 41, transmission and distribution lines as well as the collection system should be calculated based on lots connected (or derived number of meters in this instance) to lots available. Therefore, even though the Commission authorized a higher used and useful in the last rate proceeding due to calculating used and useful for lines based on the number of ERCs connected to lots available; the new, lower used and useful percentage is appropriate. The remaining used and useful percentages are as recommended in the primary.

APPROVED

Commissioner Clark dissented.

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Issue 46: Should the utility's proposed adjustment to reverse depreciation taken on non-used and useful facilities be approved?
Recommendation: No. This adjustment would result in retroactive ratemaking and should be disallowed. Furthermore, the Commission did not err in its prior decision on non-used and useful depreciation expense. The appropriate remedy would have been for the utility to request an AFPI charge or request reconsideration of the Commission's prior orders. Therefore, the Commission should increase accumulated depreciation in total by \$956,915 and \$904,261 for water and wastewater, respectively.

APPROVED

Issue 47: Are any adjustments necessary to correct accumulated depreciation and amortization of CIAC related to guideline depreciation and amortization rates being booked prior to implementation of service rates?
Recommendation: Adjustments are necessary to reduce accumulated amortization of CIAC in total by \$128,751 and \$135,129, for water and wastewater, respectively.

MODIFIED

Utility adjustments to accumulated depreciation should be approved by \$199,086 and \$518,176 for water and wastewater, respectively.

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

Primary Recommendation: Yes, for those facilities where a margin reserve is included in the used and useful calculation, CIAC should be imputed as an offsetting measure. It should, however, be limited to the amount of net plant included in the margin reserve.

MODIFIED

*Approved with modification that half of associated CIAC will be imputed.
Commissioner Keeling dissented.*

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Alternative Recommendation: No. Imputation of CIAC on margin reserve offsets any benefits which may accrue as a result of granting a margin reserve thereby negating any incentive the utility may have to economically construct facilities and benefit from economies of scale. Past Commission policy has supported the imputation of CIAC. Recent DEP rule changes, however, have increased the time required to plan, obtain permits, and construct new facilities thereby greatly increasing the period of investment by the utility. Since a margin reserve is included in used and useful calculations, any imputation of CIAC offsets that margin reserve and prevents the utility from earning a return on used and useful facilities. Imputation of CIAC is counterproductive and contrary to prudent engineering decisions. Contrary to past Commission decisions, CIAC should not be imputed.

DENIED

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

Recommendation: No. The Commission should not impute CIAC, as SSU does not have access to the escrow funds which Lehigh Corporation (Lehigh) utilizes to construct utility assets. Furthermore, SSU is not a party to the associated escrow agreements.

APPROVED

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

Recommendation: No. No adjustment should be made, except as a fallout to other non-used and useful percentages recommended in these accounts.

APPROVED

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

Recommendation: Yes. The Commission should increase CIAC by \$225,100, the same amount that the utility included in project costs for the 1996 test year.

APPROVED

Issue 52: Stipulation.

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

Recommendation: No. No adjustments are necessary. The acquisition adjustment issue for all of SSU facilities has previously been addressed by the Commission in other proceedings. No new evidence has been presented in this case which shows that the Commission erred in those proceedings and those decisions should not be re-addressed. Even if the issue were to be re-addressed, the negative acquisition adjustments are not appropriate based on the Commission's current acquisition policy. The Lehigh and Deltona transactions were sales of stock not assets, thus no acquisition adjustment is warranted.

APPROVED

Commissioner Deason dissented.

Issue 54: Stipulation.

Issue 55: Moved to Issue 86(a).

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

Recommendation: Yes. An adjustment should be made to reduce total company working capital by \$1,849,076.

APPROVED

Issue 57: Dropped.

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

Recommendation: Total company working capital should be reduced by \$43,454. In addition, a corresponding adjustment should be made to reduce amortization expense for Keystone Heights by \$1,990.

APPROVED

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

Recommendation: No. SSU's total company working capital should be reduced by \$17,615.

APPROVED

Issue 60: Stipulation.

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Issue 61: What is the total company balance of working capital?
Recommendation: The appropriate amount of total company working capital should be \$4,702,087, resulting in a total decrease of \$2,452,905.

APPROVED

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

Recommendation: Yes, deferred debits for Marco Island should be allowed. The appropriate test year amortization amount is \$53,821, with a 25-year amortization period. This adjustment decreases test year amortization by \$239,341 and the unamortized balance included in rate base by rate by \$5,093.

MODIFIED

*Approved with a 5-year amortization period beginning with the time projects are terminated.
Commissioner Johnson dissented.*

Issue 63: What are the appropriate rate base amounts in total and by plant?
Recommendation: The recommended rate bases for the test year ended December 31, 1996, are shown in the schedules included in staff's July 24, 1996 memorandum.

APPROVED (*call out*)

Issue 64: Stipulation.

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

Recommendation: Yes. The common equity component of SSU's capital structure should be reduced by \$4,800,000. The Commission should not make any other adjustments to common equity.

APPROVED

From: Maggi O'Sullivan
To: Blanca Bayo
Subject: fwd: SSU 950495-WS vote sheet

Confirm receipt

====NOTE=====9/13/96==3:06pm=====

Hi Blanca,

This is something that I didn't catch earlier. On the vote sheet from the 7/31 Special Agenda, Issue 62 indicates that they approved a 5 year amortization period. However, in looking at the transcript of the hearing (pages 263-4 of the 7/31 transcript), it appears that the Commissioners approved a 10 year amortization period. I am going to indicate the 10 year period in the order, but wanted to alert you to the discrepancy.

Thanks

Fwd=by:=Blanca=Bayo=====

Fwd to: Maggi O'Sullivan

.....
Thank you. I will place a copy of this e-mail in the docket file.

*Blanca S. Bayo
9/13/96*

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

Recommendation: The appropriate cost of common equity is 11.88%, with a range of plus or minus 100 basis points.

APPROVED

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

Recommendation: The appropriate amount of accumulated deferred income taxes is a debit \$4,496,962 on a total company basis. Deferred income taxes in Account 283 - depreciation, Account 190 - alternate minimum tax and Account 190 - other should be allocated to the individual rate bases on the basis of average gross plant, as reflected in the SSU filing. The deferred income taxes in Account 190 - OPEBs should be allocated to the individual rate bases on the basis of customers - total company, as reflected in the SSU filing. However, the debit deferred income taxes in Account 190 - CIAC should be allocated to the individual rate bases on the basis of the 1996 average of cumulative taxable CIAC activity, 1987 through the end of the 1996 test year, rather than 1996 CIAC activity, as filed.

APPROVED

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

Recommendation: The appropriate amount of unamortized investment tax credits, prior to reconciliation to rate base, is \$1,933,972, an increase of \$598,159.

APPROVED

Vote Sheet
Special Commission Conference
Docket No. 950495-WS
July 31, 1996

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

Recommendation: The appropriate weighted average cost rate for investment tax credits is 10.17%, the weighted cost of the investor sources of capital using long-term debt, short-term debt, common stock and preferred stock.

APPROVED

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

Recommendation: The appropriate overall cost of capital is 10.13%.

APPROVED

Issue 71: Stipulation.

Issues 76 and 75 should be considered before Issue 72 in that order.

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

Recommendation: No. As discussed in Issue 75, the Commission should project Marco Island's 1996 water revenues on 179,945 total ERCs and 2,236,503,459 total gallons, excluding bulk water. Based on these billing determinants the Commission should increase test year water revenue by \$33,274, excluding any conservation and/or price elasticity adjustments. Staff will recommend whether a price elasticity and/or a conservation adjustment is appropriate for determining rates in its August 8, 1996 memorandum.

APPROVED

Vote Sheet
Special Commission Conference
Docket No. 950495-WS
July 31, 1996

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

Recommendation: No, there are no revenue or expense adjustments necessary to reflect the normalization of test year revenue for weather/rainfall.

APPROVED

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

Recommendation: Yes. The utility's proposed repression adjustment is based upon its proposed revenue requirement. However, staff's recommended repression adjustment, if any, cannot be determined until after the Commission determines the utility's appropriate revenue requirement. Consequently, this issue will be revisited in staff's August 8, 1996 memorandum. The Commission therefore should increase test year expenses by \$287,585 to reverse the repression-related expense reductions recorded by SSU. Depending upon staff's recommended repression adjustments, if any, the August 8 memorandum may include additional expense adjustments necessary to reflect the direct effects of those adjustments on variable operation and maintenance expenses.

APPROVED

Issue 76: Should be considered before Issue No. 75.

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

Recommendation: To calculate test year revenue, the Commission should use the number of projected bills, ERCs and gallons for the 1996 projected test year that are shown on Attachment D of staff's memorandum. To determine the appropriate 1996 projected bills and ERCs, the Commission should use SSU's methodology with staff's adjustments, as discussed in analysis portion of staff's memorandum. To determine the appropriate 1996 projected water gallons, the Commission should use the actual 1994 average consumption per bill and apply this to the recommended 1996 projected bills, excluding private fire protection and bulk water customers, as shown on Attachment D of staff's memorandum. To determine the appropriate 1996 wastewater gallons, the actual 1994 average capped usage per bill should be used and applied to the recommended 1996 wastewater bills, excluding effluent and multi-family non-metered customers, as shown on Attachment D. The appropriate 1996 ERCs for both water and wastewater that will be used to calculate rates for service is contained on these schedules. The appropriate 1996 wastewater usage to calculate wastewater rates should be based on Attachment D. The water gallonage determinants associated with conservation and repression, will be presented in recommended adjustments to Attachment D (to determine the appropriate number of 1996 water gallons upon which to base rates) in staff's August 8, 1996 memorandum.

APPROVED

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

Recommendation: Yes. Test year water revenue should be increased by \$183,668 and test year wastewater revenue should be reduced by \$13,688 to reflect that Hideaway Beach and the Tommie Barfield School will not be connected as reuse customers in 1996.

APPROVED

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

Recommendation: Yes. Test year revenue should be increased by \$57,595 and test year income should be increased by \$8,351.

APPROVED

Vote Sheet
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Issue 78: Stipulation.

Issue 79: Stipulation.

Issue 80: Should the Commission accept the projected wage increases of SSU regarding market equity, merit, licensure, and promotional adjustments?
Recommendation: Yes. The utility's 1996 projected salary increases totaling 5.75% are prudent and reasonable.

APPROVED

*Commissioners Deason and
Kiesling dissented.*

Issue 81: Stipulation.

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

Recommendation: Yes, in part. A market adjustment of 2.7% should be approved. Consequently, SSU's projected 1996 salaries should be reduced by 2.07%, or \$117,655 and \$86,143 for water and wastewater, respectively.

APPROVED

*Commissioners Deason and
Kiesling dissented.*

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

Recommendation: Test year expenses should be reduced by \$65,661 for salaries and \$15,626 for related expenses.

APPROVED

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

Recommendation: Yes. Test year expenses should be reduced by \$175,928 for salaries and \$10,742 for related expenses.

APPROVED

Issue 85: Stipulation.

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

Recommendation: The total cost of the immunization program should be \$35,520, amortized over a five-year period. This results in an annual expense of \$7,104 and a reduction to test year expenses of \$9,208.

APPROVED

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

Recommendation: Yes. An adjustment should be made to reduce test year expenses by \$93,452.

APPROVED

Vote Sheet
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Issue 87: Are any adjustments necessary to sludge hauling expense at the Beecher's Point/Palm Port facility?

Recommendation: No. The cost of hauling treated effluent from the percolation ponds at the Beecher's Point facility should be identified as "Purchased Sewage Treatment Expense" rather than sludge hauling however it is still a legitimate, prudent, recurring expense.

APPROVED

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

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

APPROVED

Issue 89: Stipulation.

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

Recommendation: No, an adjustment should not be made to remove the utility's allocated share of Shareholder Services..

MODIFIED

The Commissioners voted to reconsider its initial approval of this issue and subsequently decided to disallow the entire amount of shareholder services expense but allow 25 basis points.

Issue 91: Stipulation.

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

Recommendation: No. The Commission should disallow \$181,019 of the Company's proposed conservation expenses. Therefore, the appropriate amount of conservation expenses is ~~\$343,712~~. SSU should be required to file with the Commission copies of all reports, surveys, etc. that are provided to the WMDs with respect to any aspect of the utility's conservation program.

MODIFIED

#343,412

Approved with noted correction.

Commissioner Kieseling dissented.

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

Recommendation: Total current rate case expense of \$1,328,816 should be allowed. This results in an increase of \$333,664 above the original estimate in the MFRs and a decrease of \$299,249 to the revised rate case expense per Exhibit 255. Moreover, the Commission should decline to entertain the utility's request for reconsideration of the Chairman's ruling on Exhibits 257 and 258.

APPROVED

The Commission moved to not reconsider the Chairman's ruling on Exhibits 257 and 258.

Commissioners Deason and Kieseling dissented.

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

Recommendation: Yes. The utility should be allowed to recover a total of \$416,502, amortized over 5 years. This is a reduction of \$113,511 from the utility's revised estimate of \$530,013. Further, the costs should only be allocated to the facilities involved in Docket No. 930880-WS, including Spring Hill, and not to the current facilities that were not included in the docket.

APPROVED

Commissioners Deason and Johnson dissented.

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

Recommendation: Yes. The total estimated cost of \$95,530 should be amortized over 5 years. Test year expenses should be reduced by \$29,404, and the 13-month average balance of working capital should be increase by \$79,395.

APPROVED

Commissioners Deason and Johnson dissented.

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

Recommendation: The utility's requested additional costs are excessive, largely unsupported and should be reduced. Nevertheless, \$100,000 should be allowed for those costs incurred beyond the amount allowed in the final order. This amount recognizes that some costs are prudent based on the fact that the reconsideration and appeal of the Commission's final order occurred. This results in a decrease to the revised estimate of \$359,231. The adjustment necessary to the MFRs is a decrease of \$184,261. The additional costs allowed should be amortized over four years as rate case expense to all facilities included in Docket No. 920199-WS.

MODIFIED

*The company was granted \$207,148 in additional rate case expense subsequent to the final order in Docket 920199-WS
Commissioner Deason dissented*

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

Recommendation: No.

APPROVED

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

Recommendation: No. An adjustment should not be made to corporate insurance expense.

APPROVED

Vote Sheet
Special Commission Conference
Docket No. 950495-WS
July 31, 1996

Issue 99: Should a true-up budget adjustment be made to test year expenses?
Recommendation: Yes. Test year expenses should be reduced by \$496,035.

APPROVED

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

Recommendation: An adjustment of \$14,341 should be made to reduce the excessive employee recognition expenses. However, no adjustment should be made for the bad debt expense or the Price Waterhouse audit.

APPROVED

Issue 101: Dropped.

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

Recommendation: No, a 1996 attrition factor of 2.49% should not be applied to 1995 expenses.

APPROVED

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

Recommendation: No. Since there is no evidence in the record to support the actual 1995 SFAS 106 expenses, these expenses should not be considered in the test year. Therefore, no adjustment is necessary.

APPROVED

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Issue 104: Dropped.

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

Recommendation: Yes. An adjustment is necessary to reflect gains on the River Park facilities and Spring Hill land sales. The total gain of \$235,675 should be amortized over five years for an annual deduction in operating expenses of \$47,135. None of the gains on sale of the Saint Augustine Shores or Venice Gardens Utilities facilities should be recorded above the line.

APPROVED

Issue 106: If gains on sale are to be amortized and shared by ratepayers, should the amount of the gain first be offset by an amount sufficient to increase the level of utility earnings during the historic period to a level equivalent to the applicable rate of return authorized by the Commission for each year during the historic period?

Recommendation: No, this would be retroactive ratemaking.

APPROVED

Issue 107: Is an adjustment appropriate to reduce regulatory assessment fees related to Marco Shores purchased water from Marco Island (Audit Exception No. 4)?

Recommendation: Yes. Marco Island's regulatory assessment fees should be reduced by \$3,118.

APPROVED

Vote Sheet
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Issue 108: Are adjustments necessary to property taxes for used and useful plant adjustments?

Recommendation: Yes. Property taxes should be adjusted as a result of any changes recommended to used and useful plant. No other adjustments are necessary.

APPROVED

Issue 109: Stipulation.

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

Recommendation: The parent debt adjustment (PDA), supported by the jurisdictional rate base is $\$(.00313*RB)$. The PDA should be allocated to the individual plants on the basis of rate base.

APPROVED (*Fall-out*)

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

Recommendation: Based on the Commission's approval of the recommendations in Issues 68 and 69, above-the-line ITC amortization for the FPSC plants is \$69,178, allocated to the plants on the basis of gross plant. Any change to Issue 68 or 69 will necessitate a "fall-out" recalculation of the above-the-line ITC amortization.

APPROVED (*Fall-out*)

Vote Sheet
Special Commission Conference
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Issue 116: What are the revenue requirements in total and by plant?
Recommendation: The recommended revenue requirements for the test year ended December 31, 1996 are listed in the schedules listed in staff's July 24, 1996 memorandum.

APPROVED (*Full-out*)

Other Issues:

Issue 141: What are the appropriate annual and monthly AFUDC rates?
Recommendation: The appropriate annual rate should be 10.03%, with a monthly discounted rate of 0.835516%.

APPROVED (*Full-out*)

Issue 145: Do Sections 367.0817 and 403.064, Florida Statutes, require that reuse facilities be considered 100% used and useful?
Recommendation: No. Those sections provide for the recovery of all prudent costs in rates for reuse facilities, but do not mandate that the facilities be considered 100% used and useful.

APPROVED